

ISA 800 Series Issues and Drafting Team Recommendations

Introduction

1. The purpose of this paper is to consider the implications of the proposed changes to the ISA 700¹ series² on ISAs 800,³ 805⁴ and 810⁵ (the “ISA 800 Series”). The scope of the ISA 800 Series project is limited to the changes that arise from the auditor reporting project only. Accordingly, the nature of DT-700’s proposals is expected to be limited in nature. However, these changes are more substantial than what is routinely understood to be conforming amendments. This is because it is necessary to make decisions about the extent to which changes in the ISA 700 series should apply to the different types of engagements addressed by the ISA 800 Series. Accordingly, DT-700 is proposing that the IAASB describe the changes to the ISA 800 Series as “consequential amendments”. Under such an approach, the IAASB would preserve the linkage that exists between the ISA 700 series and the ISA 800 Series.
2. The IAASB’s July 2013 Auditor Reporting Exposure Draft (ED) noted that the IAASB would propose necessary changes to the ISA 800 Series in a separate ED with the aim of having the effective dates of all of the ISA reporting standards aligned to the extent practicable. The IAASB’s current project timetable therefore includes a separate project to consider necessary revisions to the ISA 800 Series with plans to expose these amendments in September 2014, and finalize them in June 2015.

Overview of the ISA 800 Series and the Linkage between the ISAs 800 Series and ISA 700

Scope of the Individual ISAs in the ISA 800 Series

3. The scopes and objectives of each of the individual ISAs in the extant ISA 800 Series are notably different, as noted below. Accordingly, it is necessary to evaluate the potential changes that might be necessary for each ISA on an individual basis.

¹ ISA 700, *Forming an Opinion and Reporting on Financial Statements*

² In this context, the ISA 700 series relates to proposed ISA 700 (Revised); ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*; ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*; and ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Auditor’s Report*.

³ ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

⁴ ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements*

⁵ ISA 810, *Engagements to Report on Summary Financial Statements*

	Scope	Objective(s)
ISA 800	<p>Deals with special considerations in the application of the ISAs (100-700 series) to an audit of financial statements that are prepared in accordance with a special purpose framework.</p> <p>The ISA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework.</p>	<p>When applying ISAs in an audit of financial statements prepared in accordance with a special purpose framework, to address appropriately the special considerations that are relevant to:</p> <p>(a) The acceptance of the engagement; (b) The planning and performance of that engagement; and (c) Forming an opinion and reporting on the financial statements.</p>
ISA 805	<p>Deals with special considerations in the application of the ISAs (100-700 series) to an audit of a single financial statement or of a specific element, account or item of a financial statement. If prepared in accordance with a special purpose framework, ISA 800 also applies to the audit.</p>	<p>When applying ISAs in an audit of a single financial statement or of a specific element, account or item of a financial statement, to address appropriately the special considerations that are relevant to:</p> <p>(a) The acceptance of the engagement; (b) The planning and performance of that engagement; and (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.</p>
ISA 810	<p>Deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor.</p>	<p>1. To determine whether it is appropriate to accept the engagement to report on summary financial statements; and</p> <p>2. If engaged to report on summary financial statements:</p> <p>(a) To form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and (b) To express clearly that opinion through a written report that also describes the basis for that opinion.</p>

Linkage between the ISAs in the ISA 800 Series and ISA 700

4. Auditor reporting on audits of financial statements that are prepared in accordance with a special purpose framework (i.e., audits where ISA 800 applies) is linked directly to the reporting

requirements in extant ISA 700.⁶ The same is true for audits of a single financial statement or of a specific element, accounts or item of a financial statement (i.e., audits where ISA 805 applies).⁷ Though ISA 700 is not explicitly referenced or linked, ISA 810 establishes minimum elements and prescribes wording of the auditor's report when reporting on summary financial statements that are congruent with the requirements of extant ISA 700.⁸

5. DT-700 is of the view that preserving the linkage between ISA 700 and the ISA 800 Series means that, at a minimum, the structure and format of the illustrative auditor's reports in the ISA 800 Series should largely conform to the presentation of those in final ISA 700. Similarly, the requirements and application material with the individual standards in the ISA 800 Series would be re-ordered to match the revised presentation of the illustrative reports.

