

PIOB MONITORING OF COMMENT LETTERS BY MG/IFIAR/EAIG MEMBERS TO THE EXPOSURE DRAFT OF ISAs 800 & 805
(December 2015)

#	Who made it	Group (MG member, Regulator, etc.)	Issue	Comment - description	Final Status (Agreed, Disagreed, Not discussed)
ISAs 800 & 805					
1	IAIS	MG member	PIEs	The IAIS commented on two points that have been previously brought to the attention of the IAASB: (i) the IAIS believes that the definition of "public interest entities" should be extended to financial institutions; (ii) introducing different forms of auditor's reports according to different types of entities could lead users to draw unintended or inappropriate conclusions about the relative quality of the audit on financial statements of unlisted and listed entities.	The IAASB noted these comments.
	IAIS	MG member	Interactions between ISA 800 and ISA 805	The IAIS was not completely convinced that all interactions between ISAs 800 and 805 were sufficiently explicit (e.g.: how paragraphs A 16 to A19 in ISA 800 would apply in the context of single financial statements or specific elements prepared in accordance with a special purpose framework, when an entity's complete set of financial statements is prepared according to IFRS or local GAAP).	The IAASB revised paragraph 11 in ISA 805 to clarify that ISA 800 applies, adapted as necessary, when the financial reporting framework that was used to prepare the financial statement or element is a special purpose framework.
	IAIS	MG member	Application material	Paragraph A13 in ISA 800 (application of ISA 720, "The auditor's responsibilities relating to other information"), is too succinct to be really helpful. The equivalent paragraph A20 in ISA 805 is slightly more detailed.	This paragraph was revised and expanded and became paragraph A17.
	IAIS	MG member	GC basis of accounting in ISA 800	Paragraph A16 in ISA 800 lays out that when the GC basis of accounting is not relevant in the context of a special purpose framework, the requirements in ISA 570 and in paragraphs 33(b) and 38(b)(iv) of ISA 700 do not apply. In such a case, the IAIS thought it would be useful that the audit report or/and the notes state this explicitly and clearly.	The Board discussed this matter and agreed to include new application material in ISA 800 (paragraph A15) to remind auditors that the respective descriptions of management's and the auditor's responsibilities relating to GC in the auditor's report may need to be tailored depending on the relevance of the GC basis of accounting in the preparation of the special purpose FS. E.g., the GC basis of accounting is not relevant for some FS prepared on a tax basis in particular jurisdictions.
	IAIS	MG member	KAM	Paragraph A17 in ISA 800 considers that, except when required by law or regulation, the auditor is free to decide whether to communicate KAM in his report on special purpose financial statements. The IAIS was of the view that, when KAM are disclosed in the audit report on general purpose financial statements, it would make sense to consider that KAM are also communicated in the context of the audit of financial statements prepared in accordance with special purpose frameworks. Therefore, the IAIS recommended that paragraph A17 be changed in order to require application of ISA 701 when this standard is applied for the audit of complete sets of general purpose financial statements. More generally, the IAIS wondered why the development included in paragraphs A22- A24 of ISA 805 (references to KAM and EOM/OM paragraphs in the auditor's report on the entity's complete set of FS) would not be valid in the context of ISA 800.	The IAASB decided that KAM should not be required in ISA 800. This view was supported by most of the respondents. ISA 701 (KAM) would only apply when communication of KAM in the auditor's report is required by law or regulation or the auditor otherwise decides to communicate KAM. When KAM are communicated in the auditor's report on special purpose financial statements, ISA 701 applies in its entirety. The IAASB added new application material (paragraph A19) to ISA 800 to point that the auditor may deem it appropriate to refer, in an Other Matter paragraph in the auditor's report on the special purpose financial statements, to the auditor's report on the complete set of general purpose financial statements or to matter(s) reported therein. For example, the auditor may consider it appropriate to refer in the auditor's report on the special purpose financial statements to a Material Uncertainty Related to Going Concern section included in the auditor's report on the complete set of general purpose financial statements.
	IAIS	MG member	Disclosures/Notes	In the context of a special purpose framework, requirements related to presentation and content of the notes can be less detailed and formalized than, for instance, under international financial reporting standards. Moreover, an auditor should have a different approach depending on whether the financial reporting framework may be a fair presentation framework or a compliance framework (paragraph 6(b)). The IAIS understood that the IAASB was reluctant to repeat some requirements of other ISAs in proposed ISA 800 (Revised) and proposed ISA 805 (Revised). However, the IAIS deemed it useful to emphasize difficulties specific to assessing adequacy of the notes in this particular context.	The IAASB revised paragraph 7 in ISA 800 (definitions) to add that the requirements of the applicable financial reporting framework determine the presentation, structure, and content of the financial statements, and what constitutes a complete set of financial statements; and that reference to "special purpose financial statements" in ISA 800 includes the related disclosures. Paragraph A4 in this ISA was expanded to add that disclosures comprise explanatory or descriptive information expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of financial statements, or in the notes, or incorporated therein by cross-reference. Similarly, the Board expanded paragraph A2 in ISA 805.
