

April 22, 2015

Kathleen Healy — Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017

Dear Ms. Healy,

Deloitte Touche Tohmatsu Limited (DTTL) is pleased to have the opportunity to provide comments on the Exposure Draft, proposed International Standard on Auditing (ISA) 800 (Revised), *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* (“proposed ISA 800 (Revised)”); proposed ISA 805 (Revised), *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* (“proposed ISA 805 (Revised)”); and *Proposed Conforming Amendment* (collectively, “the Proposal”) issued by the International Auditing and Assurance Standards Board (“IAASB” or the “Board”) in January 2015.

EXECUTIVE SUMMARY

DTTL is appreciative of the IAASB’s efforts in issuing the Proposal in order to foster further public debate and solicit additional comments. DTTL agrees with the notion put forth in the explanatory memorandum (“EM”) to the Proposal that it is in the public interest to consider the implications that the new and revised Auditor Reporting¹ standards have on proposed ISA 800 (Revised) and proposed ISA 805 (Revised).

While it is imperative that the proposed amendments enhance and provide further clarity to the reporting process, it is also necessary to closely examine whether there are any unintended consequences as a result of considering the new and revised Auditor Reporting standards in the context of extant ISA 800 and extant ISA 805. As a result of such examination, DTTL believes that there should be careful consideration regarding the impact of cross-referencing in the proposed ISA 805 (Revised) audit report to the auditor’s report on the complete set of general purpose financial statements as it pertains to going concern (GC), key audit matters (KAM), and other information (OI). DTTL is of the view that such cross-referencing of GC, KAM, and OI in relation to the auditor’s report on the complete set of general purpose financial statements is appropriate primarily when it is in the public interest to do so and where it is relevant to the proposed ISA 805 (Revised) engagement. In other cases, DTTL believes an audit of a single financial statement or of a specific element, account, or item of a financial statement² should in essence be a stand-alone engagement.

This area of concern is addressed further in Appendix 1, along with DTTL’s responses to the various questions posed by the IAASB. DTTL also has additional recommendations to amend the Proposal, which are discussed in Appendix 2.

1 The Auditor Reporting standards comprise: ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*; ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*; ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*; ISA 570 (Revised), *Going Concern*; ISA 260 (Revised), *Communication with Those Charged with Governance*; and related conforming amendments.

2 For the purposes of this comment letter, reference to “specific element of a financial statement” means “specific element, account or item of a financial statement.”

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DTTL appreciates the opportunity to provide perspectives on the Proposal and would be pleased to discuss this letter with the staff at your convenience. If you have any questions, please contact me via email (csabater@deloitte.com) or at +1 305 372 3143.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Carlos Sabater', written in a cursive style.

Carlos A. Sabater
Global Managing Director, Audit
Deloitte Touche Tohmatsu Limited

APPENDIX 1

RESPONSE TO REQUESTS FOR SPECIFIC COMMENTS

DTTL's responses to the detailed questions included in the IAASB's EM accompanying the Proposal are set forth in this appendix. These responses provide additional context for DTTL's perspectives contained in the Executive Summary and include more specific and detailed observations related to the various aspects of the IAASB's Proposal.

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.

Proposed ISA 800 (Revised)

DTTL agrees with how the enhancements resulting from the Auditor Reporting standards have been applied by the Board in proposed ISA 800 (Revised).

DTTL did, however, note that language was introduced in paragraph A13 to further clarify the term "other information" in the context of proposed ISA 800 (Revised). In ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* ("ISA 720"), this term has a very specific and limited meaning and it will be confusing to users to amend and extend the scope to "reports prepared to meet the information needs of specific users." Further, to do so in an application and other explanatory material paragraph without carefully considering how this additional wording integrates with ISA 720 may result in unintended consequences. DTTL recommends striking the second sentence of paragraph A13.

Proposed ISA 805 (Revised)

DTTL has fundamental concerns with how the enhancements in the Auditor Reporting standards have been addressed in proposed ISA 805 (Revised).

These concerns encompass the following areas:

- **Going Concern.** DTTL concurs that it is in the public interest to include a GC section in the auditor's report of a single financial statement or of a specific element of a financial statement. GC information is always fundamental to the users' understanding of a single financial statement or of a specific element of a financial statement. ISA 570 (Revised), *Going Concern* ("ISA 570"), requires communication in the auditor's report pertaining to the existence of a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Both GC communications in the auditor's report and disclosures in the notes to the financial statements are imperative in order for the user to understand the context of any material uncertainty relating to going concern disclosed in the auditor's report.

