



Australian Government
Auditing and Assurance Standards Board

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Melbourne VIC 3000 Australia
PO Box 204, Collins Street West
Melbourne VIC 8007

22 April 2015

Ms Kathleen Healy
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue, 6th Floor
New York, New York 10017 USA

Dear Kathleen,

**AUASB Submission on
Proposed ISAs 800 and ISA 805**

The Australian Auditing and Assurance Standards Board (AUASB) is pleased to have the opportunity to comment on the IAASB's exposure draft (ED) containing conforming amendments related to auditor reporting in respect of Proposed 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*.

The AUASB is supportive of the IAASB's exposure draft.

Refer **Attachment 1** for the AUASB's responses to the specific and general questions raised in the Exposure Draft.

Should you have any queries regarding this AUASB submission, please do not hesitate to contact either myself rmifsud@auasb.gov.au or Susan Fraser, Senior Project Manager sfraser@auasb.gov.au.

Yours sincerely,



Richard Mifsud
Executive Director

Attachments

Responses to Specific Questions listed 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. If not, respondents are requested to provide their rationale as to why they do not support the proposals and, where applicable, suggest alternative approaches.*

AUASB Response:

The AUASB agrees with how the enhancements from the new and revised Auditor Reporting standards have been addressed in the proposed standards.

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.*

AUASB Response:

The AUASB believes there is sufficient guidance in the proposed standards to enable auditors to appropriately apply the new and revised Auditor Reporting standards in the context of ISA 800 and ISA 805 engagements.

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?*
- (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. 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 of the Explanatory Memorandum, 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).*

AUASB Response:

- (a) The AUASB agrees with the IAASB’s decision regarding the voluntary communication of KAM under the proposed standards.
- (b) The AUASB supports the IAASB’s proposed treatment of KAM in ISA 805 (Revised)
- (i) AUASB considers the guidance included at paragraph A23 to be useful. The AUASB does not consider the wording related to key audit matters contained in ISA 805, Appendix 2 Illustration 3, Other Matter Paragraph, to be appropriate, as it is inconsistent with guidance paragraph A23. The AUASB interprets paragraph A23 to infer the auditor, having deemed that the key audit matters already communicated in the auditor’s report on the complete set of financial statements are relevant to the ISA 805 audit, to be included in the ISA 805 other matter paragraph. The Illustration, as currently drafted, does not communicate the key audit matters, only referencing users to the section in the auditor’s report on the complete set of financial statements/
- (ii) Yes, the AUASB believes it is necessary to establish requirements in proposed ISA 805 (Revised) relating to a reference to KAM in the ISA 805 auditor’s report to promote consistent treatment in practice.
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.*

AUASB Response:

The AUASB believes that some conforming amendments to extant ISA 810 are needed to ensure consistency with the new and revised Auditor Reporting standards. These amendments could include the order of the audit opinion, KAM, going concern, ethics, and disclosure of the name of the engagement partner.

The AUASB issued ASA 810 *Engagements to Report on Summary Financial Statements* (based on ISA 810 of the same title) in October 2009. Engagements to report on summary financial statements are not required by Australian national law or regulation.

**AUASB RESPONSE TO IAASB EXPOSURE DRAFT:
ISA 800 & ISA 805 AUDITOR REPORTING CONFORMING AMENDMENTS**

There are however engagements conducted in Australia to report on a concise financial report (a particular Australian type of summary financial statements), which are permitted to be prepared in accordance with the *Corporations Act 2001* (national legislation). Whilst the AUASB understands, from practitioner feedback, that these concise financial reports are not commonly prepared in Australia, they are able to be prepared under the *Corporations Act 2001*. Accordingly, conforming amendments to the AUASB's ASA 810, and consequently, ISA 810, are appropriate and necessary.

Responses to General Questions listed in the Explanatory Memorandum

1. *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.***

Early adoption of the proposed standards would be permitted.

AUASB Response:

The AUASB agrees with the IAASB's proposed effective date timeframe.
