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Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
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February 29, 2008

Mr. James M. Sylph
Executive Director, Professional Standards
International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017
Email address: Edcomments@ifac.org

Re: Proposed Redrafted International Standard on Auditing 700, "The Independent Auditor's Report on General Purpose Financial Statements"

Dear Mr. Sylph:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (SC 1) appreciates the opportunity to comment on the Exposure Draft of proposed redrafted International Standard on Auditing (ISA) 700, *The Independent Auditor's Report on General Purpose Financial Statements* (ISA 700). As an international organization of securities regulators representing the public interest, IOSCO is committed to enhancing the integrity of international markets through promotion of high quality accounting, auditing, and professional standards.

Members of SC 1 seek to further IOSCO's mission through thoughtful consideration of accounting, auditing and disclosure concerns, and pursuit of improved global financial reporting. We direct our attention to professional standards that relate to auditing of financial statements contained in documents filed with securities regulators or otherwise made available to the general public. As we review proposed auditing standards, our concerns focus on whether the standards are sufficient in scope and adequately cover all relevant aspects of the area of audit being addressed, whether the standards are clear and understandable, and whether the standards are written in such a way as to be enforceable. Our comments in this letter reflect those matters on which we have achieved a consensus

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: (34.91)
417.55.49 • Fax: (34.91)
555.93.68
mail@oicv.iosco.org
• www.iosco.org

among the members of SC 1; however, they are not intended to include all comments that might be provided by individual members on behalf of their respective jurisdictions.

In general, we support the changes that have been made in clarifying and redrafting ISA 700 and we also appreciate that a number of changes have been made to address concerns that we have expressed previously. For example, we note that the IAASB has:

- Changed the proposed reference in the auditor's report from "reasonable but not absolute assurance" to the extant reference of "reasonable assurance"
- Deleted the term "reasonable" in the phrase "reasonable basis for our opinion" so that this statement now reads "We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion."
- Balanced the need for consistency in content and layout of the auditor's report with the need for flexibility in accommodating jurisdictional reporting requirements; and
- Modified the ED to explicitly acknowledge that the auditor may refer to the audit having been conducted in accordance with both ISAs and "national auditing standards" when the auditor complies with each in performing the audit. This will be useful when the auditor wishes to make a dual designation.

In the following comments, we outline a number of additional matters that we believe need to be addressed before finalizing ISA 700. Some comments relate to clarification needed, while others relate to gaps that we perceive to exist in the requirements of the standard.

Auditor's Opinion – Paragraph 33

Paragraph 33 as currently written is not appropriately framework neutral and may be confusing to apply. We believe the use of a double negative in this paragraph should be replaced with positive wording that is both direct and appropriately framework neutral. For example, the ISA might state the matter in a positive manner as "When the framework used by management is a country or jurisdictional framework, the auditor's opinion shall identify the framework and its jurisdiction or country of origin in the audit opinion."

Auditor's Report for Audits Conducted in Accordance with both ISAs and the Auditing Standards of a Specific Jurisdiction or Country – Paragraph 40

Use of the word "shall" in the first sentence of requirements paragraph 40 seems to require (rather than just to allow) the auditor to explicitly state in the auditor report that an audit complies with both ISAs and national auditing standards if this is the case. We understand that some jurisdictions have adopted ISAs in their entirety without modifications as their national auditing standards. Audits in these jurisdictions that comply with national auditing standards are therefore also complying with ISAs; however, it is possible that the desired practice of the auditor and/or management may be to refer to only the national auditing standards in this circumstance. We suggest

amending paragraph 40 to make it clear that “If the auditor has complied with both ISAs and the national standards of a jurisdiction or country and wishes to refer ISAs in the auditor’s report”; the auditor shall meet all of the conditions outlined in paragraph 40.

