



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

30 March 2015

The Chairman
International Auditing and Assurance Standards Board
529 5th Avenue
6th Floor
New York 10017
United States of America

Submission via IAASB website

Dear Professor Schilder

Submission on Exposure Draft: Proposed ISA 800, Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks and Proposed ISA 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement (“the ED”)

Chartered Accountants Australia and New Zealand supports the International Auditing and Assurance Standards Board’s (IAASB) consideration of how the new and revised Auditor Reporting standards affect other standards.

We are broadly supportive of the proposed consequential amendments to ISA 800 and 805 resulting from the new and revised Auditor Reporting standards. We agree in principle that any amendments to ISA 800 or ISA 805 should be limited to the reporting in such engagements, and should not substantively change the underlying premise of engagements to which ISA 800 or ISA 805 applies. We are particularly supportive of the proposal not to require the communication of Key Audit Matters (KAM) in an ISA 800 or ISA 805 engagement auditor’s report unless required by law or regulation.

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The appendix to this letter provides responses to the specific questions raised in the ED. If you have any questions regarding this submission, please contact Liz Stamford (Audit and Insolvency Leader) via email; Liz.Stamford@charteredaccountantsanz.com

Yours sincerely

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Appendix: Responses to specific questions

Q1. Do you 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, please provide your rationale as to why you do not support the proposals and, where applicable, suggest alternative approaches.

Yes, we agree with how the proposed enhancements resulting from the new and revised Auditor Reporting standards have been addressed in the proposed standards. We believe it is important that the reporting requirements in ISA 800 and ISA 805 are aligned with the new and revised Auditor Reporting standards.

Q2. Do 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, we believe the guidance in the proposed standards is sufficient to enable auditors to appropriately apply the new and revised Auditor Reporting standards in the context of ISA 800 and ISA 805 engagements.

Q3. In relation to KAM:

a) Do you 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?

On the basis that the call for KAM came primarily from users of general purpose financial statements of listed entities we agree that communication of KAM should be voluntary for all entities under both ISA 800 and ISA 805, unless required by law or regulation.

b) Specific to proposed ISA 805 (Revised), whether you 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 (see paragraphs 25–32 of the Explanatory Memorandum). In particular, the IAASB would also welcome your 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

We support the proposal to explicitly refer to the existence of KAM in the auditor’s report on the complete set of financial statements using an Other Matter paragraph in the ISA 805 auditor’s report if they are relevant. We agree that paragraph A23 and Illustration 3 in Appendix 2 in the ED are useful in this regard.

- ii) **In light of views on (i) and the Board’s deliberations summarised 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).**

Conceptually we agree that repeating the full description of a KAM would only be appropriate if ISA 701 is applied in its entirety in the ISA 805 engagement. Furthermore we acknowledge that Other Matter paragraphs should only be used to refer to matters not disclosed in the financial statements.

However, we believe the alternative wording given in paragraph 31 of the Explanatory Memorandum better communicates that the KAM are relevant to the users of the ISA 805 auditor’s report than what is currently proposed in ISA 805. On this basis we recommend that the alternative wording is used in the Other Matter paragraph in Illustration 3 of Appendix 2 to reference the relevant KAM.

Q4. 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 note that the nature of an ISA 810 engagement is substantively different from an audit of financial statements. The objective of an ISA 810 engagement is for the auditor to report on the derivation of the summary financial statements from the audited financial statements, and not to express an opinion on the fairness of those summary financial statements. Furthermore auditor reporting on summary financial statements is not directly linked to the reporting requirements in ISA 700. However there are some similarities to an ISA 805 engagement in that it is a subset or extract of information presented in the complete set of financial statements.

Therefore it would be in the public interest for auditor reports under ISA 810 engagement to be consistent with the new and revised Auditor Reporting standards where possible. For example:

- Opinion section positioned first.
- Inclusion of an explicit statement of independence, with identification of the origin of those requirements.

Notwithstanding the above, we are of the view that conforming amendments to extant ISA 810 are less of a priority at this time.