Consequently, DTTL believes that to only include a reference to a material uncertainty related to a going concern in the auditor's report of a single financial statement or of a specific element of a financial statement merely because such a section was included in the auditor's report on the complete set of financial statements may mislead the user, as it will not provide the user with sufficient information to assess the GC language (i.e., related footnote disclosures would be absent) or to understand how it relates (if at all) to the ISA 805

(Revised) engagement. DTTL recommends that application guidance be included in proposed ISA 805 (Revised) to alert the auditor that the provisions of ISA 570 apply (whether relevant to the applicable reporting framework or not). In particular, paragraph 19 of ISA 570 requires the auditor to evaluate the adequacy of note disclosures in the financial statements when events or conditions have been identified and a material uncertainty exists. DTTL considers this note disclosure essential to the understanding of a material uncertainty related to a GC previously disclosed in the complete set of financial statements.

Furthermore, in terms of paragraph 22 of ISA 570, the inclusion of the paragraph relating to a material uncertainty assumes there is adequate disclosure in the underlying financial statements relating to such material uncertainty. If such disclosure is not adequate, paragraph 23 of ISA 570 requires the auditor to express either a qualified or adverse opinion. Accordingly, if there is no GC disclosure in a single financial statement or in a specific element of a financial statement, it would imply that either a qualified or adverse opinion is appropriate with respect to the proposed ISA 805 (Revised) auditor's report in order to comply with ISA 570.

It was also noted that paragraph 15 of proposed ISA 805 (Revised) was rather cumbersome to understand and referred to both GC issues as well as OI, which may cause confusion when being implemented by the auditor. In order to provide clarity, DTTL recommends that paragraph 15 is bifurcated and that GC and OI be separately addressed in two consecutive paragraphs.

- Key Audit Matters. DTTL understands that there is a public interest benefit to considering whether KAM disclosed in the complete set of financial statements should be referenced in the auditor's report in relation to a proposed ISA 805 (Revised) engagement as discussed in paragraph A23. However, DTTL believes that the guidance as drafted in paragraph A23 could cause confusion when being applied, and result in an ISA 805 (Revised) auditor's report that is misleading to the user; for example, when:
 - A reference is made in an "Other Matter" section of the proposed ISA 805 (Revised) audit report to KAM in the auditor's report on the complete set of financial statements, but in the auditor's report on a single financial statement or on a specific element of a financial statement there is neither (a) information communicating what a key audit matter is and the auditor's responsibility as it relates to key audit matters, nor (b) detail sufficient to allow the user to evaluate those KAM in the context of the proposed ISA 805 (Revised) engagement.
 - There are multiple KAM disclosed in the auditor's report on the complete set of financial statements, of which only certain of the KAM may be relevant to the audit of a single financial statement or of a specific element of a financial statement. The user is left to determine which of those KAM are applicable to the proposed ISA 805 (Revised) engagement.
 - The auditor refers the user to the KAM in the auditor's report on the complete set of financial statements; however, if the auditor voluntarily applied the provisions of ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report* ("ISA 701"), additional KAM may have been disclosed in the auditor's report on a single financial statement or on a specific element of a financial statement. The user is left with an incomplete "picture" of the audit engagement.
- Other Information. There may be circumstances in which the OI associated with the complete set of financial statements is different from the OI that is associated with the ISA 805

(Revised) engagement. As a result, DTTL does not believe it is appropriate to repeat a statement that describes an uncorrected misstatement of OI (in relation to the audit of a complete set of financial statements) in the auditor's report on a single financial statement or on a specific element of a financial statement, unless the OI in relation to the ISA 805 (Revised) engagement is the same as the OI in relation to the complete set of financial statements. In situations in which the OI is different, the user of the ISA 805 (Revised) audit report would not have the appropriate context to understand such a statement. Further, the requirements for the proposed ISA 805 (Revised) auditor's report do not include the expanded management and auditor responsibilities, as required by ISA 720.