Applicability of Other ISAs When the Auditor Is Conducting an Engagement in the ISA 800 Series

6. ISAs 800, 805 and 810 acknowledge that the ISAs in the 100-700 series all apply in an audit of financial statements, and indicate that the ISAs in the 800 series do not override the requirements of ISAs 100-700.⁹
7. ISA 805 further specifies that:
 - The auditor is required to comply with all ISAs relevant to the audit, including in the case of an audit of a single financial statement or a specific element of a financial statement when the auditor is not also engaged to audit the entity's complete set of financial statements.¹⁰
 - When forming an opinion and reporting on a single financial statement or a specific element of a financial statement, the auditor shall apply the requirements in ISA 700, *adapted as necessary in the circumstances of the engagement*.¹¹
8. While ISA 805 provides illustrations of auditor's reports on a single financial statement and on a specific element of a financial statement, it does not explain or expand on what is meant by phrase *adapted as necessary in the circumstances of the engagement*. Review of the Close off Documents and the Basis for Conclusions indicate that when ISA 805 was finalized, the IAASB was of the view that the term "adapted as necessary in the circumstances of the engagement" was self-explanatory and did not warrant further explanation to indicate that only necessary adaptations (i.e., those needed to properly reflect the circumstances of the engagement) would be permitted – a concept

⁶ Paragraph 11 of ISA 800 states that "When forming an opinion and reporting on special purpose financial statements, the auditor shall apply the requirements in ISA 700."

⁷ Paragraph 11 of ISA 805

⁸ See paragraph 14 of ISA 810 and paragraphs 21-42 of extant ISA 700.

⁹ This is explicitly stated in ISAs 800 and 805, paragraph 1. ISA 810, paragraphs 5 and A1 explains that the auditor shall accept an engagement to report on summary financial statements only when the auditor has been engaged to conduct an audit in accordance with ISAs of the financial statements from which the summary financial statements are derived, and that application of ISA 810 will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial statements from which the summary financial statements are derived.

¹⁰ ISA 805, paragraph 7

¹¹ ISA 805, paragraph 11

rooted in ISA 200.¹²

9. This perspective seems to have merit because the ISA Implementation Monitoring project did not identify any specific concerns about the meaning of the phrase *adapted as necessary in the circumstances* in the context of the other ISAs. DT 700 is therefore of the view that further work on the meaning of this phrase would lie outside the proposed scope for revisions to the ISA 800 Series, which is limited to consequential amendments necessary to reflect the revisions to the ISA 700 series.

Feedback from Respondents to ED

10. Though an explicit question was not asked about possible changes to the ISA 800 series in the July 2013 Auditor Reporting ED, the IAASB encouraged respondents to provide initial views on the amendments that may be necessary to the ISA 800 Series to assist informing the IAASB's deliberations as they commence in 2014. Feedback from respondents to the ED was limited, with only two respondents explicitly commenting on the topic.
11. In these two responses, there was support for the IAASB's plan to give due consideration to the broader implications that the proposed changes to the ISA 700 series will have on the ISA 800 Series. It was noted that, prior to mandating the inclusion of specific elements or certain language in the auditor's report, consideration would need to be given to the fact that financial reporting frameworks, including special purpose frameworks, may differ from one another, and may not be fully aligned with the proposal.¹³
12. There was acknowledgement that the requirement to communicate key audit matters (KAM) would most often apply to audits of a complete set of general purpose financial statements of a listed entity. However, it was suggested that the IAASB permit, but not require, the communication of KAM for ISA 800 and ISA 805 engagements.¹⁴

Drafting Team Recommendations

13. DT-700 considered each of the proposed enhancements to the auditor's report addressed in the proposed ISA 700 series on a standard-by-standard basis to determine, for each type of engagement, whether such enhancements should be:
 - (a) Required for each of these types of engagements, with guidance as necessary within the individual ISAs;
 - (b) Not required (which would allow for voluntary application); or
 - (c) Prohibited.
14. DT-700's recommendations are summarized at page 5, with explanations in the section that follows, titled Rationale for DT-700's Recommendations.

