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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 250 The Auditor's Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements.

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on Proposed Redrafted ISA 250 published by IAASB in February 2007.

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. However, changes to the objectives will help ensure consistency of interpretation and improved audit quality, as explained below.

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

Please contact me if 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?

Yes.

The performance of specified procedures in 8 (b) is not principles based or outcome oriented. However, there are some very limited circumstances, such as these, in which procedural objectives may be acceptable. Those circumstances are circumstances such as these in which the scope of auditor work is potentially very wide ('other laws and regulations that may have a material effect on the financial statements') and in which it is necessary to mandate the performance of specified procedures as an end in itself in order to obtain consistency in performance. The procedural nature of objective 8 (b) should not be seen to be setting a precedent. Procedural objectives should be rare.

It is important that 8 (c) is restricted to the laws and regulations scoped by 8 (a) and (b) and not be read as incorporating responding to identified or suspected breaches of laws or regulations that are unlikely to have a material effect on the financial statements. It should have the words '...whether arising from (a) or (b) above', added to it.

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?

Not in the following cases:

1. No reason has been given for the removal of the reference in original paragraph 11 to the audit as a possible deterrent to illegal acts and non-compliance and we see no reason for the removal.
2. Paragraph 18 and associated application material require the auditor to assess the need to obtain legal advice where non-compliance may be material to the financial statements and evidence to support compliance has not been provided by the entity. Despite the fact that this is a 'double' conditional requirement, we support the elevation but would, in the interests of clarification, extend its scope to advice from experts other than lawyers such as experts on specialised laws and regulations, such as environmental regulations, where appropriate.
3. The statement in extant paragraph 24 could be modified and added to the end of paragraph 15 to the effect that in the absence of evidence to the contrary, *once these procedures have been performed*, the auditor is entitled to assume the entity is in compliance with these laws and regulations.
4. The purpose of the distinction between the 2 bullets in paragraph 21 is not clear. The requirement appears to be for the auditor to communicate all matters other than those that are clearly inconsequential. This is all that the ISA needs to say.

5. There is no reason why the wording in paragraphs 24 and 25 should differ
shall [modify the audit opinion so as to] express

Other

1. The guidance in A11 on written representations has been added to align it with ISA 580 revised but in fact it duplicates it and adds nothing new in the context of laws and regulations. The paragraph should be deleted.
2. The last sentence of A7 should refer specifically to A4 of ISA 200 and 19-20 of ISA 210 to make it clearer that where laws and regulations are an integral part of the financial reporting framework it is these other ISAs, rather than ISA 250, which define the auditor's responsibilities.
3. We see no reason for removing the last bullet of extant paragraph 17 which advises group auditors to discuss the legal and regulatory framework affecting subsidiaries with the subsidiary auditors. We agree with the transfer of this whole paragraph to application guidance (A6) but note that the mapping document does not explain why the last bullet was dropped.
4. A20 should not be restricted to the public interest aspects of non-compliance. Regulatory and enforcement authorities may have additional mandates.