DTTL recognizes that the Proposal offers flexibility as to how to address these matters, but there is a concern that the extent of flexibility may cause widespread inconsistency in implementation. DTTL also realizes that in attempting to address the challenges identified above, a variety of approaches may be adopted in relation to GC, KAM, and OI (for example, in some cases making reference to the auditor's report on the complete set of financial statements and in some cases not making reference). In order to ensure that there is uniformity in the application of proposed ISA 805 (Revised), as well as an auditor's report that is clear, meaningful, easily understood, and one which provides the appropriate context for the auditor's opinion, the IAASB may consider one of the following options:

- Drafting additional guidance to assist the auditor in the practical application of proposed ISA 805 (Revised).
- Requiring in all instances that GC, KAM, and OI matters contained in the auditor's report on the complete set of financial statements are referenced in the auditor's report of a single financial statement or of a specific element of a financial statement. This would assume that the complete set of financial statements would be readily available to the intended users.
- Prohibiting any references to the auditor's report on the complete set of financial statements in the auditor's report of a single financial statement or of a specific element of a financial statement. This approach would ensure that the proposed ISA 805 (Revised) engagement remains a separate, stand-alone audit engagement. An example of wording that could be inserted after paragraph 12 to achieve this result is as follows:

12x. Where the auditor undertakes to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's complete set of financial statements, the auditor, in forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, shall not refer to the auditor's report on the entity's complete set of financial statements, unless required by law or regulation.

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.

It is important that the ISAs are not overly prescriptive and retain an element of flexibility in order to allow for the ISAs to be operationalized in the various jurisdictions. However, in order to ensure consistency in the application of the requirements, DTTL believes that there should be additional guidance and explanatory material, particularly as it relates to proposed ISA 805 (Revised), to further ensure that while the auditor's report is concise and relevant, it also provides the appropriate clarity and context for the intended users. Recommendations for additional guidance and explanatory material have been addressed in Question 1.

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?**

DTTL concurs with the IAASB that the communication of KAM should be voluntary as it relates to the Proposal, unless otherwise 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 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**

DTTL believes that the application material in paragraph A23 can be further expanded to address the implementation challenges identified above in the answer to Question 1. Additional application material should clarify the auditor's responsibilities and address any potential confusion as it relates to the users' understanding of KAM as disclosed in the auditor's report of a single financial statement or of a specific element of a financial statement. While Illustration 3 in Appendix 2 does provide some assistance to the auditor, DTTL believes it may be appropriate to include a specific statement to the effect that the auditor has not applied the requirements of ISA 701 to the proposed ISA 805 (Revised) engagement.

- (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).**

As noted above in the answer to Question 1, DTTL acknowledges the importance of striking a balance between allowing for flexibility in the approaches adopted by the auditor in referencing KAM in the auditor's report on a single financial statement or on a specific element of a financial statement, versus the benefits of a consistent approach. DTTL believes that it is in the interests of the users of the proposed ISA 805 (Revised) audit report for there to be consistency in the approach, whether that is attained by additional guidance or explicit requirements prohibiting certain treatments. In addressing this question, DTTL believes that the overriding aims should be to ensure transparency of information disclosed in the audit report and the protection of the public interests.

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.

DTTL is aware that certain of the Deloitte network of member firms use ISA 810, *Engagements to Report on Summary Financial Statements* (“ISA 810”), in their respective jurisdictions. However, DTTL also understands that there are issues relating to the practical application of extant ISA 810. These are as follows:

- (a) In certain circumstances, as provided by law or regulation, paragraph 6(b)(ii) of extant ISA 810 permits an auditor’s report on the summary financial statements to be issued even if the audited financial statements have not been made available to the intended users of the summary financial statements. DTTL is of the view that this would be inappropriate, since users should always have access to the complete set of audited financial statements, and the auditor’s report thereon, in order to more fully understand the entity’s economic resources and obligations in accordance with the financial reporting framework being used.
- (b) The auditor’s report on the summary financial statements may also be dated later than the date of the auditor’s report on the audited financial statements. In this instance the auditor is required to alert the user of the summary financial statements in the auditor’s report that the summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on the audited financial statements that may require adjustment of, or disclosure in, the audited financial statements.

DTTL understands that an extant ISA 810 report may be issued several months after the issuance of the auditor’s report on the audited financial statements. Consequently, DTTL believes that this standard should be revisited because the information presented to the users of the summary financial statements may be misleading as it does not take into account the effect of subsequent events and the user may not be in a position to make an informed decision. This may also create an expectations gap as to what the responsibilities of the auditor are in terms of disclosure in the extant ISA 810 report as it relates to subsequent events.

