

22 April 2015

Ref: 15/17

Prof. Arnold Schilder
Chairman
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, New York
10017 U.S.A.

Dear Professor Schilder,

IAASB Exposure Draft: *Proposed International Standards on Auditing (ISAs), ISA 800 (Revised) and ISA 805 (Revised)*

The International Association of Insurance Supervisors (IAIS) welcomes the opportunity to respond to the International Auditing and Assurance Standards Board (IAASB)'s Exposure Draft (the ED), *Proposed International Standards on Auditing (ISAs), ISA 800 (Revised) and ISA 805 (Revised)*.

The IAIS is pleased that the IAASB has made progress in evaluating how auditor reporting can be improved in order to enhance the quality of the communication to users about the auditor's work and consequently market confidence. Therefore, the IAIS is fully supportive of the work efforts made by the IAASB on auditor reporting and encourages the IAASB to continue to refine their proposals with consideration of our comments below.

As insurance supervisors, members of the IAIS may have the ability to request individual reports from auditors of regulated entities or additional assurance work on specific areas, for example, on solvency returns. The IAIS is therefore very supportive of all changes which might improve the quality of ISA 800 and ISA 805.

Before commenting on the proposed amendments of ISA 800 and ISA 805, the IAIS believes it is noteworthy to reiterate two important points that have been consistently brought to the attention of the IAASB, in particular in its previous letters regarding auditor reporting:

- *The IAIS believes that the definition of “public interest entities” should be extended to financial institutions;*
- *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.*

In an overall perspective, considering both ISA 800 and ISA 805, the IAIS is not completely convinced that all interactions between these two standards are sufficiently explicit. For instance, the IAIS is wondering how the paragraphs A16 to A19 of 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.

Proposed enhancements of ISA 800 and 805 resulting from the new and revised auditor reporting standards

▪ ***ISA 800 “Audits of financial statements prepared in accordance with special purpose frameworks”***

The paragraph A13 relative to the 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.

The paragraph A16 lays out that when the going concern basis of account 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 thinks it would be useful that the audit report or/and the notes state it explicitly and clearly.

Regarding the communication of the key audit matters, the paragraph A17 considers that, except when required by law or regulation, the auditor is free to decide whether to communicate key audit matters in his report on special purpose financial statements. The IAIS is of the view that, when key audit matters are disclosed in the audit report on general purpose financial statements, it would make sense to consider that key audit matters are also communicated in the context of the audit of financial statements prepared in accordance with special purpose frameworks. Therefore, the IAIS recommends 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 is wondering why the development included in the paragraphs A22-A24 of ISA 805 amended would not be valid in the context of ISA 800.

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 understands 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 deems it useful to emphasize difficulties specific to assessing adequacy of the notes in this particular context.

▪ ***ISA 805 “Audits of single financial statements and specific elements of accounts or items of financial statements”***

With respect to the scope of the standard, the IAIS believes it would be beneficial for the IAASB to provide more clarity on the definition of what could be considered as “single financial statements”.

Apart from that, the IAIS believes that:

- the first two comments regarding ISA 800 are also valid in the context of the proposed amendments related to ISA 805;

- the meaning of “not published together” included in paragraph 18 could be better explained. For instance, if both reports are available at the same time on the website of the entity, should they be considered as published together?

Issues with respect to ISA 800 and ISA 805 which are not related to the new and revised auditor reporting standards

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 is 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.

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 (paragraphs 7 and A6 of ISA 805):

- 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;
- How the auditor of the special purpose financial statements should take into account the key audit matters, going concern information, emphasis of matters, other matters and modified opinion possibly disclosed in the audit report on the general purpose financial statements.

If you have further questions regarding this letter, please contact Mark Causevic at the IAIS Secretariat (tel: +41 61 280 8323; email: mark.causevic@bis.org) or Markus Grund, Chair of the IAIS Accounting and Auditing Working Group (tel: +49 228 4108 3671; email: markus.grund@bafin.de).

Yours sincerely,



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