



16 August 2007

Our ref: ICAEW Rep 73/07

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 500 Considering the Relevance and Reliability of Audit Evidence

The Institute of Chartered Accountants in England and Wales (ICAEW) welcomes the opportunity to comment on Proposed Revised and Redrafted ISA 500 published by IAASB in April 2007.

The ICAEW 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 ICAEW 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 ICAEW is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

We are concerned that the removal of material on sufficiency means that the draft ISA fails to take account of the interrelationship between sufficiency and appropriateness, as explained below, and strongly recommend that material on sufficiency is reinstated.

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

Yours sincerely

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Substance of ISA 500

We agree with the movement of the overarching requirement in paragraph 2 of extant ISA 500 to ISA 200. However, removing sufficiency from the objective and requirements of this ISA means that what remains has little of substance and lacks clarity.

Sufficiency and appropriateness (i.e. relevance and reliability) are strongly interrelated and they are therefore difficult to separate. By including sufficiency in ISA 200 and appropriateness in ISA 500, readers may fail to appreciate the relationships between the two (as noted in paragraph 7) and that both are important in the conduct of an audit.

We strongly recommend that material on sufficiency should be included in ISA 500. We understand that this may lead to some duplication with ISA 200, but believe that it is of sufficient importance to warrant any such duplication. This will affect all elements of the ISA: the title, objective, requirements and application material.

The alternative approach to keeping sufficiency and appropriateness together would be to move material on relevance and reliability to ISA 200 and the remaining material to other ISAs. This would however overload ISA 200 and lead to the dismantling of an ISA on a fundamental subject which is counter-intuitive,

Question 1: Are the objectives to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?

No.

The objective currently refers to the auditor designing and performing audit procedures to obtain relevant and reliable audit evidence. We believe that this objective should be more outcome-oriented by referring to the objective of evidence gathering. This can be achieved by adding, at the end of the objective: ‘...in order to draw reasonable conclusions.’

Question 2: 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?

We believe that the requirements have been applied appropriately and consistently. However, as noted above, we believe that this ISA should continue to deal with sufficiency and that a related requirement should therefore be included.

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