



April 15, 2008

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) 210, Agreeing the Terms of Audit Engagements, (the “proposed standard”), as well as Related Conforming Amendments to Other ISAs (the “proposed conforming amendments”), as developed by the International Auditing and Assurance Standards Board (IAASB).

Throughout this comment letter, within our recommendations for editorial changes, additions are noted in “bold underline” and deletions in “double strike-through.”

RESPONSES TO THE APPLICATION OF THE CLARITY DRAFTING CONVENTIONS:

Are the objectives for the proposed ISA appropriate, and are the proposed requirements appropriate responses to those objectives.

No. We believe that the objective should be revised to clearly include both the “acceptance” of an audit engagement and the process of “agreeing the terms of an audit engagement.” Accordingly, we recommend that the title of the proposed standard be revised to be “Acceptance and Agreeing the Terms of Engagement,” and that the objective be revised as follows:

- 3. The objectives of the auditor ~~is~~are to:
(a) accept an audit engagement only when the basis upon which it is to be performed has been agreed, through~~g~~
~~(a) E~~establishing whether necessary preconditions for an audit are present;
and*

(b) ~~Confirming~~ that there is a common understanding between the auditor and the entity of the terms of the audit engagement and of the respective responsibilities of the auditor, management and those charged with governance.

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 reporting, and the use of professional judgment by auditors?

Yes, we believe the criteria have been applied appropriately and consistently.

RESPONSES TO SPECIFIC QUESTIONS:

1. Do you agree with the proposed description of management's responsibilities in the ISAs?

We question the consistency of the description of the premise between the ISA 580 and the proposed conforming amendment to ISA 200. Paragraph 8(c)(v) of the proposed conforming amendment to ISA 200 includes the phrase "and, where appropriate, those charged with governance" which ISA 580 does not contain. We suggest that both descriptions be identical.

2. Do you agree that the description of management's responsibilities in the terms of the audit engagement, written representations and auditor's report may use the wording of the law or regulation if the auditor has determined that the law or regulation includes responsibilities that are equivalent in effect to those described in the ISAs?

Yes.

3. Do you agree with the proposed conforming amendment to proposed ISA 700 (Redrafted)?

We suggest the following revision to paragraph 23a of the proposed conforming amendment to proposed ISA 700:

23a. The auditor's report shall describe management's responsibility for the financial statements in the manner that responsibility is described in the agreement ~~terms~~ of the audit engagement terms.

4. Are there any residual concerns about the way in which management's responsibilities are dealt with that may cause difficulty in any particular jurisdiction?

No.

COMMENTS BY PARAGRAPH:

• **Paragraph 6: Applicable financial reporting framework is unacceptable**

The exposure draft of ISA 200 defines “applicable financial reporting framework” as one which is “acceptable or required by law or regulation.” Based on this definition, it is unclear how an “applicable financial reporting framework is unacceptable” as written in paragraph 6 of the proposed standard. We recommend that “acceptability” be removed from the definition of “applicable financial reporting framework” in ISA 200, so that “applicability” can be linked to management’s responsibility, and “acceptability” can be linked to the auditor’s responsibility to assess the framework applied.

• **Paragraph 7: Management AND Those Charged with Governance.**

We believe that in certain circumstances, the auditor shall obtain the agreement of both management and those charged with governance. Accordingly, we suggest the following editorial revision:

7. The auditor shall agree the terms of the audit engagement with management **and**/or those charged with governance.

• **Paragraph A18: “Commencement” of the Audit**

We believe it would be helpful to provide more guidance in paragraph A18 on what is meant by “before commencement of the audit,” for example, “before beginning significant portions of fieldwork.”

• **Paragraph A22: Application Guidance on Content of the Engagement Letter**

We suggest that the application guidance on content of the engagement letter be expanded to include the following item within the bullets in paragraph A22:

- **The names of management and/or those charged with governance who will acknowledge or sign the terms of engagement.**
- **In the case of a joint audit, the respective scope of the auditors.**

Additionally, we suggest that further guidance be added to this paragraph to clarify what is meant by the bullet stating “Arrangements regarding the planning and performance of the audit,” as it is unclear to us what “arrangements” are being referred to in this bullet.

• **Paragraph A24: Senior Management and Change in Fees**

Although the term “senior management” was used in the extant ISA 210, and is used in other ISAs, it is not used in ISA 580 and we believe it would be more appropriate to use the term “management” in the third bullet of paragraph A24 to be consistent with ISA 580.

Additionally, we suggest the addition of the following bullet to the list in paragraph A24:

- **A change in fees or the fee structure.**

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".