	IAIS	MG member	More clarity in the scope of ISA 805	The IAIS believed that it would be beneficial for the IAASB to provide more clarity on the definition of what could be considered as "single financial statements".	The IAASB revised the definition in paragraph 6c) and the application material in paragraph A2 of ISA 805, to further clarify the definition and address disclosures in the context of ISA 805 engagements.
	IAIS	MG member	ISA 805	The meaning of "not published together" included in paragraph 18 of ISA 805 could be better explained. For instance, if both reports (opinion on the complete set of FS and on ISA 805) are available at the same time on the website of the entity, should they be considered as published together.	The IAASB decided that this suggestion was outside of the scope of this project.
	IAIS	MG member	Communication with TCWG	According to the paragraph A12 of ISA 800, communication with those charged with governance in accordance with ISAs is relevant to the audit of the special purpose financial statements only when the auditor is also responsible for the audit of the entity's general purpose financial statements or has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial statements. Whenever the audit report is public, the IAIS was of the view that the auditor should communicate with those charged with governance, even if they do not have responsibility for overseeing the preparation of those special purpose financial statements.	The IAASB revised application material in ISA 800. Paragraph A12 was modified to explain that "ISA 260 (Revised) requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate. ISA 260 (Revised) notes that, in some cases, all of those charged with governance are involved in managing the entity, and the application of the communication requirements is modified to recognize this position. When a complete set of general purpose financial statements are also prepared by the entity, those person(s) responsible for the oversight of the preparation of the special purpose financial statements may not be the same as those charged with governance responsible for the oversight of the preparation of those general purpose financial statements".

	IAIS	MG member	Aspects that could be more widely highlighted	When the auditor of the special purpose financial statements or of single financial statements and specific elements of accounts or items is different from the auditor of the complete sets of general purpose financial statements, some aspects would deserve to be more widely highlighted, in particular in ISA 800: the relationship and extent of information sharing between the two auditors; audit procedures that should be conducted by the auditor of the special purpose financial statements on the internal control; and how the auditor of the special purpose financial statements should take into account the KAM, GC information, EOM/OM and modified opinion possibly disclosed in the audit report on the general purpose financial statements	Paragraph A19 states that the ISA 800 auditor may deem appropriate to refer, in an Other Matter paragraph in the auditor's report on the special purpose financial statements, to the auditor's report on the complete set of general purpose financial statements or to matter(s) reported therein. For example, the auditor may consider it appropriate to refer in the auditor's report on the special purpose financial statements to a Material Uncertainty Related to Going Concern section included in the auditor's report on the complete set of general purpose financial statements. Suggestions that the IAASB considered beyond the scope of this project were not discussed by the IAASB.
2	IRBA	IFIAR member	Different reporting period	IRBA was of the view that some consideration should be given by the IAASB to provide further guidance for the scenario where the auditor is engaged to perform an ISA 805 engagement with a different reporting period end to the complete set of financial statements on a specific account balance or statement. This will be especially important where there are going concern issues in the reporting period of the complete set of financial statements but in the subsequent ISA 805 engagement the circumstances around the going concern have changed.	In the case of ISA 805, the Board concluded that auditors should be required to consider the implications of certain matters, including GC, that were included in the auditor's report on the complete set of FS over both the audit and the auditor's report under ISA 805 (paragraph 14). Application material in paragraph A 27 explain that even when certain matters included in the auditor's report on the complete set of financial statements do not have implications for the audit, or for the auditor's report on, the single financial statement or the specific element of a financial statement, auditors may deem appropriate to refer in the ISA 805 auditor's report to a MU related to GC included in the auditor's report on the complete set of financial statements, even when the GC basis of accounting is not relevant under the financial reporting framework that applies to the presentation of the single financial statement or the specific element of a financial statement.
	IRBA	IFIAR member	Consideration of the GC basis of accounting	In both ISA 800 (Revised) and ISA 805 (Revised) IRBA acknowledged that the GC basis of accounting may not be relevant to certain financial statements prepared in accordance with a special purpose framework. IRBA was concerned that as proposed, auditors may inappropriately conclude that the going concern considerations are not applicable, and suggested that the guidance be enhanced to ensure that the auditor does make an assessment of the relevance of the GC basis of accounting and if relevant, ISA 570 shall apply in its entirety.	Paragraph A 10 in ISA 805 states that the relevance of each of the ISAs requires careful consideration by the auditor. Even when only a specific element of a financial statement is the subject of the audit, ISAs such as ISA 570, ISA 240, and ISA 550, are in principle relevant. Paragraph A 15 in ISA 800 explains that special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial statements prepared on a tax basis in particular jurisdictions). Depending on the applicable financial reporting framework used in the preparation of the special purpose financial statements, the description in the auditor's report of management's responsibilities relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's responsibilities may also need to be adapted as necessary depending on how ISA 570 applies in the circumstances of the engagement.
