

15 February 2007

Our ref: ICAEW Rep 05/07



THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS  
IN ENGLAND AND WALES

Mr Jim Sylph  
Executive Director, Professional Standards  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York, New York 10017  
USA

By email

Dear Mr Sylph

**Proposed Redrafted ISA 320 *Materiality in Planning and Performing an Audit***

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on Proposed Redrafted ISA 320 published by IAASB in October 2006.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 128,000 members in more than 140 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

**We believe that the clarification reformatting has resulted in a more readable and user-friendly document than previous versions. Minor changes to the objective will help ensure consistency of interpretation and improved audit quality.**

Please contact me if you wish to discuss any of the points raised in this response.

Yours sincerely

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## Objective

Is the objective to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?

**No, for the following reasons:**

1. **Objectives should stand alone; the reference to paragraph A2 is unnecessary. The reference to A2 should therefore be removed.**
2. The objective as worded requires the auditor to reconsider appropriate materiality levels. Reconsideration will not be necessary where no significant unexpected change comes to the auditor's attention. **The objective would therefore be better worded as '...and, *if the auditor judges it to be necessary*, reconsider as the audit progresses...'**

## Requirements

Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and the use of professional judgment by auditors?

**Yes.** We particularly welcome the fact that unnecessary elevations of present tense statements appear to have been avoided in this clarified ISA.