

### ISA 210 Detailed Responses by Paragraph

#	Org	Org Number	Org Type	Other Paragraphs	Comments
					<b>General</b>
	FSR	1	SS		Our above comments on the terms “reasonable assurance” and “taken as a whole” applied in ED ISA 700 should be taken into consideration in connection with the wording of the example engagement letter. However, should you conclude not to make any of our recommended changes to ED ISA 700 we find the engagement letter consistent with the content of the standards.  Apart from this, we agree to the revised and new guidance included in the standard.
	ICANZ	3	MB		<ul style="list-style-type: none"> <li>• The PPB notes that the Example of an Audit Engagement Letter in the appendix to ISA 210 is addressed to the "Board of Directors or the appropriate representative of senior management".</li> <li>• The PPB recommends that the audit engagement letter be specifically addressed to the Chair or the appropriate representative of the governing body.</li> <li>• It is also recommended that the person to whom the letter is addressed be required to acknowledge receipt of the letter.</li> <li>• This is consistent with the notion that the governing body, and not senior management, is ultimately responsible for the fair presentation of the financial report.</li> </ul>
	PAAB Jo-Burg	19	MB		<p>We are also aware that the IAASB secretariat is considering whether text should be repeated in each standard or merely cross – referenced to the over-arching standard. In the present case, a substantial amount of information has been repeated in ISA 210 and 200 and consideration should be given to including matters of principle in the over – arching standard (e.g., ISA 200) and specific requirements in the relevant standard dealing with that specific issue (e.g., ISA 210).</p> <p>Most of the guidance in ISA 200 has been repeated in ISA 210. Consideration should be given to excluding this information from ISA 200, which contains general principles (see general comments above).</p>
	CICA	18	MB		<p>General</p> <p>We understand that proposed ISA 210 is intended to apply to audits of not only general purpose financial statements but also special purpose financial statements. However, proposed ISA 210 contains no guidance in this respect. In particular, it does not discuss applicable financial reporting frameworks other than in the context of general purpose financial statements (see paragraphs 13-18). We therefore believe that proposed ISA 210 is incomplete. Paragraph 3 of ISA 800 applies to the terms of a special purpose engagement. However, we think that it would be useful to include all of the guidance relating to terms of engagement for special purpose engagements in proposed ISA 210 and that guidance should be provided to the auditor in applying paragraph 12 of proposed ISA 210 in the context of a special purpose engagement.</p>
	ACAG	27	MB		Proposed Amendments to ISA 210 and Conforming Amendments. In regard to ISA 210, it is considered that the ISA should specifically require the audit engagement letter to be addressed to the Chairperson or the appropriate representative of senior management of the governing body, and request that person to acknowledge receipt of the letter (which may also be countersigned by other management representatives). This is consistent with the notion that the governing body is ultimately responsible for the fair presentation of the financial report. Where an Audit Committee exists, a copy of the audit engagement