¹² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 18

¹³ GTI

¹⁴ GTI, IDW

Topic	ISA 800	ISA 805	ISA 810
Opinion Required First	Require	Require	Require
Statement of Independence and Other Relevant Ethical Responsibilities	Require	Require	Require
Going Concern (GC) (Required Statement when a Material Uncertainty Exists)	Require, when applicable	Require, when applicable	When applicable, require reference to ISA 700 auditor's report and an explicit statement about the MU and effect on the summary auditor's report (consistent with extant ISA 810 treatment of Emphasis of Matter (EOM) paragraph)
Key Audit Matters (KAM)	Not require, but allow for voluntary application	Not require, but allow for voluntary application	Require reference to ISA 700 auditor's report
Other Information (OI) (i) Description of auditor's work effort with respect to OI (ii) Statement about material misstatement in the OI described in the ISA 700 auditor's report	When applicable, require both	When applicable, require both	For (i), when applicable, require reference to the ISA 700 auditor's report that includes an OI section. For (ii), when applicable, require a statement that refers to any material misstatement in the OI described in the ISA 700 auditor's report (consistent with extant ISA 810 treatment of OM)
Enhanced Description of Auditor's Responsibilities	Require	Require	Require a summarized statement and refer to ISA 700 auditor's report
Naming of Engagement Partner (EP)	Not require, but allow for voluntary application	Not require, but allow for voluntary application	Require for summaries of complete sets of general purpose financial statements of listed entities only

Rationale for DT-700's Recommendations

Positioning of the Opinion

- Based on strong support from respondents to the ED for having the opinion positioned as the first section of the auditor's report, the IAASB had tentatively agreed at its March 2014 meeting to mandate the placement of the opinion section first in the auditor's report in ISA 700. To date, the form and structure of the auditor's reports resulting from ISA 800 Series engagements has been the

same as that on complete sets of general purpose financial statements (ISA 700). DT-700 was of a view that the continued commonality in the form and structure of the auditor's reports, irrespective of the type of the engagement was useful.

Statement about Independence and Ethical Requirements, Including Listing of Sources

16. DT-700 concluded that the statement about independence and other relevant ethical requirements, including information about the source of such requirements, should be included in the auditor's reports of all the ISAs within the ISA 800 Series. However, there was a minority view expressed by two DT-700 members who noted that, in the case of ISA 810, the statement would unnecessarily lengthen the abbreviated version of the auditor's report.

GC

17. **Agenda Item 3-A** explains DT-570's proposal to revert to exception-based reporting in a separate section of the auditor's report when a material uncertainty (MU) exists related to events or conditions that may cast significant doubt on an entity's ability to continue as a GC, similar to what was required to be included in an EOM paragraph under extant ISA 570.¹⁵

ISA 800 and ISA 805

18. Neither extant ISA 570, nor ISA 800 includes a specific reference to the need for the auditor to include an EOM paragraph related to a MU. ISA 570 acknowledges that special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the GC basis of accounting is relevant (for example, the GC basis is not relevant for some financial statements prepared on a tax basis in particular jurisdictions).¹⁶ ISA 805 requires the auditor to determine the effect that an EOM paragraph included in the auditor's report on the complete set of financial statements may have on the auditor's report on a single financial statement or on a specific element of those financial statements.¹⁷
19. As reporting on a MU in proposed ISA 570 (Revised) is no longer in the form of an EOM paragraph, it is necessary to determine the applicability of the reporting on a MU, as proposed, to the ISA 800 Series. DT-700 is of the view that it is necessary to require auditor reporting on MU related to GC when relevant for an engagement in ISA 800 and ISA 805. Both ISA 800 and ISA 805 avoid making an explicit presumption about the applicability of ISA 570, by instead stating that the principles in ISAs 100-700 apply. DT-700 is proposing that the IAASB retain this approach and therefore require that, when applicable (i.e., when the going concern basis of accounting is relevant), all the requirements (including the new reporting requirements) of ISA 570 apply to ISA 800 and ISA 805. Thus, a Material Uncertainty Related to Going Concern section would be included in ISAs 800 and 805 auditor's reports in cases where the GC basis of accounting was applied in preparing the financial statement(s) and such a MU exists.

