



October 31, 2007

Mr. Jim Sylph
Executive Director, Professional Standards
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Dear Mr. Sylph:

We appreciate this opportunity to comment on proposed International Standard on Auditing (ISA) 510, *Initial Audit Engagements-Opening Balances* (the “proposed standard”) as developed by the International Auditing and Assurance Standards Board (IAASB). We are supportive of the development of this guidance and believe that the overall redrafting of the proposed standard was completed in accordance with the clarity conventions and criteria adopted by IAASB. We are especially pleased to see that the “review of predecessor auditor’s working papers” is not a required procedure, as we believe that this procedure is not always possible or feasible.

Within our recommendations for editorial changes, additions are noted in “bold underline” and deletions in “double strike-through.”

RESPONSES TO QUESTIONS IN THE EXPLANATORY MEMORANDUM

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

Yes, we believe that the objectives 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 the use of professional judgment by auditors?*

Yes, we believe that the criteria identified by the IAASB for determining whether a requirement should be specified have been applied appropriately and consistently.

COMMENTS BY PARAGRAPH

- **Paragraph 6:**

The current drafting of this paragraph implies the following process: (1) the auditor obtains evidence that a material misstatement exists, (2) the auditor performs additional audit procedures as appropriate in the circumstances, and (3) if the auditor concludes that a misstatement exists, the auditor communicates with management and those charged with governance.

We believe the first sentence of paragraph 6, which contains steps (1) and (2) above is not necessary. This paragraph would be simplified if it only contained the procedures performed by the auditor when the auditor identifies a misstatement, as noted below:

6. ~~If the auditor obtains audit evidence that the opening balances contain misstatements which could materially affect the current period's financial statements, the auditor shall perform such additional audit procedures as are appropriate in the circumstances.~~ If the auditor ~~concludes that such~~ **identifies** a misstatement ~~exists~~ **in the opening balances that could materially affect the current period's financial statements**, the auditor shall communicate the misstatement to the appropriate level of management and those charged with governance in accordance with [proposed] ISA 450 (Revised and Redrafted), "Evaluation of Misstatements Identified during the Audit," and subject to obtaining management's authorization, inform the predecessor auditor, if any.

- **Paragraph 9:**

This paragraph states that if the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor "shall consider" the effect on the opinion in the auditor's report. We believe that the phrase "shall consider" should be replaced with "shall determine," as the opinion *will* need to be modified when the auditor is unable to obtain sufficient appropriate audit evidence.

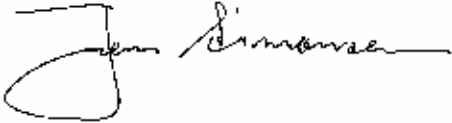
- **Paragraph A2 and A3:**

Paragraphs A2 and A3 discuss communications with the predecessor auditor and review of his or her working papers. We believe that additional application material should be added to these paragraphs to indicate that in many instances, the predecessor auditor may not allow the auditor to have access to the predecessor auditor's working papers.

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Deloitte Touche Tohmatsu
October 31, 2007

We would be pleased to discuss our letter with you or your staff at your convenience. If you have any questions, please contact Jens Simonsen, Director of Global Audit Services at + 1 212 492 3689 or John Fogarty, Chairman – DTT Assurance Technical Policies and Methodologies Group at + 1 203 761 3227.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jens Simonsen". The signature is written in a cursive style with a large, stylized initial "J" and a horizontal line extending to the right.