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					letter should be addressed to the Chairman of the Audit Committee.
	IDW	31	MB	Structure	<p>In our general comments on ISA 200, we suggest moving the section in ISA 200 on Applicable Financial Reporting Framework into ISA 210 and inserting it between paragraphs 9 and 10. Our reading of paragraphs 14 to 18 indicates that such an in-sertion may lead to the need to merge the section from ISA 200 on Applicable Financial Reporting Framework with the section in ISA 210 Agreement on the Applicable Financial Reporting Framework by eliminating some of the repetition in paragraphs 14 to 15 and amending these paragraphs to reflect our general comments on ISA 200 with respect to jurisdictions without authorized or recognized national standards setting organizations.</p> <p>Overall, our reading of ISA 210 indicates that it was not written in a legal framework-neutral manner. For example, once a statutory audit engagement is accepted, a statutory auditor in Germany may not withdraw from or change the engagement, which would be at variance with paragraphs 12 to 13 in the old ISA 210. On this basis, we suggest that the IAASB consider establishing a project to update ISA 210 so that it does not conflict other than common law legal frameworks.</p>
					<b>By Paragraph</b>
2	BASEL	32	R	2	we recommend amending paragraphs 2 and 26 to state (in bold lettering) that the terms of engagement should be agreed in writing.
3	BDO	34	FIRM	3	We note that the extant ISA also states that <i>'the guidance is also applicable to related services. When other services... separate letters may be appropriate'</i> . This sentence has been removed in the amendment, however if this is to be done, we consider it would be helpful to refer the reader to an appropriate place where they may find such guidance on other services.
6	BASEL	32	R	6,7 & 8	<p>Audit Engagement Letters: Principal Contents This section of ISA 210 has not been fully amended in line with ISA 700. The form and content of the engagement letter should also include the auditor's responsibilities and other reporting responsibilities with respect to legal and regulatory requirements to ensure there is a clear understanding with the client. Paragraphs 6-8 include lists of items that are not mandatory as the preambles include the discretionary words "generally include" (paragraph 6), "may also wish to include" (paragraph 7) and "could be made" (paragraph 8). We recommend that the Standard distinguish between what should be included in all engagement letters (i.e., where the item is required) and what is discretionary. In addition to the items mentioned in paragraph 6, we believe that audit engagement letters should include a reference to:</p> <ul style="list-style-type: none"> <li>• The auditor's responsibilities</li> <li>• The other legal and regulatory requirements</li> <li>• Arrangements concerning the involvement of other auditors and experts (particularly actuaries)</li> </ul> <p>The engagement letter should not imply that the identification of the financial reporting framework is the auditor's responsibility. We recommend that the third bullet point in paragraph 6 be amended to include the words "identified by management".</p>
8	CICA	18	MB	8	Paragraph 8 There should not be a bullet for the last item in the list "An example of an audit engagement letter is set out in the Appendix".
	GT	20	FIRM	8	Paragraph 8 – The last bullet, which refers to the illustrative engagement letter, should be a separate paragraph (in lieu of a bulleted item that describes matters that could be added to the engagement letter).

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11	IDW	30	MB	11,14,16	<p>The determination of the acceptability of the financial reporting framework is generally performed prior to the auditor's acceptance of the engagement, and hence before the actual "conduct" of the audit. The terms of engagement generally encompass the criteria (the financial reporting framework) with which the subject matter information (the financial statements) will have been prepared and therefore will be audited. While there may be cases where an auditor may become aware of information during the conduct of the audit that may suggest that the financial reporting may not be acceptable, we believe that such circumstances are exceedingly rare.</p> <p>Consequently, we suggest relocating the entire section dealing with the applicable financial reporting framework to ISA 210. In our view, the best place for this section would be prior to the section entitled "Agreement on the Applicable Financial Reporting Framework" and to then amend paragraphs 11, 14 and 16 in ISA 210 accordingly. Of course, it may be useful if paragraph 35 of ISA 200 (which we believe ought to be moved with the rest of the section "Responsibility for the Financial Statements" subsequent to the section "Objective of an Audit" within ISA 200) were to contain a reference to ISA 210's treatment of the determination of the acceptability of the financial reporting framework.</p>
11	CPA Kenya	22	MB	11	<b>Page 48, paragraph 11:</b> should read "International Financial Reporting Standards", not "International Accounting Financial Reporting Standards".
12	CICA	18	MB	12	<p>ISA 210 Paragraph 12 This paragraph is stated in the form of a double negative. We suggest it be reworded as follows:</p> <p>The auditor should accept an engagement for an audit of financial statements only when the auditor concludes that the financial reporting framework identified by management is acceptable.</p> <p>We believe this wording is more appropriate given that paragraph 16 indicates that the auditor considers whether the financial reporting framework is acceptable, rather than whether it is not acceptable.</p> <p>The word "suitable" should be replaced by "acceptable" as this is the term used throughout.</p>
	KPMG	24	FIRM	12 to 18	<p>To paragraph 18: We agree that the issue of what constitutes an applicable financial reporting framework for GPFS needs to be clarified. Having said this, one significant concern we have relates to the fact that the exposure draft does not explicitly address reporting on bases of accounting that are specified in legislation but that are not necessarily developed by recognized standards setters. Our interpretation of paragraphs <b>12 to 18 of proposed ISA 210</b> is that in these circumstances auditors would be precluded from accepting an engagement to audit the financial statements when a basis of accounting specified in legislation does not meet the characteristics of suitable criteria in paragraph 44 of proposed ISA 200. We are concerned that this approach may put auditors in a difficult position in terms of meeting their statutory obligations in some jurisdictions. However, we also recognize that it would not be appropriate for auditors to provide an unmodified opinion on financial statements that are prepared</p>