¹⁵ ISA 570, *Going Concern*

¹⁶ ISA 570, paragraph 2

¹⁷ ISA 805, paragraph 14

ISA 810

20. When the auditor's report on the audited financial statements contains an EOM paragraph, paragraph 17 of ISA 810 requires the auditor's report on the summary financial statements to state that the auditor's report on the audited financial statements contains an EOM paragraph, and describe the EOM paragraph and the effect thereof on the summary financial statements. DT-700 is of the view that when a MU exists, similar to the thinking on EOM paragraphs, a reference should be made to indicate, that the underlying (ISA 700) auditor's report included a section titled "Material Uncertainty Related to Going Concern" and describe the effect thereof on the summary financial statements.
21. DT-570 is also proposing that the IAASB require statements about management's and the auditor's responsibilities with respect to GC. The impact of those changes on the ISA 800 Series is discussed below at the Enhanced Descriptions of Responsibilities section of this paper.

KAM

22. Proposed ISA 700 (Revised) would require KAM only for audits of complete sets of general purpose financial statements of listed entities, except when the auditor expresses an adverse opinion or disclaims and opinion on the financial statements. Proposed ISA 700 (Revised) also notes the auditor shall also apply proposed ISA 701 when the auditor otherwise decides to communicate KAM and has not expressed an adverse opinion or disclaimed an opinion on the financial statements.

ISA 800 and ISA 805

23. DT-700 is proposing that the IAASB not require KAM when the auditor is reporting in accordance with ISA 800 or ISA 805. DT-700 is of the view that this approach is neutral, in that it neither mandates or prohibits KAM in connection with issuing these auditor's reports, and will ultimately allow practice to emerge in that area. Proposed ISA 700 (Revised) as drafted appropriately requires proposed ISA 701 to be applied in those circumstances where the auditor voluntarily decides to communicate KAM. DT-700 notes that the post-implementation review of its final auditor reporting standards may provide further insights as to the applicability and communication of KAM when reporting in accordance with ISAs 800 and 805.

ISA 810

24. For ISA 810 engagements, the approach in the extant ISA is for the auditor to make a clear and explicit reference to the underlying ISA 700 auditor's report and, in the case of an unmodified ISA 700 auditor's report, to opine solely on the derivation of the summary financial statements from the underlying complete financial statements. However, extant ISA 810 does require modifications to the opinion on the audited financial statements and any EOM paragraphs or Other Matter paragraphs that have been included in the underlying ISA 700 auditor's report to be described explicitly in the ISA 810 auditor's report.¹⁸
25. As KAM are separate and distinct from a modification to the auditor's opinion, DT-700 does not propose that KAM should be repeated explicitly in an ISA 810 auditor's report. However, DT-700

¹⁸ ISA 810, paragraph 17

had differing views about whether ISA 810 auditor's reports should refer to the existence (but not the detail) of KAM in the underlying ISA 700 auditor's report.

26. Those DT-700 members who favored having the reference were of a view that it would increase the likelihood that users would read the underlying ISA 700 auditor's report and would be consistent with the requirement to refer to the existence of EOM paragraphs. Other DT-700 members were of the view that, because the ISA 810 auditor's report already includes a general reference to ISA 700 auditor's reports, a specific reference to KAM was duplicative and unnecessary. Those members thought that it was important to retain the simplicity and brevity of ISA 810 auditor's reports.
27. DT-701 also discussed the issues, taking into account DT-700's initial conclusions. DT-701 agreed with DT-700's recommendations with respect to ISAs 800 and 805. DT-701 also suggested that a statement indicating the need to read the auditor's report on the audited financial statements, akin to the already required statement about reading the audited financial statements be included in ISA 810 auditor's reports (e.g., "... reading the summary financial statements and this auditor's report is not a substitute for reading the audited financial statements and the auditor's report thereon"). DT-701 was of a view that that such a caveat sentence as the aforementioned would eliminate the need for a specific reference to KAM in the ISA 810 auditor's report. Additionally, drawing attention to the auditor's report on the audited financial statements in all cases when an ISA 810 auditor's report was issued (not just when KAM was required or voluntarily included) would draw further attention to the ISA 700 auditor's report in all circumstances and therefore could be useful in the context of highlighting reporting on OI and the enhanced descriptions of the auditor's responsibilities.