Given the nature of the matters identified in (a) and (b) above, DTTL believes that a more comprehensive revision of extant ISA 810 is warranted, rather than limiting the revisions to targeted amendments addressing the new and revised Auditor Reporting standards. By taking an interim step and making conforming amendments to only address the impact of the Auditor Reporting standards, the IAASB may give stakeholders the impression that the Board is giving tacit approval to a standard that in the opinion of DTTL is fundamentally flawed.

DTTL recommends that the Board develops a holistic approach to revising the standard, possibly as part of the IAASB’s Work Plan for 2017-2018, as noted in the EM. Further, DTTL agrees with the proposals presented by the IAASB ISA 810 Task Force to consult “with the accounting firms and international audit networks by way of liaising with the Global Public Policy Committee (GPPC) to understand more fully whether accounting firms are routinely issuing ISA 810 reports and, if so, under what circumstances (for example, in accordance with law or regulation or at the request of clients).”³ In addition, the IAASB should gather input from the National Standard Setters, which would also assist in formulating the way forward as it relates to extant ISA 810.

³ Refer to IAASB March 16-20, 2015 meeting material, Agenda Item 11-A, paragraph 18.

APPENDIX 2

DETAILED COMMENTS AND RECOMMENDATIONS

DTTL has other detailed comments and recommendations with respect to the Proposal as enumerated below. In these comments, recommended additional text is shown using **bold underline**; recommended deletions to the text are shown using double ~~strike through~~.

Proposed ISA 800 (Revised)

Paragraph A17

In instances when the auditor voluntarily decides to apply the provisions of ISA 701, the auditor should, in making that determination, also consider the provisions of paragraph A12 of proposed ISA 800 (Revised), which discusses instances in which the requirements of ISA 260 (Revised), *Communication with Those Charged with Governance* (“ISA 260”), may not be relevant to the audit of the special purpose financial statements. Because paragraph 9 of ISA 701 requires the auditor to determine KAM “from the matters communicated with those charged with governance,” where matters relating to the proposed ISA 800 (Revised) have not been communicated to those charged with governance, it may not be possible to apply the provision of ISA 701 as there may not be a starting point for identifying the relevant KAM. Consequently, it may not be appropriate for the auditor to voluntarily communicate key audit matters.

Further, DTTL recommends that where possible the “Requirements” and the “Application and Other Explanatory Material” be drafted using positive statements, as this should have the effect of driving the appropriate and desired auditor behavior.

As a result, DTTL recommends the following edits be made:

A17. ISA 700 (Revised) requires the auditor to communicate key audit matters in accordance with ISA 701 for audits of complete sets of general purpose financial statements of listed entities. For audits of special purpose financial statements, ISA 701 **only applies when**~~does not apply unless~~ communication of key audit matters in the auditor’s report in the special purpose financial statements is required by law or regulation or the auditor otherwise decides to communicate key audit matters. **The auditor may consider paragraph A12 in the determination of whether the auditor is able to apply the provisions of ISA 701.** When key matters are

(Note: DTTL has a similar comment as it relates to paragraph A19 in proposed ISA 805 (Revised)).

Illustration 1

DTTL noted the insertion of the word “accompanying” in the first sentence of the “Opinion” section. This amendment does not appear consistently in the illustrations in the Appendix to proposed ISA 800 (Revised), nor is it reflected in any of the illustrations in the Appendix to ISA 700 (Revised), *Forming and Opinion and Reporting on Financial Statements*. DTTL believes that, unless the circumstances determine otherwise, there should be consistency in the language of the independent auditor’s report on the special purpose financial statements and as such it is recommended that the word “accompanying” be deleted. (Note: DTTL has a similar observation in Illustration 3 of proposed ISA 805 (Revised)).

It was also noted that in the first paragraph under the heading “Opinion,” the wording describing the provisions of the contract has been struck. DTTL does not believe that this edit is appropriate because, as currently stated, there is no context for the opinion sentence in the subsequent paragraph. The contract needs to be explained and defined so as to provide that context. This deletion is also inconsistent with the manner of presentation in Illustrations 2 and 3 of the Appendix to proposed ISA 800 (Revised).

