

Mr. James GUNN  
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Paris, 22 April 2015

Référence :

**Re: Comments on IAASB Exposure Draft (ED):**

- **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 Proposed, Conforming Amendment to Another ISA***

Dear Mr. Gunn,

The Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC) are pleased to provide you with their comments on the IAASB Exposure Draft (ED): "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 Proposed, Conforming Amendment to Another ISA*".

**Main comments:**

- We agree that the principles introduced by the recently completed auditor reporting project, and in particular changes in the audit report concerning Key Audit Matters (KAM) and going concern, should be reflected in ISA 800 and 805;
- In general, we support the proposals included in the ED, but have some comments that could further enhance the proposed ISAs 800 and 805. We particularly refer to our response to Question 3.

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

This letter also includes our response to the questions set out in the proposed document.

If you have any further questions about our views on these matters, please do not hesitate to contact us.

Yours faithfully,

Denis LESPRIT  
President of the CNCC

Philippe ARRAOU  
President of the CSOEC

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## **Appendix: Request for specific comments**

**Question 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 agree with the proposed changes to ISA 800 (revised) and ISA 805 (revised). We consider that they reflect the principles of the revised Auditor Reporting standards. However, we would like to highlight some suggestions in our responses to the questions below.

**Question 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.**

We agree that the guidance is appropriate. However, we have the following comments:

- The table in pages 8 and 9 of the Exposure Draft does not mention ISA 720 – *The auditor’s responsibilities relating to other information* as enhancements of the proposed ISA 800 (revised) and 805 (revised) resulting from the new and revised auditor reporting standards. Yet, the revised standards deal with ISA 720, respectively in paragraphs A13 (ISA 800) and A20 (ISA 805). The table should be updated accordingly.
- Moreover, we consider that paragraph A13<sup>1</sup> of the proposed ISA 800 (revised) is not clear enough and should be replaced by the paragraph A20 of ISA 805, i.e. “*When the auditor determines that the entity plans to issue an annual report, as defined by ISA 720 (Revised), containing or accompanying the single financial statement or a specific element of a financial statement, the requirements in ISA 720 (Revised) apply to the audit of the single financial statement or specific element of the financial statement.*”

**Question 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?**

We understand and agree with IAASB’s approach to communicate KAM on a voluntary basis 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 (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**

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<sup>1</sup> “ISA 720 (Revised) contains requirements and application and other explanatory material regarding the auditor’s responsibilities relating to other information. For purposes of this ISA, other information may include reports prepared to meet the information needs of specific users.”

**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 consider that the guidance in paragraph A23 in the proposed ISA 805 (revised) is useful and that the illustration 3 in appendix 2 is appropriate to assist auditors in making 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.

Nevertheless, we have the following comments:

- The amendments to ISA 805 seem to be based on the premise that there is always an audit of the complete set of the financial statements prior to the ISA 805 audit. This is, in our understanding, not always the case. The guidance provided in paragraph A23 of the proposed ISA 805 should mention that one of the factors to take into account to determine whether it is relevant to communicate in the ISA 805 auditor's report the KAM communicated in the auditor's report on the complete set of financial statement is the date of the general purpose audit report, if any. As a matter of fact, an audited single financial statement or an audited specific element of a financial statement may not be published together with the entity's audited complete set of financial statements. Moreover, the auditors may be different. So, such a precision should further highlight that the reference in the ISA 805 auditor's report to the KAM communicated in the auditor's report on the complete set of financial statements is not systematic.
- There is an inconsistency in the illustration 3 of the auditor's report between the respective responsibilities of management and those of the auditor regarding going concern. The illustrative report only refers to the responsibilities of the auditor regarding going concern and not those of management. We consider that a balanced approach as per illustration 1 is appropriate, i.e. adding in illustration 3 the wording of illustration 1 *"In preparing the financial statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so."*

**(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).**

- Reference to KAM in the ISA 805 auditor's report

We agree that, to the extent the auditor considers it relevant, a reference to KAM communicated in the audit report on a complete set of financial statements should be sufficient for the users of the ISA 805 report.

We believe it is not 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 approach (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 are convinced that the guidance provided in paragraph A23 and, particularly, in illustration 3 is sufficient and appropriate. We believe it is preferable to provide flexibility to auditors to determine what may be most useful to users of the ISA 805 auditor's report and that is sufficient for application material to indicate that any such reference would be through an Other Matter paragraph.

– Scope of the ISA

Concerning the scope of the ISA 805, paragraph 2 of this ISA states that ISA 805 does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of group financial statements.

However, we would like to draw your attention to the fact that, in practice, component auditors usually apply ISA 800 / 805 to report to the group auditor on a consolidation package.

We are of the view that the discussions on the revised ISA 800 and ISA 805 will raise issues for group audits, e.g. the scope of ISA 800/805, the communication of KAM on a voluntary basis in the ISA 805 auditor's report and the follow up for the group auditor, .... We therefore recommend the IAASB to follow up these issues in the Group Audits Working Group.

**Question 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.**

There is no requirement in France for the auditor to report on summarized financial statements (i.e. summarized financial statements being a summary of full financial statements that have been audited). There is no requirement for an entity to prepare summarized financial statements, but it is a rare practice in some annual reports (for example for standalone financial statements of the mother company, when consolidated financial statements are provided in full) or in documents prepared by entities as part of answers to commercial requests for proposal.

ISA 810 is, to the best of our knowledge, very rarely used in France. We had a discussion with the members of CNCC auditing standard board and none of them mentioned using ISA 810 currently or having identified the use of this standard in France by others. Some audit firms mentioned they had requests from audit teams willing to use ISA 810, but it dates back to 10 years ago and it seems it is not commonly used.

In France, there is no framework for summary financial statements. If ISA 810 was to be used, we would require the management developed criteria applied to be described.

**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).**

We do not have anything to report on this specific matter.

**(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.**

We do not have anything to report on this specific matter.

**(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.**

We do not have anything to report on this specific matter.

**(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.**

**Early adoption of the proposed standards would be permitted.**

We agree that the effective date of these revised ISA 800 and ISA 805 should be aligned with the effective date of the new and revised ISAs included in the IAASB's Auditor reporting project.

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