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Washington, DC 20548

April 22, 2015

Ms. Kathleen Healy  
Technical Director  
International Auditing and Assurance Standards Board  
545 Fifth Avenue, 14th Floor  
New York, New York 10017

**International Auditing and Assurance Standards Board January 2015 Exposure Draft, Proposed International Standards on Auditing (ISA), 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***

Dear Ms. Healy:

This letter provides the U.S. Government Accountability Office's (GAO) comments on the International Auditing and Assurance Standards Board's (IAASB) exposure draft.

We support the IAASB's continued efforts to improve the quality of financial reporting and increase the confidence of the intended users. Following are our comments on the specific matters requested in the exposure draft.

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 explanatory memorandum. If not, respondents are requested to provide their rationale as to why they do not support the proposals and, where applicable, suggest alternative approaches.

**GAO Comment:**

We concur 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).

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.

**GAO Comment:**

The guidance included in the proposed standards appears to be sufficient to enable auditors to 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 key audit matters (KAM) be voluntary for all entities under both proposed ISA 800 (Revised) and proposed ISA 805 (Revised), unless required by law or regulation?

**GAO Comment:**

We concur 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. In addition, we support the IAASB's planned postimplementation review of the new and revised Auditor Reporting standards, which should provide valuable insights concerning KAM reporting.

- 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 Other Matter 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
  - 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).

**GAO Comment:**

We support the IAASB's proposed direction in permitting the use of a succinct reference in an Other Matter paragraph in an ISA 805 auditor's report to communicate the existence of KAM in the audit report on the complete set of financial statements. The guidance in paragraph A23 in proposed ISA 805 (Revised) and Illustration 3 in Appendix 2 should be useful to auditors when referring in the ISA 805 auditor's report to KAM communicated in the auditor's report on the complete set of financial statements. We do not believe that there is a need to establish requirements in proposed ISA 805 (Revised) relating to a reference to KAM in the ISA 805 auditor's report.

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.

**GAO Comment:**

We do not object to the IAASB's decision to not propose changes to extant ISA 810 at this time. We understand that the IAASB's staff has undertaken a detailed technical review of the extant 810 to identify conflicts, if any, with the new and revised Auditor Reporting standards.

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We thank you for considering our comments on these important issues as the board continues its efforts to enhance auditor reporting.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James R. DeLoach". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Financial Management and Assurance