OI

ISA 800 and ISA 805

28. The scope sections of both ISA 800 and ISA 805 indicate that the ISAs in the 100-700 series apply. No other specific reference is made to ISA 720. In the case of ISA 800 or ISA 805 engagements, when OI is included in documents containing these financial statement(s) extant ISA 720 applies (e.g., when an annual report is issued). Accordingly, DT-700 is proposing that this position in the extant ISAs that is carried forward in proposed ISA 720 (Revised) be retained.
29. The April 2014 re-exposure of ISA 720 requires explicit auditor reporting to provide a description of the auditor's work under ISA 720 in the auditor's report when the final version of the OI has been obtained prior to the auditor's report date. DT-700 members acknowledged that their consideration was, at this stage, limited, in the sense that the feedback to the ISA 720 re-exposure about auditor reporting on OI generally may be an important input into an overall consideration of how to potentially address reporting on OI in the ISA 800 series. Notwithstanding this, DT-700 concluded that the requirements of proposed ISA 720 (Revised), including the new reporting requirements that require the inclusion of a section with a heading titled "Other Information" in the auditor's report , would apply to ISAs 800 and 805.
30. Also, DT-700 concluded that in cases when there was no OI, which is most likely to be the case for special purpose financial statements (ISA 800) or individual financial statement or a specific element, account or item of a financial statement (ISA 805), the auditor would not be required to state that there was no OI in the ISA 800 or 805 auditor's report. This mirrors the approach adopted in proposed ISA 720 (Revised) in circumstances where no OI exists.

ISA 810

31. For ISA 810 engagements, the existence of OI is seen to be more common. For example, a listed entity might produce a summary annual report that summarizes the full annual report/annual Form 10-K that contains summary financial statements.
32. The following issues were identified and considered collectively by the Chairs and Staff of DT-700, DT-701 and the ISA 720 TF Chair:
- Whether summary annual reports that include the summary financial statements (ISA 810) represented OI in the context of the audit of the underlying full set of financial statements and the issuance of the ISA 700 auditor's report. The Chairs and Staff concluded that the summary annual report constituted OI under proposed ISA 720 (Revised) in much the same way that annual reports did, noting these summary annual reports and summary auditor's reports are often finalized at the same time as the "full" financial statements and auditor's report.
 - Whether it was necessary to further clarify within the ISAs the auditor's responsibilities with respect to OI, including the summary annual report, when issuing an ISA 810 report, and also specific to summary annual reports only, when issuing an ISA 700 auditor's report. It was concluded that proposed ISA 720 (Revised) and the conforming amendments to ISA 810 already provide guidance with respect to the applicability of ISA 720 in conjunction with engagements to perform audits on summary financial statements.¹⁹
 - Whether ISA 810 should require, permit or prohibit the inclusion of a section on OI in an ISA 810 auditor's report, given that the auditor would already have identified and reported on the consistency of the "full" OI with the "full" financial statements. Reference to the overall auditor's report on the underlying financial statements could usefully point readers of the summary auditor's report to the more robust reporting on OI included in the ISA 700 auditor's report. In situations when a material misstatement of the OI been identified, either as part of the auditor's work to consider the OI in light of the underlying financial statements or in looking at the consistency of the summary OI with the summary financial statement, the auditor would be required to include a statement in the ISA 810 report to indicate such.
33. The DT Chairs and the ISA 720 TF Chair were of the view that the ISA 810 auditor's report and summary financial statements are often more widely read by investors and other users than the full audited reporting package, and therefore it was important to have an indicator in the summary auditor's report if the OI is materially misstated, but that in circumstances where there is no material misstatement, there is little benefit in explicitly making such a statement. The DT Chairs and the ISA 720 TF Chair thought that explicit reporting only when there is a material misstatement achieves the desired levels of transparency that the IAASB envisaged about having an OI section in the auditor's report on the underlying financial statements, while retaining the brevity of the ISA 810 auditor's report.

