



April 22, 2015

International Auditing and Assurance Standards Board  
International Federation of Accountants  
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Via IAASB website at [www.iaasb.org](http://www.iaasb.org)

Re: Proposed Revised International Standards on Auditing 800 and 805

Dear Board Members and Staff:

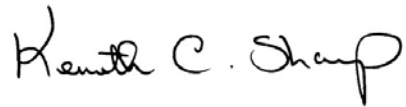
Grant Thornton International Ltd appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB or Board) Proposed International Standard on Auditing (ISA) 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, and ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific elements, Accounts or Items of a Financial Statement*, as well as the proposed conforming amendments to ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*.

First, we would like to take this opportunity to commend the Board on the adoption of the new and revised Auditor Reporting Standards and the Board's actions to promote awareness, acceptance, and application of these standards. We also support the Board in its decision to separately obtain feedback on how the changes related thereto should affect audits of financial statements prepared in accordance with a special purpose framework, audits of single financial statements, and audits of a specific element, account or item of a financial statement. In this regard, we found the table included in the Explanatory Memorandum that summarizes the enhancements resulting from the new and revised Auditor Reporting standards and the IAASB's decisions regarding their applicability to an ISA 800 and ISA 805 engagement quite useful. Overall, we are generally supportive of the Board's decisions described therein, except with respect to the enhancements related to going concern. We are also supportive of aligning the effective dates of the proposed revised standards with the new and revised Auditor Reporting standards.

Our specific comments and recommendations related to the proposed revised standards and the related proposed conforming amendments, including those in response to the IAASB's specific request for comments included in the Explanatory Memorandum follow. We would be pleased to discuss these comments and recommendations with you.

If you have any questions, please contact Maria Manasses, Managing Director – Audit Methodology and Standards, at (312) 208-4655 or at [Maria.Manasses@us.gt.com](mailto:Maria.Manasses@us.gt.com).

Sincerely,



Kenneth C. Sharp  
Global Leader – Assurance Services  
Grant Thornton International Ltd

Enc Responses to specific questions  
Specific paragraph-level comments

## Responses to specific questions

The following provides our specific comments and recommendations in response to the IAASB's specific request for comments included in the Explanatory Memorandum.

**1. Whether respondents agree with how the enhancements resulting from the new and revised Auditor Reporting standards have been addressed in proposed ISA 800 (Revised) and proposed ISA 805 (Revised) as explained in paragraphs 10-32 of the Explanatory Memorandum.**

We fundamentally agree with how the majority of the enhancements resulting from the new and revised Auditor Reporting standards have been addressed in proposed ISA 800 (Revised) and proposed ISA 805 (Revised), as summarized in the table in paragraph 10 of the Explanatory Memorandum. Specific comments and recommendations for the Board's consideration are included below in our response to the additional questions and in our specific paragraph-level comments. In addition, we provide the following observations:

- We have some concerns with disclosing the name of the engagement partner in the auditor's report in an ISA 800 and ISA 805 engagement, considering the use of auditor's reports on such engagements varies and that legal frameworks differ. For such engagements, we question whether the disclosure should be left to regulators and national standard setters to adopt an approach that fits their jurisdiction, or to defer the requirement in order to consider the results of the post-implementation review.
- We have significant reservations with respect to the new reporting requirements related to going concern in an ISA 800 engagement and, in particular, an ISA 805 engagement. ISA 800 and ISA 805 engagements are quite frequent and diverse throughout many jurisdictions, and in some cases, an audit of the complete set of financial statements may not be performed. We believe that additional guidance is necessary with respect to when the going concern basis of accounting is relevant or is a fundamental principle, mainly in situations where the applicable financial reporting framework is not explicit (for example, the cash basis of accounting in some jurisdictions). Further, we believe that the auditor's report language was written in the context of a complete set of financial statements; we view this language as being misleading, especially when reporting on a specific element, account, or item of a financial statement and an audit of the complete set of financial statements was not performed. In addition, the feasibility and appropriateness of reporting on going concern in such circumstances is questionable. In

an ISA 800 engagement, we also believe that the reference to the “going concern basis of accounting” can be misunderstood when also referring to the “basis of accounting” in reference to the applicable financial reporting framework.

**2. Whether the proposed standards include sufficient guidance to enable auditors to appropriately apply the new and revised Auditor Reporting standards in the context of ISA 800 and ISA 805 engagements.**

We do not have any additional comments or recommendations, other than those already included herein, relative to the application of the new and revised Auditor Reporting Standards in the context of an ISA 800 or ISA 805 engagement.

**3. In relation to KAM:**

**(a) Do respondents agree with the IAASB’s decision that the communication of KAM be voluntary for all entities under both proposed ISA 800 (Revised) and proposed ISA 805 (Revised), unless required by law or regulation?**

We agree with the IAASB’s decision that the communication of key audit matters (KAM) be voluntary, unless required by law or regulation, for all entities under both proposed ISA 800 (Revised) and proposed ISA 805 (Revised). In particular, we concur with the IAASB’s view to allow practice to emerge in this area, whereby further insights may be obtained as part of the planned post-implementation review.

**(b) Specific to proposed ISA 805 (Revised), whether respondents support the IAASB’s proposed direction that reference to KAM that is communicated in the auditor’s report on the complete set of financial statements be permitted in the ISA 805 auditor’s report using an other-matter paragraph and how this has been illustrated in the ISA. In particular, the IAASB would also welcome respondent’s views about:**

Overall, we support the proposed approach related to KAM communicated in the auditor’s report on the complete set of financial statements. We believe that such KAM would be specific to the audit of the complete set of financial statements and would need to be understood in that context. Accordingly, we agree with the proposed direction to permit the auditor to include a reference to the fact that the auditor has communicated such KAM in an other-matter paragraph in the auditor’s report on a single financial statement or on a specific element, account, or item of the financial statements.

