



## Provincial Auditor Saskatchewan

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SASKATCHEWAN

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November 9, 2007

Mr. James Sylph  
Executive Director, Professional Standards  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, New York 10017 USA

Dear Mr. Sylph:

**Re: The following five Exposure Drafts relating to Auditor's Report:**

- **ISA 700 - The Independent Auditor's Report on General Purpose Financial Statements**
- **ISA 705 - Modifications to the Opinion in the Independent Auditor's Report**
- **ISA 706 - Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report**
- **ISA 800 - Special Considerations – Audits of Special Purpose Financial Statements and Specified Elements, Accounts or Items of a Financial Statement**
- **ISA 805 - Engagements to Report on Summary Financial Statements**

While we support ISAs 705, 706, 800, and 805, we do not support the redrafted International Standard on Auditing (ISA 700) proposed in the Exposure Draft for the reasons set out below.

First, in our opinion, the public's best interest is served when general purpose financial statements are prepared using generally accepted accounting principles of the applicable country (GAAP). Reinforcing the use of generally accepted accounting principles in the preparation of general purpose financial statements through the audit enhances the comparability and credibility of audited financial statements. ISA 700 permits an unqualified opinion on general purpose financial statements prepared on a basis other than GAAP. We find this inappropriate and think the auditor's report should be qualified in these situations. Canadian standards have advocated this approach since 2003. Furthermore, ISA 700 does not even require the auditor to alert the user that the financial statements are not prepared in accordance with GAAP.

Second, ISA 700 provides for significant flexibility in audit reports on general purpose financial statement (e.g., fair presentation versus compliance frameworks, applicable financial reporting frameworks). However, the proposed wording of the reports does not make these differences clear to the users of the reports (i.e. the difference in the wording is too subtle). Without clear

distinction in the wording, the public may not recognize or understand the audit assurance being provided. This in turn will create confusion and potentially cause the public to lose confidence in the audit profession.

### **Clarity Drafting Conventions**

Overall, we support the redrafted International Standard on Auditing (ISAs 705, 706, 800 and 805) proposed in the Exposure Drafts with regard to the application of the clarity drafting conventions. Following are our responses to specific questions raised regarding the application of the clarity drafting conventions.

1. The objectives to be achieved by the auditor as stated in the proposed redrafted ISA are appropriate for ISA 705, ISA 706, ISA 800 and ISA 805.
2. The criteria identified by the IAASB for determining whether a requirement should be specified have been applied appropriately and consistently, such that the resulting requirements will promote consistency in performance and reporting, and the use of professional judgment by auditors for ISA 705, ISA 706, ISA 800 and ISA 805.

Also, we agree that special considerations in the audit of small entities and public sector entities have been dealt with appropriately in the proposed redrafted ISA 705, ISA 706, ISA 800 and ISA 805.

Yours truly,



Fred Wendel, CMA, CA  
Provincial Auditor

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cc: Mr. Greg Shields, Director, Auditing and Assurance Standards, Canadian Institute  
of Chartered Accountants