

By email

2 December 2008

Steven Leonard,  
Project Director,  
The Auditing Practices Board,  
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Dear Steven

### **The Auditor's Report on Financial Statements**

ACCA (the Association of Chartered Certified Accountants) welcomes the opportunity to comment on the proposed International Standard on Auditing (UK and Ireland) 700 (Revised). ACCA is the largest and fastest-growing global professional accountancy body with over 122,000 members and 325,000 students in 170 countries.

We aim to offer the first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

We welcome the current Exposure Draft, which is innovative in its approach and a positive contribution to the development of International Standards on Auditing. Indeed, there exists the opportunity to influence also the development of the provision of web-based information in relation to compilation and non-audit assurance standards.

In March 2008, we provided general comments and answers to the questions raised in the APB discussion paper *The Auditor's Report: A Time for Change* expressing the view that the APB should aim to adopt, without significant variation, the International Standards on Auditing (ISAs) that deal with reporting so that they become mandatory in the UK and Ireland at the same time as all Clarified ISAs do so internationally. We look forward to commenting separately, therefore, on the APB *Consultation on Whether UK and Irish Auditing Standards Should be Updated for the New International Auditing Standards*.

It should be noted that our comments below are predicated on the validity of the assumption of the APB that there exists a 'window of opportunity' such that the changes currently proposed may be accommodated without prejudice to timely convergence of standards for the UK and Ireland to the ISAs.

### Question 1

*The APB invites comments on:*

- (a) the proposed ISA (UK and Ireland) 700 (Revised) on pages 15 to 31*
- (b) the proposed Statement of the scope of an audit and the auditor's responsibilities in respect of a publicly traded company incorporated in the United Kingdom, on pages 33 to 39, which it is intended would be posted to the APB's web site*
- (c) the example auditor's reports on pages 11 to 14*

Except where noted below in our answers to the specific questions set out in the Exposure Draft, we are generally supportive of these proposals.

### Question 2

*Do commentators support APB's proposal of describing the auditor's responsibilities and the work an auditor typically performs by either:*

- (a) cross referring to standard paragraphs maintained by the APB on its web site; or*
- (b) including a description in the auditor's report itself?*

Given the possible difficulties with the APB's innovative web-based approach, we believe that there should be an alternative, as set out in question 2(b) above. We also suggest that some firms may wish to maintain such information on their own website and that this ought to be a further alternative. Indeed, in view of the second issue we raise in our answer to question 4 below, a principles-based approach to the auditor's report ought to allow the report to cross-refer to any website that appropriately maintains the relevant *Statement of the Scope of an Audit and the Auditor's Reporting Responsibilities*.

### Question 3

*On pages 41 and 42 the APB sets out a schedule of the range of example statements that it presently intends to post to its website. Are there any other examples that you believe it is imperative the APB should post to its web-site?*

The list provided on pages 41 and 42 comprises example statements that will have wide application. Given that there is an alternative method of presenting such information (see our answer to question 2 above), we do not believe it is necessary for the APB to include further examples.

### Question 4

*In addition to the need for the APB to develop and maintain current examples relating to a number of different types of entity what other practical difficulties do you think might arise from the APB's proposed approach?*

Some potential users will not have web access and a mechanism is required to ensure that they are not discriminated against.

The maintenance of examples will eventually necessitate provision for archiving, so that users can match maintained text to reports on financial statements that are many years or decades old. However implemented, adequate planning for such arrangements will be necessary, including their cost and funding. Such a long-term facility may be better addressed by the filing agencies responsible for maintaining public record copies of the financial statements. The number of examples archived will eventually depend on whether or not such arrangements are facilitated by a future revision of ISA 700.

### Question 5

*Is the wording of paragraph 18 in the Exposure Draft of the proposed ISA (UK and Ireland) 700 (revised) sufficiently generic to apply to all entities that are required to be audited? (In this regard more detail concerning the legal framework applicable to a particular type of entity will be provided in the applicable example Statement of the scope of an audit and the auditor's responsibilities). If not please describe any concerns?*

While the wording appears to have wide application, we suggest that there ought to be a mechanism to allow for circumstances where such generic wording is not appropriate. The guidance ought to deal with the use of the words 'presents fairly', which is a different articulation of the true and fair concept.

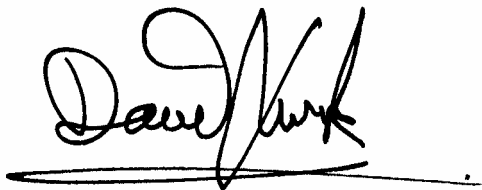
**Question 6**

*Do you agree that it is logical for the reference to the 'true and fair view' to be the final element in the auditor's opinion on the financial statements? If you disagree what would be your preference for ordering the elements?*

We suggest that greater emphasise would be achieved by placing this as the first element of the auditor's opinion. This would also accord with the sequence used in section 495(3) of the Companies Act 2006.

If you require any further information or explanation, I should be pleased to discuss these views with you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David York', with a horizontal line underneath.

David York  
Head of Auditing Practice