

30 March 2007

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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 230 Audit Documentation**

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on Proposed Redrafted ISA 230 published by IAASB in December 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. However, changes to the requirements 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 should 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?*

**Yes.** The objective is oriented to the outcome of the auditor having a sufficient and appropriate record of the basis for the auditor's report and evidence of compliance with ISAs and applicable legal and regulatory requirements.

## 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. We strongly support the IAASB's decision to clarify in A7 that it is unnecessary for the auditor to document every matter considered in an audit. This is an important consideration in the management of unrealistic expectations. **The second sentence of A7 is sufficiently important for it to be incorporated into paragraph 7, circumscribing the scope of the required documentation, to avoid excessive documentation.**
2. Paragraph 7(c) requires the auditor to prepare documentation so as to enable an experienced auditor, having no previous connection with the audit, to understand significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. **Documenting judgments on significant matters enhances audit quality. We support paragraph 7(c) as presented but we would not support any move to broaden the scope of these requirements beyond the scope of 'significant' matters.**
3. We support the use of the term 'experienced auditor' in paragraph 7. We do not believe that the term 'experienced reviewer', used in a previous draft, is adequate. Furthermore, we believe that it is unrealistic to expect that individuals lacking relevant *audit* experience could perform reviews of audit working papers satisfactorily. **The definition of the term, in paragraph 5(b) should be amended to read:**  
  
**'An individual (whether internal or external to the firm) who has *relevant audit experience and* a reasonable understanding of (i) audit processes, (ii) ISAs....etc.**
4. Paragraphs A4, A13, A17 and A19 all circumscribe requirements in the requirements section. Separating the requirements from material circumscribing their scope will not promote consistency of performance. **The restrictions set out in the application material paragraphs referenced above should be incorporated into the relevant paragraphs in the requirements section as follows:**

**A4 – paragraph 7**

**A13 – paragraph 9**

**A17 – paragraph 10**

**A19 – paragraph 11**

**Other**

*Do you agree with the changes described above as being helpful to the clarity of the redrafted ISA, including whether considerations in the audit of small entities have been dealt with appropriately?*

5. We look forward to the publication of IFAC's guide to ISAs for smaller entity audits and commend to IAASB the APB's recent work on documentation for smaller entity audits.