

30 November 2007

Our ref: ICAEW Rep 119/07



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 706 *EMPHASIS OF MATTERS PARAGRAPHS AND OTHER MATTER(S) PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT***

The Institute of Chartered Accountants in England and Wales (the 'Institute') welcomes the opportunity to comment on proposed ISA 706 published by IAASB in July 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.

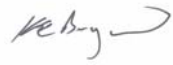
**We believe that the clarification reformatting has resulted in a more readable and user-friendly document than previous versions. However, changes to the objective and requirements will help ensure consistency of interpretation and improved audit quality, as explained below.**

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

Chartered Accountants' Hall  
PO Box 433 Moorgate Place London EC2P 2BJ  
[www.icaew.com](http://www.icaew.com)

T +44 (0)20 7920 8100  
F +44 (0)20 7920 0547  
DX DX 877 London/City

Yours sincerely



Katharine E Bagshaw FCA  
Manager, Auditing Standards  
ICAEW Audit and Assurance Faculty  
T + 44 (0)20 7920 8708  
F + 44 (0)20 7920 8708  
E: [kbagshaw@icaew.com](mailto:kbagshaw@icaew.com)

Chartered Accountants' Hall  
PO Box 433 Moorgate Place London EC2P 2BJ  
[www.icaew.com](http://www.icaew.com)

T	+44 (0)20 7920 8100
F	+44 (0)20 7920 0547
DX	DX 877 London/City

## Objective

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

**No.**

The objective as currently drafted is vague, excessively wide and can be construed as being at odds with the stronger language used in paragraphs 3 and 7, which refer to matters being *fundamental to users' understanding*. The objective should be modified to bring it into line with these paragraphs in order to avoid unintended over-use of emphases of matter.

## 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 case:**

Other matters and other reporting responsibilities are dealt with in paragraphs 4, 9, and A6 - 8 of this ISA and in paragraphs 34 and A35 - 39 of ISA 700. ISA 700 explains that 'other matters' which are included in the 'main' audit report are those providing further explanation of the auditor's responsibilities, either legal or voluntary, such as, for example, the UK requirement for auditors to comment on a lack of proper books and records. Paragraph A6 elaborates on such matters. 'Other reporting responsibilities' are dealt with in paragraph A7, and are referred to in another section of the audit report, outside the 'main' report. There is also a reference in A8 to additional reporting responsibilities which should not be dealt with under other matters, but under the heading Report on Other Legal and Regulatory Requirements. A6 - A8 have been changed in substance from extant 17. A6 was originally an item in its own right (elaboration on matters regarding auditor's responsibilities) among other examples of 'other matters' such as ISA 720 inconsistency reports, and might well have been construed as covering books and records. It has been taken out of this context and set up as a generic heading and now refers to the remaining examples in the list from which it was drawn. It will prove impossible in practice to distinguish between other matters and other reporting responsibilities and the distinction needs to be clarified (books and records can fall under both) or eliminated. If the distinction is to remain, it would be helpful to provide an example report that gives examples of all three matters.