Proposed guidance in relation to the financial reporting framework that has been used to prepare the financial statements (paragraphs A9-A11 and A33-A34)

We believe the proposed content in A9-A11 and A33-A34 is not appropriately framework neutral in describing what the auditor should do when evaluating an entity’s disclosure of the framework used to prepare the financial statements. Our members believe that the auditing standards should not convey a preference for one framework over another but instead reinforce and explain the principle that the auditor audits against the applicable reporting framework, and as part of this responsibility, needs to evaluate whether the reporting entity has disclosed clearly and fully the financial reporting framework that has been used.

Fair presentation frameworks (paragraphs 15 and A13)

We are concerned that the discussion in ISA 700 paragraph 15 in combination with paragraph A13 does not make clear that management can depart from specific fair presentation framework requirements only in extremely rare circumstances and only when such departure is permitted by the regulatory requirements in a jurisdiction. We believe that coverage of this issue is essential to understand the requirement involved.

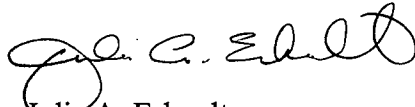
Form of Audit Opinion When Financial Statements Comply with Two Financial Reporting Frameworks (Paragraph A31)

We request that the IAASB revise or clarify paragraph A31(a), which now can be read as directing the auditor to express two opinions only in two separate opinion paragraphs or two separate reports when the financial statements comply with two applicable financial reporting frameworks. While we do not object to having the auditor express two opinions separately, we do not think this should be the only form of report allowed. We believe it is also appropriate for the auditor to state in a single opinion paragraph that the financial statements comply with both applicable financial reporting frameworks and this form of reporting is currently used and accepted in some of our SC 1 member jurisdictions. We also note - and support - that citing two frameworks in a single report is allowed for auditing standards, as described in the heading and text for paragraph 40.

We also note that the Board has not made any provision in the requirements section regarding reporting when financial statements comply with more than one financial reporting framework. Without such a provision, there is no “anchor point” for any related application guidance on audits of financial statements complying with more than one financial reporting framework.

Thank you for the opportunity to comment on this ED. We appreciate the current work that the IAASB is undertaking with regard to auditor reports. If you have any questions or need additional information regarding this comment letter, you may contact me or Susan Koski-Grafer at 202-551-5300, or any member of the IOSCO Standing Committee No. 1 Auditing Subcommittee.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie A. Erhardt". The signature is fluid and cursive, with a large initial "J" and "E".

Julie A. Erhardt

Chair

IOSCO Standing Committee No. 1

Appendix 1: Response to the IAASB's Specific Requests Related to ISA 700

Request for Specific Comments on ISA 700

1. *The proposal to limit the scope of proposed ISA 450 (Revised and Redrafted) to the evaluation of the effect of uncorrected misstatements, while proposed ISA 700 (Redrafted) deals with the evaluation whether the financial statements as a whole are free from material misstatement.*

We agree with the Board's proposal to limit the scope of ISA 450 (Revised and Redrafted) As noted in the IAASB's Explanatory Memorandum and to include "qualitative aspects of the entity's accounting practices" in the matters that the auditor is asked to evaluate in forming an opinion on the financial statements in ISA 700.

2. *The proposed guidance in paragraphs A9-A11 and A33-A34 of proposed ISA 700 (Redrafted), which was developed to address the matter of financial reporting frameworks described by reference to IFRSs.*

Please see our comments in the main body of this letter.

Request for Comments on the Application of the Clarity Drafting Convention in ISA 700

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

We believe that the objectives as stated in ISA 700 are appropriate.

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 reporting, and the use of professional judgment by auditors?*

We believe that the criteria identified by the IAASB for determining whether a requirement should be specified have generally been applied appropriately and consistently

3. *The proposal to incorporate the guidance in IAPS 1014, appropriately amended, in paragraphs A4-A8 and A31-A32 of proposed ISA 700 (Redrafted) and to withdraw IAPS 1014.*

We agree that it is appropriate to incorporate the guidance in IAPS 1014, as amended, into ISA 700 and to withdraw IAPS 1014.