Agenda Item 7-E

Summary of Main IAASB Comments from the February 2007 Meeting

Proposed ISA 705 (Revised and Redrafted)

#	Member	Comment	Task Force Disposal/Comments
Introduction section			
1	Ferlings	Why is the reference to ISA 800 and compliance reports (i.e. 800 audits and compliance reports covered under 700) in the standard so indirect? There is nothing in 705 that would not apply to 800 situations. If we are of that opinion, we should clearly state it.	
2	Hillier	Para 2: Re inter-relationship among 700, 800 and 705 – do we need the first 2 sentences as drafted here? Or could we consider "this is when it would be appropriate to have modified…" if we want to specifically say it applies to both 700 and 800 reports in slightly different words. That might be a little bit clearer than the x-refs as drafted. The last 2 sentences in the para then read very well and do address Josef's point.	See para 2 for suggested text.
Definitions			
3	Grant	There is no definition of pervasiveness although it's such a key word. There is a good definition in A11. Would there be benefit in drawing that to the front?	
4	Hansen	We're talking about judgment so that's the reason it's not in fact a definition. The approach taken in the close-off was based specifically on the board's instruction, i.e. we should not make it so black and white.	
5	Grant	But the description has been rephrased in terms of "matters that the auditor judges to be…". We still keep judgment in there but an understanding of what pervasive means is so fundamental to the understanding of the whole standard.	
6	Hansen	Some nods around the table.	See para 8.
Appendix			
7	Jones	Re "disagreement with management" terminology in illustrative reports – the board previously agreed not to refer disagreement with management but instead to the existence of a material misstatement or departure from a FRF.	Example report 1 in 705 and the example report in 706 have been amended accordingly.

Proposed ISA 706 (Revised and Redrafted)

#	Member	Comment	Task Force Disposal/Comments
Matter "disclosed" vs Matter "included" in the F/S			
8	McPhee	Para 2 re wording "the auditor may consider a matter *disclosed* in the F/S…". Should this be "included" as opposed to "disclosed" as readers may interpret this literally to mean only matters that are disclosed in the F/S and not matters that are recognized in the F/S.	See issue 3 in agenda item cover note.
9	Hansen	Agreed.	"
Introduction			
10	Haskell	Is there a need for x-referencing to 700 and 705?	
11	Hillier	If we set it up in 700, it should flow through to 705 and 706 with very little need to add full x-references.	
12	Kellas	Make sure it's consistent between 705 and 706.	See para 2.
Objective			
13	Cowperth.	Paragraphs 6-8 don't really address whether a matter is rare and appropriate to communicate in the auditor's report. The objective doesn't really have a requirement attached to it. Perhaps change the objective to say "the objective of the auditor is to include in the auditor's report a communication in the appropriate form and place when (a) a matter is of such of importance to users' understanding of the F/S as a whole that the auditor considers it appropriate to draw their attention to it; and (b) the auditor considers it necessary to use the auditor's report as a means of communicating information relating to matters other than those that are presented and disclosed in the F/S."	
14	Hansen	The TF will consider.	
15	Tizzano	Has some issue with the last words in the para "which may be of relevance to the users' understanding of the report". The other matters para is not really intended to help users better understand the report. It's more about other matters that the auditor believes it is necessary to communicate to the users.	See para 6.
16	Haskell	Should it be understanding of "the F/S" as opposed to "the report"?	"
17	Tizzano	That would be fine, or even simply "or to any other matter that would be of relevance to the users".	"
18	Hansen	That's very broad. The TF will consider.	"
19	Anerud	Not only drawing attention to the matter but also enhancing that a little more (wording used in para 6 "clearly highlight" could be appropriate).	"
20	Hillier	Much of the requirements is about wording and placement, so should that not be the basis of the objective?	"
Other Matter(s) Paragraphs			
21	Kellas	Requirements are getting a bit lengthy and losing	See para 8.

#	Member	Comment	Task Force Disposal/Comments
		sharpness. First half of para 7 could perhaps be moved to the application material so that the requirement in the second half is clearer. Also, the qualification "where not prohibited by law or regulation" is not necessary because if it is prohibited, the auditor would not do it.	
22	Hansen	The prohibition refers more to the placement to recognize that law or regulatory may require a specific placement.	
23	Kellas	Read it more as being the case that the communication is not prohibited. It needs to be in a different position in the sentence.	
24	Hillier	Agrees with Kellas.	
25	Hansen	TF will consider.	Ditto.
Para A1			
26	Kellas	Some words seem to be missing in the first bullet, perhaps "circumstances where the auditor has determined the framework to be unacceptable".	See para A1.
Para A3-A6			
27	Kellas	TF to pick up Kellas' editorial comments provided off the record.	Editorials reflected in mark-up draft.

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