Background and Introduction

- Proposed changes to ISA 800/805 were limited in nature
  - Limited to explaining how the enhancements resulting from the new and revised Auditor Reporting (AR) standards apply to audits to which ISA 800 and ISA 805 apply
  - No substantive changes to ISA 800 and ISA 805, in particular to the underlying premises
  - Retained extant approach of not repeating requirements of other ISAs
  - For ease of reference refer in this presentation to “ISA 800 reports” and “ISA 805 reports” even if ISA 700 applies
Background and Introduction

• Categorized approach applied by DT-700 to analyze respondents’ feedback on the ED (Agenda Item 4-A, para. 6)
  a) Issues arising from new and revised AR standards
  b) Issues arising from proposed changes to ISA 800/805
  c) Issues that are out of scope
  d) Issues that existed in extant ISA 800/805

Appendix 2 to Agenda Item 4-A summarizes the respondents’ feedback that are not being dealt with at this time

Matter for IAASB Consideration

IAASB is asked to provide input on DT-700’s approach to responding to the feedback on the ED, in particular whether they agree with DT-700’s recommendation to not address the type of issues described in paragraphs 6(c), 6(d) and the Appendix to Agenda Item 4-A.
Feedback on ED: General Comments

- General support for IAASB’s approach to not repeat requirements in proposed ISA 800 (Revised) and proposed ISA 805 (Revised), but:
  - Many respondents asked for clarification, or more guidance for new provisions relating to reporting about GC, KAM and OI

- Most of the respondents’ feedback relates to proposed ISA 805 (Revised), rather than proposed ISA 800 (Revised), though some comments applied to both standards

Feedback on ED: Applicability of KAM

- Most respondents supported IAASB’s proposal for voluntary KAM
  - One respondent asked for KAM to be required for audits of special purpose fs, while a few challenged the idea of even having voluntary KAM in ISA 800/805 reports
    => Vast majority supported voluntary KAM, therefore retained
  - Requests for guidance to better explain how voluntary application of ISA 701 would be possible when a separate those charged with governance (TCWG) function does not exist
    => Aligned guidance on TCWG with ISA 260 (Revised), therefore TCWG always exist
Feedback on ED: Naming the Engagement Partner (EP)

- Most respondents supported IAASB’s proposal for naming the EP in ISA 800/805 reports for listed entities
  - Questions raised by six respondents about the requirement to name the engagement partner (EP) in the ISA 800 and ISA 805 auditor’s report
    => Vast majority supported proposal in ED, therefore retained

Matters for IAASB Consideration

Does the IAASB agree with DT-700’s recommendations relating to the applicability of KAM and the naming of the EP?
Other Feedback and Revisions Related to ED ISA 800/805

• Revised proposed ISA 800 (Revised) and proposed ISA 805 (Revised) include changes resulting from
  – Approved conforming amendments that formed part of the revisions to the ISAs as a result of the Disclosures project
  – Suggested amendments that should have been made as a result the Disclosures project
  – Other editorials and corrections that were identified by DT-700 or raised by respondents (including conforming amendments from ISA 720 (Revised))

Feedback on ED: ISA 805 and the Auditor’s Report on the Complete Set of F/S (CFS)

• Respondents did not appear to understand the proposed requirements in paragraph 14–16 of proposed ISA 805 (Revised)
  – Questions raised about the intended meaning of the extant requirements => Added limited Application Material even though beyond scope
  – Concerns expressed about distinction between determining the effect and making a reference
  – Concerns raised about the proposed requirement to repeat the GC section in the ISA 805 auditor’s report
    => Retain requirement to determining the effect on the ISA 805 report; new requirement to make reference only
Feedback on ED: ISA 805 and the Auditor’s Report on the CFS (Continue)

• Respondents did not appear to understand the proposed requirements in paragraph 14–16 of proposed ISA 805 (Revised)
  – Calls for consistency in the treatment of MU related to GC, uncorrected MM of OI, KAM, etc.
    => Requirement for reference only for all matters
  – Confusion about how to apply the new application material relating to KAM
    => Retain Application Material with the reference to the voluntary application of ISA 701 for ISA 805-specific KAM
    => Drop Application Material for reference to complete set KAM; replaced with requirement to reference for all matters

ISA 805 and the Auditor’s Report on the CFS

Determine the effect on the ISA 805 report, if the auditor’s report on the complete set of f/s include a modified opinion, EOM or OM paragraph

(1) Retain extant requirements
(2) When deemed appropriate, auditor required to include a statement that describes an uncorrected MM of OI
(3) Auditor required to repeat the GC section when there is a MU related to GC
(4) Auditor may include a reference in ISA 805 auditor’s report to flag KAM
DT-700 Suggested Revisions to Requirements in Proposed ISA 805 (Revised), paras. 14–16

As in extant ISA 805, determine the effect on the ISA 805 report, if the auditor’s report on the complete set of f/s include a modified opinion, an EOM or OM paragraph, a MU related to GC, or an uncorrected MM of OI [Para. 14 of Agenda Item 4-C]

Include a reference in the ISA 805 report to alert users about a modified opinion, an EOM or OM paragraph, a MU related to GC, uncorrected MM of OI or KAM in the auditor’s report on the complete set of f/s [Para. 15 of Agenda Item 4-C]

DT-700 Suggested Revisions to Proposed ISA 805 (Revised), paras. 14–16 (continued)

• Auditor always required to determine the effects on the ISA 805 auditor’s report of certain matters
  – Based on facts and circumstances (added new Application Material)
  – Allows for application of auditor judgment
• Reference only a “pointer” providing transparency to users of ISA 805 reports that have access to complete set of f/s
  – Always required, no “relevance test” requiring judgment
  – Not required if complete set audited by other auditor, but can mention this
Matters for IAASB Consideration for ISA 805

The IAASB is asked to provide input on DT-700’s suggested revisions to the requirements, application material and related illustrations related to the consideration of the effects of certain matters included in the auditor’s report on the complete set of financial statements, on the ISA 805 audit report, and the inclusion of a reference in the ISA 805 auditor’s report to the auditor’s report on the complete set of financial statements.

Reference in ISA 800 Report to the Auditor’s Report on General Purpose Financial Statements

- The requirement in ISA 805 to determine the effect of matters in auditor’s report on the complete set of general purpose f/s on the ISA 805 auditor’s report do not apply to ISA 800 because of different financial reporting frameworks (extant ISA 800)
- Respondents asked about why ISA 800 auditor’s reports do not include reference to matters included in auditor’s report on the complete set of general purpose f/s
  
  => Solution: Apply the same requirement for reference as ISA 805 (see para. 16 of Agenda Item 4-B)
Matters for IAASB Consideration for ISA 800

The IAASB is asked to provide input on DT-700’s suggested revisions to the requirements, application material and related illustrations related to including a reference in the ISA 800 auditor’s report to matters (i.e., a modified opinion, EOM or OM paragraphs, MU related to GC section, communication of KAM, or a statement that describes an uncorrected material misstatement of the OI) in the auditor’s report on the general purpose financial statements.

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