

## **Comments on Proposed Changes to ISA (UK and Ireland) 700**

### **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 on the scope of an audit and the auditors 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 APBs web site; and
- (c) the example auditors reports on pages 11 to 14.

#### **Comment:**

The primary purpose of revising ISA 700 is to facilitate a more concise auditors report. The revision focuses largely on the proposal to remove the section of the report detailing auditors responsibilities.

#### **Permitting cross referencing to information held on the APBs web site**

Paragraph 16 requires that the auditors report should either;

- a) Cross reference to the relevant statement on the scope of an audit and the auditors responsibilities that is maintained on the APBs web site; or
- b) include a description of the auditors reporting responsibilities and the work and auditor typically performs.

#### **Comment:**

The above proposals would continue to allow an auditor to assert compliance with the ISAs. However the introduction of two different methods of presenting the same information introduces a further level of complexity in the preparation and interpretation of audit reports.

It would no longer be possible to read all audit reports as complete documents. In some cases the information is embedded in the report and in others it is part of a separate electronic library. A link to the APB web site with a proposed list of 29 different versions of the ‘statement on the scope of an audit and the auditors responsibilities’ for various public and private entities seems likely to confuse rather than clarify the use of the audit report.

One way forward for public sector bodies would be to produce a separate statement in the accounts detailing the responsibilities of the auditors in a similar way to the current statement of directors/accounting officers responsibilities. Placing these two statements together would allow the reader to more easily compare and contrast the respective roles of the auditor and accounting officer.

**Question 2 – Do commentators support the APBs proposal of describing the auditors responsibilities and the work an auditor typically performs by either;**

- a) cross referencing to standard paragraphs maintained by the APB on its web site;  
or
- b) including a description in the auditors report itself?

**Comment:**

It could be perceived as imbalanced to continue to set out the responsibilities of directors and those changed with governance with out having a similar explanation of the auditors work and responsibilities. This is best done either in the context of the audit report or as a separate statement given equal weight and prominence with the responsibilities of the accounting officer/director.

**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 web site. Are there any other examples that you believe it is imperative the APB should post to its web site?**

**Comment:**

None.

**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 APBs proposed approach?**

**Comment:**

None – Maintenance of the examples is the key practical difficulty.

**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 an audit and the auditors responsibilities’. If not please describe any concerns?**

**Comment:**

Yes - the wording of paragraph 18 in the exposure draft of the proposed ISA (UK and Ireland) 700 (revised) is sufficiently generic.

**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 auditors opinion on the financial statements? If you disagree what would be your preference for ordering the elements?**

**Comment:**

Placing the true and fair view reference either first or last gives it greater prominence. On balance first place seems appropriate given its over arching importance in the auditors opinion. However the status of the regularity opinion is a particular priority in the public sector and the current practice is to present it in a separate section after the audit opinion to ensure its prominence.

**Question 7 – Please provide any comments that you may have on the steps set out concerning the APBs proposed course of action and the proposed timing of those steps (see pages 5 and 6)? Are there any other actions you believe the APB should be taking?**

**Comment:**

None.