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					<p>by reference to bases of accounting specified in legislation but that are clearly deficient when compared to the criteria set out in paragraph 44 or to the requirements of frameworks established by authorized or recognized international or national standards setting organizations, such as IFRS.</p> <p>We therefore recommend that IAASB revise paragraphs 36 to 46 of ISA 200 and paragraphs 12 to 18 of ISA 210 to recognize that bases of accounting specified in legislation are acceptable for the purposes of meeting an auditor's statutory obligations. However, the revised standard should also encourage auditors to consider the need to include an emphasis of matter paragraph to the report when a basis of accounting specified in legislation is deficient in relation to the criteria in paragraph 44 of ISA 200 or to the requirements of frameworks established by authorized or recognized international or national standards setting organizations.</p>
	GT	20	FIRM	12 TO 18	Paragraphs 12 through 18 – In lieu of summarizing the requirements of ISA 200, we recommend simply referring to ISA 200, which describes the procedures to be performed when determining whether the financial reporting framework identified by management is acceptable. We believe that these paragraphs should simply focus on the auditor's responsibilities when accepting an engagement, rather than rehashing the auditor's responsibilities when determining the acceptability of the financial reporting framework.
	ICAI	8	MB	12	Para 12: This paragraph should be referenced to paragraph 44 in ISA 200.
	ACAG	27	MB	12	Without the inclusion of commentary in the ISAs addressing specific public sector issues, it is difficult to be certain that the final version of the Standards will cover all public sector issues. For example, it would be expected that from a public sector perspective, ISA 210 should cover the inability of an Auditor-General to decline an audit engagement and the implications this has for the black letter requirements in paragraph 12 of this ISA.
15	HKSA	30	MB	15-17	<p>Paragraph 36 in ISA 200 provides guidance that an applicable financial reporting framework is a framework identified by management that is <u>acceptable</u> in view of the nature of the entity (for example, whether it is a business enterprise or a not-for-profit organization) and the objective of the financial statements.</p> <p>We do not consider that the test of an applicable financial reporting framework should be based on whether it is "acceptable". This is a very low threshold which is only above unacceptable. We believe that the test should be an "<u>appropriate</u>" financial reporting framework. This would still encompass standards set by a national standard setter, tax based accounting or rules set by a regulator, as all would be appropriate in the circumstances.</p>
16	BASEL	32	R	16	We recommend that paragraph 16 be amended to include a reference to frameworks established by legislation and regulations by revising the introductory clause to read "not established by an authorized or recognized international or national standards setting organization or by national laws or regulations".
	BDO	34	FIRM	16	This paragraph asks the auditor to consider, before accepting an engagement, whether the financial reporting framework is clearly described in the financial statements. We would question whether at this stage (i.e. before engaging the auditor), the entity would have prepared a set of financial statements for the auditor to review. Thus this requirement may be unrealistic.