**(i) The usefulness of the guidance in paragraph A23 in proposed ISA 805 (Revised) and the appropriateness of Illustration 3 in Appendix 2 to assist auditors in determining how to make a reference in the ISA 805 auditor’s report to KAM that are communicated in the auditor’s report on the complete set of financial statements.**

Although paragraph A23 is useful, we believe that certain guidance in this paragraph could be further clarified; for instance:

- It is not clear why the availability of an auditor’s report on the complete set of financial statements would be affected when key audit matters are communicated on a voluntary basis in the audit of an entity other than a listed entity. Further, it seems inappropriate to include such guidance in ISA 805 (Revised) without any such notions being included in ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*.
- The reference to “additional key audit matters” in the last sentence is confusing. As indicated above, KAM are specific to the audit performed. We do not view these matters as additional KAM, only KAM that are relevant to the audit of the single financial statement or a specific element, account, or item of the financial statements. In this regard, we believe that it would be important to further clarify and stress the difference between simply indicating that KAM, which may or may not be relevant to an ISA 800 or ISA 805 engagement, have been communicated in connection with the audit of the complete financial statements versus the KAM that are relevant and are communicated as part of the ISA 800 or ISA 805 engagement.

We believe that Illustration 3 in Appendix 2 is appropriate and also necessary to illustrate what is intended by the guidance in paragraph A23.

**(ii) In light of views on (i) and the Board’s deliberations summarized in paragraphs 25-32 of the Explanatory Memorandum, whether it is necessary to establish requirements in proposed ISA 805 (Revised) related to a reference to KAM in the ISA 805 auditor’s report either to promote consistent treatment in practice or expressly prohibit certain approaches (e.g., a reference only to relevant KAM in the auditor’s report on the complete set of financial statements or the possibility of repeating the full description of a KAM).**

We are comfortable with addressing KAM via the application and other explanatory material and do not believe that additional requirements are necessary. The guidance can easily be expanded to address the specific concerns identified. However, we would not be opposed to including specific requirements that are consistent with the proposed guidance should the Board conclude that such requirements would result in a better understanding of what is intended, thus ultimately promoting consistency.

**4. The IAASB would also welcome feedback on whether conforming amendments to extant ISA 810 are needed at this time and, if so, what approach could be taken to incorporate the enhancements resulting from the new and revised Auditor Reporting standards.**

With respect to ISA 810, *Engagements to Report on Summary Financial Statements*, our outreach to certain Grant Thornton International Ltd member firms indicated that ISA 810, as issued by the IAASB, has limited use worldwide, except in certain jurisdictions such as Canada whereby reporting on summary financial statements is quite common. In many cases, we found that ISA 810 has not been adopted, is not customary, or is rarely used. In some cases, the reporting is prescribed by local law or regulation.

Accordingly, we support the IAASB staff's proposal, as outlined in the March 2015 IAASB agenda materials, to undertake a detailed technical review for the purpose of identifying conflicts, which would make ISA 810 inoperable in relation to the new and revised Auditor Reporting Standards. This includes the proposal to explore a more holistic approach as part of the IAASB's Work Plan for 2017-2018. In this regard, we believe that extensive revisions of ISA 810 should not be made at this time and that the limited conforming amendments should be exposed for comment.

## Specific paragraph-level comments

The following provides certain specific paragraph-level comments related to the proposed revised standards for the Board's consideration.

Paragraph	Comment
<b>Proposed ISA 800 (Revised)</b>	
A13	In the first sentence, we suggest replacing the phrase "contains requirements and application and other explanatory material regarding" with the phrase "deals with" for consistency with similar references to other ISAs. In addition, we do not fully understand the intent of the second sentence, particularly the focus on other information rather than the annual report.
A15	In the second sentence, we suggest referring to "relevant" requirements in other ISAs to more clearly indicate that some of the requirements may not be relevant in the circumstances.
Illustration 1	In the first paragraph, we suggest eliminating the term "accompanying" for consistency with the other illustrations.
Illustration 2	In the last bullet summarizing the illustrative auditor's report circumstances, we note a duplicative reference to the phrase "or regulation" that should be eliminated.
Illustrations 2 and 3	In the first paragraph, we note an inconsistency in paragraph 1 of illustration 1 and paragraph 1 of illustrations 2 and 3 in ISA 805. The inconsistency relates to the inclusion/exclusion of the sentence identifying the applicable financial reporting framework. Either approach seems acceptable, but we would prefer consistency between all reports.
<b>Proposed ISA 805 (Revised)</b>	
15	This paragraph addresses material uncertainties related to going concern and misstatements of other information related to the complete set of financial statements. Paragraph 15(a) requires the auditor to determine the effect these matters may have on the auditor's report on a single financial statement or on a specific element, account, or item of those financial statements. We believe that this requirement should be revised to only apply to misstatements of other information, as paragraph 15(b) specifically requires the inclusion of the "material uncertainty related to going concern" section in the auditor's report on a single financial statement or on a specific element, account, or item of the financial statements. Otherwise, we suggest clarifying the intent of paragraph 15(a) relative to material uncertainties related to going concern.
A20	For consistency with the definition of an annual report, we suggest adding the phrase "and the auditor's report thereon" after the phrase "containing or accompanying the single financial statement or a specific element of a financial statement."
Illustration 3	Considering our previous comments, we propose modifying this illustration to indicate that the going concern basis of accounting is not applicable.  In addition, in the first paragraph, we suggest eliminating the term "accompanying" for consistency with the other illustrations.