


International Federation of Accountants

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Agenda Item
8

Committee: IAASB
Meeting Location: Toronto
Meeting Date: April 19-22, 2004

ISA 701 Modifications to the Independent Auditor's Report
Objectives of Agenda Item

The purpose of this agenda item is to:

1. Provide the IAASB with an update of the ISA 701 task force's activities to date; and
2. Present the key issues identified by the task force to the IAASB and to discuss the task force's proposals for addressing these issues.

Background

The proposal to revise the guidance and requirements relating to modifications to the auditor's report in extant ISA 700 "The Auditor's Report on Financial Statements" was approved by the IAASB at its April 2003 meeting. The revision has been undertaken in two phases:

- *Phase I:* Split extant ISA 700 by placing or "carving out" the existing guidance on modified reports in a newly proposed ISA 701. This phase of the revision was undertaken by the ISA 700 Reporting Task Force and was included in the set of proposed ISAs exposed for comment. Actual changes in the content of the guidance primarily reflected conforming amendments arising from the proposed ISA 700, and changes necessary to carve out the existing guidance on modifications into a new ISA were made to the proposed ISA 701;
- *Phase II:* A full review and revision of the structure and the existing requirements and guidance on modified reports.

Phase II is being undertaken by the ISA 701 task force with the task force comprised of:

Jan Bo Hansen (Chair)
 Philip Ashton
 Craig Crawford (Member of the U.S. Auditing Standards Board)
 Bettina Jakobsen (INTOSAI Reference Panel Expert)
 Roger Simnett
 Sylvia Smith
 Sylvia Barrett (Staff Manager)

Activities since Last IAASB Discussions

The task force had an informal discussion during the IAASB December 2003 meeting to discuss the general way forward for the project and a task force meeting on March 8-9 (London) to discuss issues relating to the revision of ISA 701.

To date, the task force activities have focused on identifying the issues and developing proposals to address the issues. The issues were identified based on a review of existing requirements in ISA 701, proposed ISA 700 "The Independent Auditor's Report on Financial Statements" and other ISAs. Staff also prepared a comparison of ISA 701 to the following equivalent audit reporting standards from Australia, Canada, United Kingdom and United States¹:

1. Australia: AS 702, "The Audit Report on a General Purpose Financial Report;"
2. Canada: CICA 5510, "Reservation in the Auditor's Report;"
3. United Kingdom: SAS 600, "Auditor's Report on Financial Statements" and;
4. United States: AU 508, "Reports on Audited Financial Statements.

The task force also held a conference call on March 24th to finalize its consideration of the key issues.

Material Presented

Agenda 8-A Issues Paper for the Revision of ISA 701
(Pages 505 – 524)

Action Requested

The IAASB is asked to:

1. Provide comments they may have about the issues presented including whether they support the proposals for addressing the issues; and
2. Provide the task force with additional issues they believe the revision of ISA 701 should address.

¹ Other national standards were not reviewed because they were not accessible or because they were not available in English. Staff understands that the equivalent audit reporting standards for Japan, the Netherlands and South Africa are essentially equivalent to extant ISA 700.