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International Federation of Accountants

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**KICPA's Comments on IAASB's Exposure Draft on Proposed ISA 800 (Revised),
Special Considerations – Audits of Financial Statements Prepared in
Accordance with Special Purpose Frameworks and Proposed ISA 805 (Revised),
Special Considerations – Audits of Single Financial Statements and Specific
Elements, Accounts or Items of a Financial Statement,**

Dear Kathleen Healy,

KICPA is pleased to have an opportunity to comment on the Exposure Draft published in January 21, 2015, and issued by the International Auditing and Assurance Standards Board for Accountants (IAASB), regarding “ISA 800, Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks” and “ISA 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.” KICPA is a strong advocate of IAASB for your relentless efforts to serve the public interest by setting high-quality international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards.

Please see the below for our responses to the specific questions.

(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.

We support IAASB's decision to apply the changes being proposed to the new and revised Auditor Reporting standards in the context of ISA 800 and ISA 805 to enhance both the communicative value and usefulness of the auditor's reports. We also do the Board's decision to retain the approach in extant ISA 800 and extant ISA 805, whereby the reporting requirements in ISA 700 and other ISAs are not repeated in proposed ISA 800 and proposed ISA 805.

As for how the changes should be addressed, however, we believe that the proposed ED seems insufficient, given that what should be dealt in the body of the standards is contained in application and other explanatory material. The lack of clarity in the relevant guidance is another part that shows room for improvement. We would like to suggest the following:

(Please refer to the questions (2) and (3) for our opinion on the sufficiency of guidance and KAM)

To begin with, the proposed ED requires that the auditor include the name of the engagement partner in the auditor's report on special purpose financial statements of listed entities. This is in line with KAM, as a result of meeting the demands of users of general purpose financial statements of listed entities. We suggest the auditor be allowed to include the name of the engagement partner in an ISA 800 auditor's report and an ISA 805 auditor's

report, only when law or regulation requires or when the auditor decides to disclose the name of the engagement partner in the auditor's report on a voluntary basis, just as KAM do.

Secondly, "Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Complete Set of Financial Statements" is described as classified into "Additional Information Contained in the Auditor's Report on the Entity's Complete Set of Financial Statements" and "Modified Opinion in the Auditor's Report on the Entity's Complete Set of Financial Statements," according to the proposed change to ISA 805. Considering that audit opinions come first in terms of the significance of value of information, as compared to additional information including Emphasis of Matter Paragraph and Other Matter Paragraph, we encourage the Board change the listing, stating order within the body of the standards, and application and other explanatory material, aligned with the new and revised Auditor Reporting standards that require audit opinion to come first.

(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 800 and ISA 805 engagements.

We recognize the proposed ED on ISA 800 and ISA 805 provides sufficient guidance to support the appropriate application of the new and revised Auditor Reporting standards. Aside from the proposed guidance, we suggest supplementary ones whose application is worth for consideration.

The paragraph 15 (b) of the proposed ED on ISA 805 states that when an uncorrected material misstatement of the other information is described in the auditor's report on the entity's complete set of financial statements, its impact on the auditor's report, including a

single financial statement, is determined first, and then such impact/relevance should be described accordingly. However, the proposed ED does not provide specific guidance as to how to describe the uncorrected material misstatement of the other information in the auditor's report. It is not clear whether the description in all should be repeatedly made, just as Material Uncertainty Related to Going Concern does, or it is just enough to make a reference that the other information is included to the auditor's report on the entity's complete set of financial statements, just like KAM do. To avoid inconsistent treatment in practice, we suggest the Board supplement the proposal with the relevant guidance and illustrative examples on how to describe the uncorrected material misstatement of the other information to the auditor's report.

(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?

It would be easy for audits on special purpose financial statements or a single financial statement to be included in the terms of audit engagements, in case of communication of KAM needed, since audit report users are confined to specific ones.

In addition, the mandatory application of ISA 710 necessitates communication with those charged with governance. The communication could not be feasible in practice, especially when it comes to the ISA 800 engagements and ISA 805 engagements, as considered by IAASB, since those charged with governance may not have responsibility for overseeing the preparation of the single financial statement or specific element.

This leads us to be supportive of the Board's decision that the communication of KAM be voluntarily for all entities unless required by law or regulation, when it comes to audits

on special purpose financial statements and a single financial statement of listed entities.

(b) Specific to proposed ISA 805 (Revised), whether respondents support the IAASB’s proposed direction that reference to KAM 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 paragraph 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 paragraph 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 wither to promote consistent treatment in practice or expressively 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 support, in principle, the direction of the changes proposed by IAASB regarding KAM, the requirement that KAM included in the auditor’s report on the complete set of financial statements be referred to Other Matter Paragraph in the ISA 805 auditor’s report is in line with the ISA 805’s approach for Emphasis of Matter Paragraph or Other Matter Paragraph in the auditor’s report on the entity’s

complete set of financial statements. As for the specific direction on how the relevant KAM should be communicated, however, we suggest the following:

First, the Board does not provide additional guidance, excluding the requirement that KAM on Other Matter Paragraph be communicated, which is designed to allow an auditor to select how to communicate the relevant KAM in the ISA 805 auditor's report, at a time when KAM are included in the auditor's report on the complete set of financial statements. The lack of guidance is likely to invite a concern over the possible inconsistent treatment in practice, just as anticipated in the proposed ED.

For one, there are three options as follow: mentioning just that KAM are communicated in the auditor's report on the entity's complete set of financial statements, just as seen in the illustration 3 in Appendix; repeating the above KAM in all; and including the heading of KAM relevant to ISA 805 engagements from the judgment of auditors. The former two is likely to imply that KAM that are not relevant to ISA 805 engagements would be relevant as well. On the other hand, the last one could invite misunderstanding that there are no more KAM, excluding the KAM description to which ISA 701 is applied in its entirety.

We encourage the Board consider the opinion just mentioning in Other Matter Paragraph that the auditor issues the auditor's report on the complete set of financial statements as well and KAM are described in the above auditor's report is sufficient to address inconsistent treatment in practice and expectation gap on the ISA 805 auditor's report, regardless of the relevant KAM are individually relevant to the ISA 805 engagement, when KAM are described in the auditor's report on the complete set of financial statements.

(4) The IAASB would also welcome feedback on whether confirming 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 support IAASB's decision to take a more holistic approach to revising extant ISA 810, coupled with conducting surveys on the global implementation of ISA 810, instead of moving in full swing to apply the revision, taking into account the nature of ISA 810 engagements and the relevant standards.

We hope our comments would be helpful in your efforts to revise the ISA 800 and ISA 805.

Please feel free to contact us via global@kicpa.or.kr for further inquiries.