¹⁹ See conforming amendment to paragraphs 24 of ISA 810 resulting from proposed ISA 720 (Revised).

Enhanced Descriptions of the Responsibilities' Sections of the Auditor's Report

34. Proposed ISA 700 (Revised) that formed part of the IAASB's ED included enhanced descriptions of the responsibilities of management, those charged with governance and the auditor to be provided in an ISA 700 auditor's report. As part of a separate GC section that was proposed in the IAASB's ED, this included explicit descriptions of the respective responsibilities relating to GC. As noted in paragraph 21 above, DT-570 is proposing that the IAASB require that those descriptions related to GC be included within the respective management and auditor responsibilities sections.

ISA 800 and ISA 805

35. DT-700 recommends that, to the fullest extent applicable, these enhanced descriptions should be included in ISA 800 and ISA 805 auditor's reports. DT-700 is also of the view that it will be necessary to develop application material to explain how the wording of those descriptions may need to be tailored to the specific circumstances of the particular engagement (for example, where certain responsibilities relevant to an ISA 700 audit are not applicable and thus would not apply). An example would be when special purpose financial statements are prepared on a cash basis, and accordingly ISA 570 would not apply, such that the required descriptions of responsibilities for GC would be omitted. It is envisioned that, in such circumstances, auditors will need to apply judgment to appropriately tailor the descriptions of the respective management's and auditor's responsibilities.

ISA 810

36. For ISA 810 engagements, DT-700 is of the view that it is important not to obscure the primary purpose of summary financial statements and summary auditor's report – brevity. Thus, DT-700 recommends that the ISA 810 report continue to require a simple description noting that the auditor's responsibility is to express an opinion on the summary financial statements based on the auditor's procedures which were conducted in accordance with ISA 810.²⁰
37. Similarly, DT-700 was of the view that the ISA 810 requirement with respect to the description of management's responsibility for the summary financial statements be retained, explaining that management is responsible for the preparation of the summary financial statements in accordance with the applied criteria.²¹

Naming of the EP

ISA 800 and ISA 805

38. Proposed ISA 700 (Revised) requires that the name of the EP be included in the audit reports of complete sets of general purpose financial statements of listed entities only. DT-700 does not propose to extend the naming of EP to all ISA 800 and 805 engagements. However, there were mixed views about whether the naming of the EP should be required for ISA 800 and 805 engagements relating to listed entities.

²⁰ ISA 810, paragraph 14(e)

²¹ ISA 810, paragraph 14I(d)

39. On balance, DT 700 members were not inclined to recommend a requirement to name the EP in these circumstances, because such reports are often prepared for restricted use. Accordingly, the approach proposed is to not require the naming of the EP for all ISA 800 and ISA 805 engagements.

ISA 810

40. DT-700 recommends that the requirement to name the EP should be extended to ISA 810 auditor's reports in the circumstances where the EP is required to be named in the underlying ISA 700 auditor's report. This is because ISA 810 auditor's reports are more likely to be read by users because of their brevity, and thus having the name of the EP therein would provide an equivalent and immediate level of transparency about the identity of the engagement EP for audits of financial statements for listed entities as was envisaged in the ISA 700 revisions. DT-700 also noted that the disclosure of the name of the EP was only one sentence – i.e., very brief – and thus did not contradict the need for brevity in summary ISA 810 auditor's reports.

Matter for IAASB Consideration

1. The IAASB is asked to provide feedback on DT-700's recommendations in the table on page 5, including the approach taken in relation to each of the individual ISAs in the ISA 800 series.

