

29 March 2007

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Dear Mr Sylph

Proposed Redrafted International Standard on Auditing 230 - Audit Documentation

The Committee of European Banking Supervisors welcomes the opportunity to comment on the *ISA Proposed Redrafted International Standard on Auditing 230 - Audit Documentation*.

Through their opinions on annual accounts and annual reports, external auditors constitute an integral part of the public oversight model and contribute to the financial stability of the market. As banking supervisors we therefore have an interest in ensuring that auditing standards, which are the basis for audit work, are of a high quality and are clear and capable of consistent application.

In general we welcome the clarity with which the ISA is written and we only have minor points for comment.

In the attached appendix we provide answers to the specific questions raised in the guide for respondents.

Our comments were coordinated by our Expert Group on Financial Information (EGFI), and especially by its Subgroup on Auditing, which is under the direction of Pat Sucher from the FSA, UK.

If you have any questions regarding our comments, please feel free to contact the chairman of EGFI, Arnoud Vossen (+31.20.524.3903) or Miss Pat Sucher (+44.20.7066.5644).

Yours sincerely



Danièle Nouy
Chair

Appendix

Comments on ISA 230, Audit Documentation

1. Is the objective to be achieved by the auditor stated in the proposed redrafted ISA appropriate?

We consider that the objective is not sufficiently outcome-oriented and therefore suggest that it makes a reference to documentation.

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 judgement by auditors?

Timely preparation of Audit Documentation (Paragraphs 6 and A1)

Paragraph 6 states that the auditor shall prepare audit documentation on a timely basis. The last sentence of paragraph A1 indicates that "Documentation prepared at the time the work is performed is likely to be more accurate than documentation prepared subsequently" thereby implying that it may also be appropriate to prepare audit documentation subsequently to the time the audit work was performed. We would encourage the IAASB to remove this sentence, or reflect on its wording, since it may be perceived as a weakening of the requirement.

Documentation of the Audit Procedures Performed and Audit Evidence Obtained (Paragraphs 7-11 and A2-A19)

In contrast to the objective, the first sentence of paragraph 7 does not require that audit documentation must be sufficient. To establish a clear link between the objective and the requirements, we would suggest rephrasing the sentence as follows:

"The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:"

Paragraph A7 specifies that the auditor is not subject to a separate documentation requirement for "matters for which compliance is self-evident". The second and third bullets of A7 give examples for two specific areas of audit where documentation would only provide "some evidence" of compliance to ISAs, thus implying that additional documentation would be required to demonstrate full compliance with the ISAs applying in the circumstances. The expression "some evidence" does not help to clarify the requirements a professional accountant needs to fulfill in these particular contexts. Therefore, we would encourage the IAASB to reflect on a more appropriate terminology to be used in this context.

Paragraph 7c) requires the auditor to document significant matters arising during the audit, the conclusions reached thereon, including significant professional judgments made in reaching those conclusions. We support the IAASB's decision to include a specific requirement for the documentation of professional judgments. However the related paragraph A9 refers to "documentation that provides an understanding of the professional judgments made" but fails to provide guidance about when and what should be included (e.g. the factors to cover).

Paragraph A11 indicates that a summary completion memorandum may constitute helpful audit documentation by facilitating effective and efficient reviews and inspections of the audit documentation, particularly for large and complex audits. As banking supervisors, we have a special interest in the existence of such summary completion memoranda and we are of the opinion that a summary completion memorandum should always be prepared for large and complex audits of entities of public interest. Therefore, we would encourage the IAASB to include a requirement for public interest entities to prepare summary completion memoranda.

Paragraph 8 states that the auditor shall document discussions of significant matters with management and others. This requirement addresses a particular aspect of documenting significant matters. This aspect would be covered through paragraph 7c) which requires the documentation of significant matters arising during the audit and the conclusions reached thereon. Therefore we would suggest that this paragraph should be included as application and other explanatory material.

Assembly of the Final Audit File

Paragraph 12 requires the auditor to complete the assembly of the final audit file on a timely basis after the date of the auditor's report. In line with paragraph A21, we would welcome a clarification in the requirements section that assembly of the final audit file shall be restricted to an administrative process.

Paragraph 14 addresses documentation requirements in the case of a modification of existing audit documentation after completion of the assembly of the final audit file. Since changes to audit documentation are exceptional in nature and do not normally belong to the administrative process of finalizing the audit file, we encourage the IAASB to consider whether this requirement should not be included in the section governing "Changes to Audit Documentation in Exceptional Circumstances".

3. Do you agree with the changes described above as being helpful to the clarity of the redrafted ISA, including whether considerations in the audit of small entities have been dealt with appropriately?

We do not have any particular comments in this respect.