

21 April 2015

Kathleen Healy
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International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
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USA

Dear Mdm,

RESPONSE TO THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (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*

In preparation of this comment letter, the Institute of Singapore Chartered Accountants (ISCA) has sought views from its members through a one-month public consultation process and discussed the ED with members of the ISCA Auditing and Assurance Standards Committee.

We agree that the enhancements resulting from the new and revised Auditor Reporting standards should apply to ISA 800 and ISA 805 engagements, and also agree in general with the broad proposals that the IAASB has put forth in the ED. However, we have concerns over who should consider the implications on the ISA 805 auditor's report, of additional information that is communicated in the auditor's report on the entity's complete set of financial statements, and how references to this additional information should be made in the ISA 805 auditor's report.

The details to our above comments are included in our response to the specific questions in the ED as follows:

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.

1.1 Generally, we 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). However, we would like to share our views relating to the following:

- (a) In the context of ISA 805 (Revised), the additional information contained in the auditor's report on the entity's complete set of financial statements; and
- (b) In the context of both ISA 800 (Revised) and ISA 805 (Revised), the disclosure of the name of the engagement partner in the auditor's report.

Additional information contained in the auditor's report on the entity's complete set of financial statements

1.2 The proposed ISA 805 (Revised) requires auditors to consider the potential implications of the auditor's report on the complete set of financial statements on the ISA 805 auditor's report. Based on paragraphs 12 to 19 of proposed ISA 805 (Revised), it appears that such consideration is made only when the auditor is also engaged to audit the entity's complete set of financial statements. As additional information included in the auditor's report on the complete set of financial statements may be important for the users of the ISA 805 auditor's report, we are of the view that this consideration should be made regardless of whether the auditor for the ISA 805 engagement is also engaged to audit the entity's complete set of financial statements, i.e. such consideration should be made even if the auditor for the ISA 805 engagement is not the auditor for the complete set of financial statements.

1.3 In addition, where KAM are communicated in the auditor's report on the complete set of financial statements, the proposed ISA 805 (Revised) requires the auditor to consider whether it is relevant to communicate this fact in the ISA 805 auditor's report. It would be helpful if more guidance could be provided on the factors that the auditor should consider when making that judgement. For example, if the period covered by the ISA 805 engagement is different from that of the audit engagement on the complete set of financial statements, it would affect whether or not the auditor should make the relevant communication and if so, how this should be done.

Disclosure of the name of the engagement partner in the auditor's report

- 1.4 The proposed ISA 800 (Revised) and ISA 805 (Revised) include a requirement to disclose the name of the engagement partner in the auditor's report for listed entities. We do not agree with this because the reporting deliverables under these standards are seldom available in the public domain. Hence, such disclosure would not meaningfully serve the purpose of increasing transparency.

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

- 2.1 Except for our comments provided in the responses to the other questions in the ED, we believe that the proposed standards include sufficient guidance.

Question 3(a)

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?**

- 3.1 We agree.

Question 3(b)

- (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). 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 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).

- 3.2 Should the auditor decide to refer to KAM that is communicated in the auditor's report on the complete set of financial statements, we agree with IAASB that it should be included in the ISA 805 auditor's report using an OM paragraph.
- 3.3 The Explanatory Memorandum has indicated the IAASB's preference for the auditor to only make a reference in the ISA 805 auditor's report to the existence of KAM in the auditor's report on the complete set of financial statements, as reflected in paragraph A23 and illustration 3 of Appendix 2 of the proposed ISA 805 (Revised). We suggest that the IAASB do not indicate any preference, instead flexibility should be given to the auditor in determining the appropriate descriptions to be included in the OM paragraph. We are of the view that the auditor should consider what may be most useful to users of the ISA 805 auditor's report in the particular circumstances and determine how best to communicate to them (e.g. to state the fact that KAM has been communicated in the auditor's report on the complete set of financial statements or to reproduce specific relevant KAM).
- 3.4 Accordingly, paragraph A23 of proposed ISA 805 (Revised) should be amended to clearly provide for such flexibility as described in paragraph 3.3 above. Additional guidance and examples could be provided to show the different ways that the auditor can make such references that would be useful to the users of the ISA 805 auditor's report. For example, if the auditor deems it necessary to list down the relevant KAM, more guidance could be provided on the extent of information to be included in the OM paragraph of the ISA 805 (Revised) auditor's report.

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.

- 4.1 We are of the view that conforming amendments to extant ISA 810 are not needed at this time. The current requirement in ISA 810 for the ISA 810 auditor's report to refer to the auditor's report on the audited financial statements is sufficient.

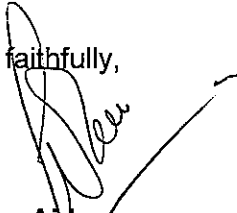
Other Comments

Effective Date

5.1 We support the effective date to be aligned to the effective date of the new and revised Auditor Reporting standards.

Should you require any further clarification, please feel free to contact Mr Kang Wai Geat, Deputy Head, Technical Standards Development and Advisory, or Ms Fua Qiu Lin, Manager, Technical Standards Development and Advisory, at ISCA via email at waigeat.kang@isca.org.sg or qiulin.fua@isca.org.sg respectively.

Yours faithfully,



Ms Lim Ai Leen
Executive Director
Technical Knowledge Centre and Quality Assurance