	IRBA	IFIAR member	Location of the emphasis of matter paragraph in ISA 800 auditor's reports	The proposed ISA 800 does not prescribe the location of the emphasis of matter paragraph in respect of the basis of preparation of the financial statements. IRBA believed this is a fundamental matter, and that the positioning of this paragraph early on in the auditor's report is important and needs to be mandated since it highlights the purpose for which the financial statements are prepared. The positioning of this paragraph after the basis of opinion paragraph would be appropriate.	Paragraph 13 in ISA 800 notes that ISA 700 (Revised) deals with the form and content of the auditor's report, including the specific ordering for certain elements; and paragraph A 20 states that ISA 706 (Revised) requires the emphasis of matter paragraph to be included within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter". The illustrations of auditor's reports included in ISA 800 show the EoM paragraph located at the beginning of the report, following the Basis for Opinion.
	IRBA	IFIAR member	Support regarding not requiring KAM	IRBA was supportive of the proposals not to mandate the communication of KAM for listed entities under ISAs 800 and 805, and that KAM are to be communicated either when required by law or regulation, or otherwise on a voluntary basis. If KAM are communicated, ISA 701 is to be applied in its entirety. Further, IRBA supported the IAASB's proposal that reference to KAM communicated in the auditor's report on the complete set of financial statements be permitted in the ISA 805 auditor's report, as it could be beneficial to the users. IRBA suggested the IAASB consider unintended consequences thereof, especially when the auditor engaged to perform the ISA 805 engagement is not the auditor reporting on the full set of FS and the risk of referring to another auditor's KAM; different reporting frameworks are used to prepare the complete set of financial statements and the single set of financial statements, and the reporting periods are different.	The Board noted the support received. Suggestions that fall outside of the scope of the project were not considered by the IAASB.
	IRBA	IFIAR member	KAM	IRBA suggested that paragraph A17 in ISA 800 make a reference to paragraph A12. Paragraph A12 refers to cases where ISA 260, Communication with TCWG, may not be applicable; however, the communication of KAM can only take place if there has been a discussion on those matters with TCWG. Thus the link back to ISA 260 needs to be made where the communication of KAM is being considered.	Paragraph A12 in ISA 800 was modified. It now explains that "ISA 260 (Revised) requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate. ISA 260 (Revised) notes that, in some cases, all of those charged with governance are involved in managing the entity, and the application of the communication requirements is modified to recognize this position. When a complete set of general purpose financial statements are also prepared by the entity, those person(s) responsible for the oversight of the preparation of the special purpose financial statements may not be the same as those charged with governance responsible for the oversight of the preparation of those general purpose financial statements". Paragraph A17 has become A16, and retains the same text, which refers to the full applicability of ISA 701 when KAM are communicated in the auditor's report on special purpose financial statements.
	IRBA	IFIAR member	Illustrative examples	Regarding the Illustrative examples of auditor's reports in ISA 800 and 805, IRBA thought that there was a need to have general consistency in the wording across all the examples.	Illustrative examples in the 2 ISAs were revised.

	IRBA	IFIAR member	Communication of a MU related to GC	IRBA did not support the proposal that where a material uncertainty related to a going concern paragraph is included in the auditor's report on the complete set of financial statements that it should always be included in an ISA 805 report as it might not be relevant to a given set of circumstances or the concept of GC is not relevant in the financial reporting framework applied in the preparation of the single financial statement or element of a financial statement. Where a material uncertainty related to going concern paragraph in the auditor's report on the complete set of financial statements is relevant to the single financial statement, element, account or item of a financial statement, only then should it be included in an ISA 805 auditor's report. Such relevance should be considered and documented by the auditor.	The IAASB consider this and similar comments by other respondents and agreed that only the relevant matters would be highlighted to users of the ISA 805 auditor's report. The Board concluded that auditors should be required to consider the implications of certain matters that are included in the auditor's report on the complete set of financial statements for both the conduct of the audit to which ISA 805 applies, as well as for the auditor's report. Paragraph 14 was changed to reflect this. New application material was added to support auditors in determining which information in the this auditor's report on the complete set of financial statements may be relevant to users of the ISA 805 auditor's report (paragraphs A23 - A26).
3	Audit Oversight Board Securities Malaysia	IFIAR member	Support for the proposals in the ED	The AOB had no objection to the proposals in the ED.	The Board noted the support received.
	Audit Oversight Board Securities Malaysia	IFIAR member	Illustrative example in ISA 805	AOB was concerned with the illustrative OM paragraph is Illustration 3 of ISA 805, as it could not create the intended level of communicative value. Paragraph A23 provides guidance for the communication of KAM included in the auditor's report on the general FS, but the reference as illustrated in the example could not be sufficient for users to understand the process behind such communication. AOB suggested that the relevance should be clearly articulated in the auditor's report to the single financial statement or on a specific element of a financial statement to facilitate users' understanding of the matter.	Illustration 3 in ISA 805 was reworded.