Further, in the paragraph under the heading “Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use,” there is a reference to the “contract referred to above,” yet the contract is not elsewhere described. DTTL recommends that the sentence under the “Opinion” heading be reinstated as follows:

We have audited the ~~accompanying~~ financial statements of ABC Company (the Company), which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. **The financial statements have been prepared by management of ABC Company based on the financial reporting provisions of Section Z of the contract dated January 1, 20X1 between ABC Company and DEF Company (“the contract”)**

Illustrations 1, 2, and 3

In each instance it was noted that the paragraph under the heading “Emphasis of Matter” started with the phrase “Without modifying our opinion...” None of the illustrative examples in ISA 706 use this format. DTTL believes that the layout should be consistent with that of the illustrative examples in ISA 706. See suggested edits to Illustration 3 below (this recommendation would also apply to Illustrations 1 and 2 of proposed ISA 800 (Revised) as well as Illustrations 2 and 3 of proposed ISA 805 (Revised)):

Emphasis of Matter – Basis of Accounting

~~Without modifying our opinion,~~ We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the financial statements may not be suitable for another purpose. **Our opinion is not modified in respect of this matter.**

Proposed ISA 805 (Revised)

Overall Comment

Although the purpose of this Proposal is to ensure that the new and revised Auditor Reporting standards are appropriately addressed in proposed ISA 805 (Revised), the applicability of the requirements and related application and other explanatory material of proposed ISA 805 (Revised) is also fundamental to an auditor’s understanding and use of ISA 805 (Revised). DTTL is aware of a practice issue that is having an impact on when extant ISA 805 is being used. This issue relates to what is considered to be the framework used and what constitutes a complete set of financial statements. The details are further elaborated below.

Currently, in certain jurisdictions it is understood that the intention of extant ISA 805 is that it applies when the auditor is engaged to audit a single financial statement, or a specific element of a financial statement that is prepared under an “umbrella” framework; for example,

International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board. However, when the auditor is engaged to audit a single financial statement or a specific element of a financial statement and the framework is specific to that single financial statement or that specific element of a financial statement (i.e., it is a unique framework not based on the umbrella framework), then extant ISA 805 is not being applied.

It is assumed that the specific framework is in fact the applicable financial reporting framework and the specific framework is therefore a “complete set of financial statements.” The basis for this assumption is to be found in paragraph 8 of ISA 700 and paragraph 7 of proposed ISA 800 (Revised), both of which state that: “...The requirements of the applicable financial reporting framework determine the form and content of the financial statements, and what constitutes a complete set of financial statements.”

Further, paragraph A7 of proposed ISA 805 (Revised) (and extant ISA 805) implies that there is a stand-alone framework (i.e., an “applicable financial reporting framework”) that is used for the preparation of a single financial statement or of a specific element of a financial statement as noted below:

A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorized or recognized standards setting organization for the preparation of a complete set of financial statements (for example, IFRSs). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Therefore, the stand-alone framework would define what a complete set of financial statements is, and extant ISA 805 would never apply. Consequently, any incremental reporting requirements of proposed ISA 805 (Revised) would not be applicable to the aforementioned set of circumstances. These incremental requirements may include understanding the effect of GC, KAM, and OI reported in the auditor’s report of a complete set of financial statements on the auditor’s report of a single financial statement or of a specific element of a financial statement.

DTTL does not believe the above interpretation is the intent of proposed ISA 805 (Revised) and accordingly DTTL recommends the following amendment to paragraph A7 to clarify the applicability and scope of the standard:

A7. A single financial statement or a specific element of a financial statement may be prepared **either** in accordance with ~~an applicable financial reporting framework that is based on~~ **the framework concepts and the measurement and recognition requirements of** a financial reporting framework established by an authorized or recognized standards setting organization for the preparation of a complete set of financial statements (for example, IFRSs), **or elements of a financial reporting framework**. If this is the case, determination of the acceptability of the applicable framework, **or elements thereof**, may involve considering whether that framework, **or those elements of that framework**, includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Illustration 3

The circumstances that are assumed for the purposes of Illustration 3 indicate that the going concern basis of accounting is applicable, and accordingly ISA 570 applies. DTTL noted that while the auditor's responsibilities pertaining to going concern are described in the illustration, management's responsibilities are not. This is also contrary to the manner of presentation in Illustration 2 of Appendix 1 to proposed ISA 805 (Revised).

If the IAASB does not modify the approach in proposed ISA 805 (Revised) as previously discussed, DTTL recommends the following amendment to the independent auditor's report in Illustration 3:

Responsibilities of Management and Those Charged with Governance for the Schedule

... due to fraud or error.

In preparing the schedule, 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.

Those charged with ...