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Ms. Kathleen Healy
Technical Director
International Ethics Standards Board for Accountants
545 Fifth Avenue
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22 April 2015

Re: Exposure Draft – 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

Dear Ms Healy,

On behalf of RSM International Limited, a global network of independent accounting and consulting firms, we are pleased to have the opportunity to respond to your Exposure Draft – 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.

We believe that the changes and amendments with respect to the Auditor Reporting standards are of fundamental importance to the profession and we support the IAASB in its work to ensure that the impact of those standards is appropriately reflected as required in other standards on a timely basis. We believe that this Exposure Draft achieves that objective.

Overall, we agree with the general approach taken as outlined in the table in paragraph 10 of the explanatory memorandum.

Questions for Respondents

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 this EM. If not, respondents are requested to provide their rationale as to why they do not support the proposals and, where applicable, suggest alternative approaches.

Other than the specific matters described below, overall we agree with how the enhancements resulting from the new and revised Auditor Reporting standards have been address in the proposed ISA 800 (Revised) and ISA 805 (Revised).

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.

Yes, overall the proposed standards include sufficient guidance to enable auditors to appropriately apply the new and revised Auditor Reporting standards. However, the following topic should be addressed to improve the clarity of the requirements and guidance.

Going concern

There is a potentially confusing difference in the approach taken with respect to the applicability of paragraphs 33(b) and 38(b)(iv) of ISA 700 (Revised) between ISA 800 (Revised) and ISA 805 (Revised).

Paragraph 11 of ISA 805 states “... the auditor shall apply the requirements in ISA 700 (Revised), adapted as necessary in the circumstances of the engagement. (Ref: Para. A15 – A21)”. Paragraph A18 of ISA 805 (Revised) describes the circumstances with respect to whether the going concern basis of accounting is not relevant and the related applicability of paragraphs 33(b) and 38(b)(iv) of ISA 700 (Revised). Whereas, paragraph 11 of ISA 800 includes a similar requirement to apply the requirements in ISA 700, but no instruction within the requirement paragraph to “adapt as necessary in the circumstances of the engagement”. However, paragraph A16 of ISA 800 describes identical circumstances whereby paragraphs 33(b) and 38(b)(iv) of ISA 700 (Revised) do not apply.

We believe that paragraph 11 of ISA 800 should include a similar instruction, thereby enabling the auditor to consider the circumstances and apply paragraphs 33(b) and 38(b)(iv) of ISA 700 (Revised) only when applicable.

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?

Yes.

(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 OM paragraph and how this has been illustrated in the ISA (see paragraphs 25–32 above).

In particular, the IAASB would also welcome respondents’ views about:

(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; and

(ii) In light of views on (i) and the Board’s deliberations summarized in paragraphs 25–32 above, whether it is necessary to establish requirements in proposed ISA 805 (Revised) relating 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 agree with the approach taken with respect to the referencing of Key Audit Matters using the Other Matters paragraph, as illustrated in Appendix 2.

However, for the sake of consistency and clarity, we believe that a requirement is necessary to more definitively articulate what is currently described in para A19 of ISA 805 “... or the auditor otherwise decides to communicate key audit matters”. It is not sufficiently clear what is intended by this statement. We believe that Key Audit Matters should be referenced by the auditor in the Other Matters paragraph if the Key Audit Matter is relevant to the auditor’s report and as such the auditor should be required to assess whether that is the case or not. In addition, paragraph A23 of ISA 805 would be improved by a clearer explanation of the features of engagement and Key Audit Matters that would trigger inclusion and would further be improved if examples of such Key Audit Matters were provided.

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.

We believe that the IAASB should consider conforming amendments to ISA 810 and commence a consultation on those areas of this standard that could be impacted by the changes to the Auditor Reporting standards. Our initial view is that there will be a minimal need to change this standard due to the limited nature of the auditor’s report.

In addition to the requests for specific comments above, the IAASB is also seeking comments on the general matters set out below:

(a) Preparers (including Small- and Medium-Sized Entities (SMEs)), and Users (including Regulators)— The IAASB invites comments on the proposed revised ISAs from preparers (particularly with respect to the practical impacts of the proposed revised ISAs), and users (particularly with respect to the reporting aspects of the proposed ISAs and whether the communicative value of the auditor’s reports in accordance with proposed ISA 800 (Revised) and proposed ISA 805 (Revised) would be enhanced).

Not applicable.

(b) Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposed revised ISAs, in particular, on any foreseeable difficulties in applying it in a developing nation environment.

Not applicable.

(c) Translations—Recognizing that many respondents may intend to translate the final ISAs for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed revised ISAs.

No comments.

(d) Effective Date— In line with the effective date of the new and revised Auditor Reporting standards, the effective date of:

- Proposed ISA 800 (Revised) is for audits of special purpose financial statements for periods ending on or after December 15, 2016; and

- Proposed ISA 805 (Revised) is for audits of single financial statements or specific elements, accounts or items for periods ending on or after December 15, 2016. In the case of audits of single financial statements or specific elements, accounts or items of a financial statement prepared as at a specific date, proposed ISA 805 (Revised) is effective for audits of such information prepared as at a date on or after December 15, 2016.

We agree that the effective dates of Proposed ISA 800 (Revised) and Proposed ISA 805 (Revised) should be in line with the effective date of the new and revised Auditor Reporting standards.

We would be pleased to discuss our comments further with members of the IAASB or its staff. If you wish to do so, please contact Robert Dohrer (tel: +44 207 601 1080; email: robert.dohrer@rsmi.com).

Yours sincerely



Robert Dohrer
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