



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS
IN ENGLAND AND WALES

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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 710 COMPARATIVE INFORMATION –
CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS**

The Institute of Chartered Accountants in England and Wales ('the Institute') welcomes the opportunity to comment on proposed ISA 710 published by IAASB in January 2008.

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 and requirements are needed to 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.

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 8754
E: kbagshaw@icaew.com

Objective

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

No. The objective as currently drafted can be read as requiring the *audit* of comparative information, in order for the auditor to form an opinion as to whether the comparative information is in accordance with the financial reporting framework. This is clearly not intended for situations where the comparative information comprises corresponding figures rather than comparative financial statements, when an audit opinion on the comparative information is not required. The objective would be better worded as follows:

The objective of the ISA is to obtain sufficient appropriate audit evidence about whether the comparative information presented with or within the current period financial statements complies in all material respects with the financial reporting framework applicable to the financial statements being audited.

This wording reflects the substance of the wording of the overarching requirement in paragraph 2 of the extant standard and would apply to both corresponding figures and comparative financial statements.

See also item (3) under 'Requirements', below.

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. Paragraph 5(a): the second sentence implies there may be other forms of comparative information to which this ISA applies. It should be reworded as follows:

Comparative information can be presented either as corresponding figures or as comparative financial statements.

2. Paragraphs 5 (b) and (c): these would be better expressed if the words 'comparative information where' were deleted at the beginning of each sub-paragraph and 'that' were inserted before 'are' in the second line of each sub-paragraph. Each definition would then read:

Corresponding figures / Comparative financial statements: amounts and other disclosures for the prior period that are included as

3. Paragraph 6: the term 'correctly' is now rarely used in ISAs as implying a level of accuracy that can rarely, if ever, be achieved. Clarification of the meaning of such a term is warranted in a redraft. The key aspects of 'correctness' are

encapsulated in (a) and (b) which follow and the term is therefore largely redundant. 'Appropriate classification' is similarly redundant to the extent that it is wholly encompassed within 6 (b) which refers to adequate presentation and disclosure, which cannot be achieved without appropriate classification. The paragraph should be reworded as follows:

The auditor shall determine whether the financial statements include the comparative information required by the applicable financial reporting framework and whether:

(a) The comparative information

4. Paragraph 10 (a) and Example A: paragraph 10 (a) refers to a 'Basis for Modification' paragraph. Example A has a 'Basis for Qualification' paragraph. This and other ISAs that include example reports should be reviewed when the reporting ISAs are finalised for consistency of terminology.
5. Paragraph 10 (b): the word 'even' should be added to beginning of the sentence, an additional 'not' in the first line and 'included in the scope of the audit' at the end of the para, so that the sub-paragraph reads as follows:

Even if the effects or possible effects of the matter are either not relevant or not material to the current period's figures... because of the effect or possible effects of the matter on the corresponding figures included in the scope of the audit.

6. Paragraphs 10, 11, 12, 14, 16: it would be helpful if these referred to the relevant example reports in the appendix.
7. Paragraphs 13 and 18: we suggest that the wording in these two paragraphs should be aligned with paragraphs 18 and 30 in extant ISA 710.
8. Paragraph 16 and Example E: there is no 'Other Matters' paragraph in Example E as required by paragraph 16.
9. Paragraph A3: this would be clearer if 'but' replaced 'and' in the second line, as follows:

When the auditor's report on the prior period, as previously issued, included an adverse opinion but the matter which gave rise to

We agree that the final sentence in paragraph 13 of extant ISA 710 should be deleted, but suggest it should be replaced with an explanation that a qualification on the grounds of limitation of scope in the prior period is not to be treated as resolved merely because there is no similar limitation in the current period. This can be done by adding the following sentence to the end of the paragraph:

However, this does not include situations where the auditor's report on the prior period was qualified on the grounds of limitation of scope, unless the scope limitation has been removed.

This would tie in with the situation outlined in Example B where we agree that qualification is appropriate.

Specific matters on which comments are requested

1. *Do respondents agree that the auditor's procedures are the same for the two approaches to presenting comparative information, except for the responsibility to obtain written representations for more than one period in the case of comparative information presented as comparative financial statements?*

Yes.

2. *If so, do respondents agree with the structure according to which the proposed ISA has been redrafted to give effect to the auditor's responsibilities in the requirements?*

Yes.