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	IOSCO	39	R	15-17	We believe paragraphs 15-17 need further clarification. First, there is an issue of “suitable” versus “acceptable” - from the text in the current ED, it seems that “suitable” or “appropriate” is really what is intended, rather than merely “acceptable”. More consistent use of language and additional guidance seems to be needed here. We think that it will be difficult for the auditor to judge what constitutes a significant difference without some criteria with which to make such judgments
17	BASEL	32	R	17	We recommend that paragraph 17 be reconsidered as we do not believe that the auditor should seek to undertake a comparison of the type described. The intended meaning of the term “significant differences” is unclear and open to a variety of interpretations. We also note that the paragraph refers to assessing whether the framework is “suitable” whereas the requirement under ISA 200 is to assess whether it is “acceptable”.
	CPA Kenya	17	MB		<b>Page 45, paragraph 17:</b> should refer to “paragraphs 5 and 6” not “paragraphs “45 and ”.
	FAR	5	MB		In the last sentence of paragraph 17 the word “suitable” is used in respect of the financial reporting framework. We suggest to replace “suitable” by “acceptable” as suitability is rather related to criteria than to the acceptability of a framework.
	IRE	12	MB		In the conforming changes within ISA-210, paragraph 17 mentions “as to whether the financial reporting framework is suitable (...)”. The word “suitable” should be replaced with “acceptable”, to be consistent with the new wording on the “applicability” and “acceptability” of accounting frameworks;
	FEE	7	MB		In the last sentence of that paragraph the word “suitable” is used related to “financial reporting framework”. Perhaps “acceptable” is intended?
	CICA	18	MB		Paragraph 17 The implication of this paragraph is that the auditor may consider that a financial reporting framework is acceptable by reference to the criteria in paragraph 44 of proposed ISA 200. However, the auditor may then compare that framework with IFRSs and conclude that it would result in misleading financial statements. We do not believe that this is logical. Presumably any financial reporting framework that meets the criteria in paragraph 44 of proposed ISA 200 could not result in misleading financial statements. Similarly, any financial reporting framework that would result in misleading financial statements would not meet the criteria in paragraph 44 of proposed ISA 200. Accordingly, comparison with IFRSs would appear to be a redundant exercise given that the auditor considers whether it exhibits the characteristics of suitable criteria.  To resolve the apparent disconnect, the solution either is to revise the criteria in paragraph 44 of proposed ISA 200 to include the comparison suggested in paragraph 17, or delete paragraph 17. We suggest that paragraph 17 be deleted. ISA 210 Paragraphs 17 and 18; ISA 200 Paragraph 45 The word “suitable” should be replaced by “acceptable” as that is the term used throughout the proposed ISA.
18	BASEL	32	R	18	We believe that paragraph 18 should include the alternative of changing the audit engagement to a special purpose audit engagement and reporting under ISA 800 when the auditor has identified that the financial reporting framework is not acceptable for general purpose financial statements. We would also point out that the terms “acceptable” and “suitable” are used interchangeably as if these terms are synonymous.
19	BASEL	32	R		We recommend that paragraph 19 be amended to state that an updated engagement letter should be sent and signed annually. This is particularly important for listed entities, banks and other regulated financial institutions as well as for high risk audits generally. It may also be mandated for other entities by national standard setters or regulation. Conforming changes would also be required to the text of paragraph 20.
20	CPA - Kenya	22	MB	20	<b>Page 46, paragraph 20:</b> should refer to “paragraphs 5 and 6” not “paragraphs 45 and 6”.

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36	IDW	31	MB	36 to 46	<p>In our general comments on ISA 200, we suggest moving <b><u>the section in ISA 200 on Applicable Financial Reporting Framework into ISA 210</u></b> and inserting it between paragraphs 9 and 10. Our reading of paragraphs 14 to 18 indicates that such an insertion may lead to the need to merge the section from ISA 200 on Applicable Financial Reporting Framework with the section in ISA 210 Agreement on the Applicable Financial Reporting Framework by eliminating some of the repetition in paragraphs 14 to 15 and amending these paragraphs to reflect our general comments on ISA 200 with respect to jurisdictions without authorized or recognized national standards setting organizations.</p> <p>Overall, our reading of ISA 210 indicates that it was not written in a legal framework-neutral manner. For example, once a statutory audit engagement is accepted, a statutory auditor in Germany may not withdraw from or change the engagement, which would be at variance with paragraphs 12 to 13 in the old ISA 210. On this basis, we suggest that the IAASB consider establishing a project to update ISA 210 so that it does not conflict other than common law legal frameworks.</p>
A	CPA - Kenya	22	MB	APPENDIX	<b>Page 36, Appendix:</b> why is “a summary of significant accounting policies” omitted from the description of the components of the financial statements?
	IRE	12	MB	APPENDIX	Also within the conforming changes to ISA-210, we favour the elimination in the example of audit engagement letter of the paragraph regarding fee arrangements and billings, to allow in the example for flexibility with regard to the national requirements regarding auditing fees. In the Belgian case, these fees have to be approved formally by the shareholders' general meeting, and pre-approved by the worker's council and the audit committee of the entity whose financial statements are being audited;
	LSCA	15	MB	APPENDIX	In this paragraph, reference is made to the fact that the auditor expects to provide a report on internal control weaknesses. Whilst this might be the case with large audit clients, smaller entities often have no <u>structured</u> system of internal control. To enable the engagement letter to cover all audit clients we would recommend the words “ <i>expects to</i> ” be replaced by “ <i>if appropriate we will</i> ”.