Approach to Drafting Consequential Amendments to the ISA 800 Series

Extent of Application Material

ISAs 800 and 805

41. Extant ISAs 800 and 805 are drafted in a way that avoids the repetition of the requirements and guidance that is applicable in other ISAs, in particular those requirements that relate to reporting.²² Thus, on one hand, DT-700 members noted there is precedent for retaining the reporting requirements and corresponding application material relevant to ISAs 800 and 805 to a minimum. Under this approach, certain application material that is necessary for appropriately applying the revised reporting requirements in ISAs 800 and 805 would be located in other applicable ISAs.
42. However, on the other hand, DT-700 noted that, in light of the new requirements relating to the auditor's report, particularly those that are new to auditors, for example KAM, there is a need for the ISAs to be organized in such a way that they are most useful to auditors. Under this approach, application material could be developed within ISAs 800 and 805 to further explain that the application of auditor reporting requirements represent very significant and new developments in the context of auditor reporting as a whole. This would provide specific guidance to auditors within the context of ISAs 800 and 805 engagements.
43. On a preliminary basis, the majority of DT-700 members was supportive of this approach, and were of a view that further guidance on KAM, GC, OI, and naming of the EP may be helpful to include in ISAs 800 and 805. It was also acknowledged that although this approach may involve duplication of application material across the ISAs, such duplication may help auditors readily access important

²² For example, see ISA 800, paragraph 11 and ISA 805, paragraph 11.

new information that is necessary to properly apply the ISAs 800, 805 and the new auditor reporting requirements. However, one DT-700 member did not support this approach, and expressed a preference to retain the extant design and approach of keeping the relevant application material for ISAs 800 and 805 within the underlying ISAs.

ISA 810

44. Extant ISA 810 includes requirements that prescribe the elements of the auditor's report.²³ There is some symmetry between the elements required to be included in an ISA 810 auditor's report and an ISA 700 auditor's report. An important feature of the ISA 810 auditor's report that was considered in forming DT-700's recommendations in this paper was that the ISA 810 auditor's report refers to the auditor's report on the audited financial statements.²⁴ As previously discussed in this paper, DT-700 also noted that there was value in retaining the brevity of the ISA 810 auditor's report, while exploring the extent to which additional information should be included to enhance its informational value.

Matter for IAASB Consideration

2. The IAASB is asked to provide feedback on the extent to which it believes additional application material may be appropriate or necessary within the ISA 800 series to explain how various requirements in proposed ISA 700 (Revised) could be applied.

Other Inputs to the Revision of the ISA 800 Series

45. As part of its ISA Implementation and Monitoring project, the IAASB received feedback from three respondents on the ISA 800 Series. At the time that the IAASB's auditor reporting ED was finalized, it was determined that the nature of the comments raised extended beyond the scope of the planned revisions to the ISA 800 Series in conjunction with the auditor reporting project.
46. Specifically, suggestions were made that:
- Further guidance should be provided to encourage consistency in the application of ISA 800, when auditors are engaged to perform services other than audits of general purpose financial statements. For example, ISA 800 could be clarified to help address the fact that auditors at times are unable to distinguish between a fair presentation and a compliance framework.²⁵
 - The requirements in ISA 810 with respect to obtaining representations from management or those charged with governance in conjunction with engagements to report on summary financial statements should be more explicit and clear.²⁶ It was noted that in a situation where established criteria for the preparation of summary financial statements do not exist, such criteria may be developed by management. When this happens, it is unclear as to what evidence the auditor requires. Thus, there is a need for more guidance by way of application material or perhaps a requirement in ISA 810, including the need for written management

²³ See ISA 810, paragraph 14.

²⁴ See ISA 810, paragraph 14(c)(iii)

²⁵ ACAG

²⁶ AGNZ, CAASB

representations.

47. DT 700 considered both suggestions and recommends that these lie outside the scope of a project to draft consequential amendments to the ISA 800 Series, arising from proposed changes to the ISA 700 series. Accordingly, DT-700 is proposing that no further action be taken to address the matters above.

Matter for IAASB Consideration

3. The IAASB is asked to confirm its views about the scope of the ISA 800 Series revisions in light of the feedback received as part of its ISA Implementation Monitoring Project.

Timing

48. The IAASB is progressing with its plan to approve the final auditor reporting standards at its September 2014 meeting, including proposed ISA 700 (Revised). If this is achieved, DT-700 intends to bring the consequential amendments to the ISA 800 Series to the IAASB for consideration, and approval as an ED at its September 2014 meeting.
49. To achieve alignment of the finalization of the ISA 700 and ISA 800 series, it is envisaged that the consequential amendments to the ISA 800 Series will be exposed for a period of 90 days to allow for the ISA 800 series standards to be finalized in mid-2015.