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Dear Mr Sylph

**Proposed International Standard on Auditing 705 (Revised),
Modifications to the Opinion in the Independent Auditor's Report &
706 (Revised) Emphasis of Matter Paragraphs and Other Matter(s)
Paragraphs in the Independent Auditor's Report**

The Committee of European Banking Supervisors welcomes the opportunity to comment on the Proposed International Standard on Auditing 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report & 706 (Revised) Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report (ISA 705 & ISA 706)

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.

We appreciate the efforts of the International Auditing and Assurance Standards Board (IAASB) to clarify the auditing standards.

We have no major concerns with ISA 705 and ISA 706, except that we are not sure that the definition of pervasive now included in ISA 705 is sufficiently clear.

We provide more detail on this point, and other comments in response to the questions posed by the IAASB, in the attached appendix.

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



Daniele Nouy
Chair

Appendix

Comments on Proposed International Standard on Auditing 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report & 706 (Revised) Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report (ISA 705 and ISA 706)

ISA 705

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

These seem 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 judgement by auditors?

We are not sure whether the proposed definition of 'pervasive' is such as to encourage either consistency in performance in applying the requirements where pervasiveness needs to be evaluated or the use of professional judgement by auditors.

We appreciate the attempt by the IAASB to define pervasive, but would encourage the IAASB to revisit the definition. We note that the proposed definition does not seem to address the magnitude of the effects or the point that anything pervasive is likely to be misleading. Paragraph A 11, which provides application material on what constitutes pervasive merely restates the definition.

We also note that there are a few paragraphs (the definition of pervasive, paragraphs 21 & 27) where they consist on single long sentences. It would aid clarity if these paragraphs were split into shorter sentences.

ISA 706

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

These seem 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 judgement by auditors?

The criteria seem to have been applied appropriately and consistently.