

22 April 2015

Kathleen Healy  
Technical Director  
International Auditing and Assurance Standards Board  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, 10017  
USA

Dear Kathleen,

***IAASB Exposure Draft, Proposed Changes to the International Auditing Standards (ISAs) –ISA 800 (Revised) and ISA 805 (Revised).***

Thank you for the opportunity to comment on this Exposure Draft. We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB) in the attachment.

We welcome the opportunity to provide you with our comments. We would like to highlight that comments received from the New Zealand constituents are consistent with the recommendation that the IAASB is seeking to address through this exposure draft.

The NZAuASB is supportive of the IAASB's Auditor Reporting project and the consequential amendments to ISA 800 and ISA 805. The NZAuASB agrees that the enhancements to the general provisions in ISA 800 and ISA 805 to align with the auditor reporting package will improve audit quality and the application of the principles in practice.

Should you have any queries concerning our submission please contact either myself at the address details provided below or Sylvia van Dyk ([sylvia.vandyk@xrb.govt.nz](mailto:sylvia.vandyk@xrb.govt.nz)).

Yours sincerely,



**Neil Cherry**

**Chairman**

Email: [neil.cherry@xrb.govt.nz](mailto:neil.cherry@xrb.govt.nz)

## Submission of the New Zealand Auditing and Assurance Standards Board

### Exposure Draft *Proposed Changes to the International Auditing Standards (ISAs) – ISA 800 (Revised) and ISA 805 (Revised)*

#### I Schedule of Responses to the IAASB's Specific Questions

- 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.**

**Response:**

Yes, the NZAuASB agrees with how the proposed enhancements resulting from the new and revised Auditor Reporting standards have been addressed in proposed ISA 800 (Revised) and ISA 805 (Revised).

The NZAuASB is of the view that the enhancements to the general provisions in ISA 800 and ISA 805 to align with the auditor reporting package will improve audit quality and the application of the principles in practice.

- 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.**

**Response:**

The NZAuASB is of the view that 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.

- 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?**

**Response:**

Yes, the NZAuASB agrees with the IAASB's decision that the communication of KAM be voluntary for all entities under both proposed ISA 800 (Revised) and ISA 805 (Revised), unless required by law or regulation.

The NZAuASB sees a natural progression to mandating KAM reporting to a wider community than just the listed entities in the near future. The NZAuASB acknowledges that at this time it is up to national standard setters to decide to which entities it should apply, and notes that the IAASB's planned post-implementation review of the new and revised Auditor Reporting standards may provide further insights into the applicability of reporting KAM for ISA 800 and ISA 805 engagements.

- (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**

**Response:**

The NZAuASB supports the IAASB's proposal to refer to KAM that is communicated in the auditor's report on the complete set of financial statements in the ISA 805 auditor's report using an OM paragraph, and finds the guidance in paragraph A23 useful. The NZAuASB agrees that it is important to be transparent where the auditor considers it relevant to user's understanding of the auditor's report. Consequently the NZAuASB considers that merely including a statement in the ISA 805 auditor's report that the auditor's report on the complete set of audited financial statements included the communication of key audit matters (as per Illustration 3 in Appendix 2) will not sufficiently communicate to the user that the key audit matters are relevant to the user's understanding of the ISA 805 auditor's report. The NZAuASB recommends that the message will be clearer if the Other Matter paragraph per Illustration 3 in Appendix 3 also includes the statement below:

*"We believe those key audit matters are also relevant to users of this report."*

- (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).**

**Response:**

The NZAuASB supports the IAASB's proposal to provide flexibility to auditors to determine what may be most useful to users of the ISA 805 auditor's report. The NZAuASB agrees that flexibility is preferable, at least initially, and to allow for practice to emerge in this area. The IAASB's planned post-implementation review of the new and revised Auditor Reporting standards may provide further insights into the applicability of reporting KAM for ISA 800 and ISA 805 engagements.

- 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.**

**Response:**

The NZAuASB is of the view that at this point, conforming amendments to extant ISA 810 are less of a priority.

**In addition to the requests for specific comments above, the IAASB is also seeking comments on the general matters set out below:**

- (c) 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.**

**Response:**

The NZAuASB supports the proposed effective date. The NZAuASB further supports the IAASB's efforts in ensuring that the effective dates are aligned to the auditor reporting package.

**Other Comments**

There appears to be an error in the illustrative report on page 56 of the Exposure Draft. The illustrative report on page 56 of the Exposure Draft (Illustration 3 in ISA 805 (Revised)) does not include a paragraph relating to the responsibility of management and Those Charged with Governance to Going Concern as required by ISA 570 (Revised) when the going concern basis of accounting is applicable. The going concern basis of accounting is noted to be applicable for this example and it should therefore include the relevant responsibility paragraph.