

CONSULTATION

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB):

ISA 800 (REVISED) AND ISA 805 (REVISED)

ABOUT AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and from conception has promoted the concept of 'international accounting' to create a global network of accountants in over 85 countries worldwide.

AIA is recognised by the UK government as a Recognised Qualifying Body for statutory auditors under the Companies Act 2006, across the European Union under the mutual recognition of professional qualifications directive and as a Prescribed Body under the Companies (Auditing and Accounting) Act 2003 in the Republic of Ireland. AIA also has supervisory status for its members in the UK under the Money Laundering Regulations 2007.

AIA promotes and supports the advancement of the accountancy profession both in the UK and internationally. The AIA exams are based on international financial reporting and international auditing standards and are complemented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic accounting.

AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

AIA RESPONSE

SUMMARY

AIA notes that the proposals relate to reporting issues only. The proposed changes are relatively modest and they are all improvements in the sense that they clarify important issues.

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.

AIA's view is that the proposed changes to ISA 800 (Revised) amount to the provision of very specific changes with respect to reporting matters. These changes are all potentially beneficial in that they offer clarity on matters that could otherwise be left open to interpretation.

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.

AIA believes that the changes are described with sufficient clarity to enable auditors to implement them without undue difficulty.

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?

AIA believes that the need for communication of KAM should be left to the auditor and that the importance of such communication will change from engagement to engagement. This matter should be addressed at the initial acceptance stage, with the auditor considering the form and content of the report when either negotiating the terms of the engagement with the management of the reporting entity management or reviewing the law or other regulation requiring the audit.

(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 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

AIA believes that if the auditor feels it necessary to communicate KAM in the context of an ISA 805 (Revised) engagement that it would be more appropriate to do so in the report itself, even if that would lead to a duplication of material that has already been communicated through the audit report on the complete set of financial statements. Apart from the potential difficulties associated with obtaining the audit report, as alluded to in the draft, there could be questions of context and emphasis.

(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).

AIA believes that it would be unduly restrictive to standardise practice in this manner. If the suggestion made in the previous paragraph of our response is taken on board then the engagement partner should be able to ensure that all relevant facts are communicated in accordance with the terms of the engagement and the likely readership of the report.

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.

AIA believes that the expression of an opinion on summary financial statements is a very different type of engagement and so the revisions to ISA 800 (Revised) and ISA 805 (Revised) do not require that ISA 810 be revisited.

FURTHER INFORMATION

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

If you require any further information, please contact:

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