

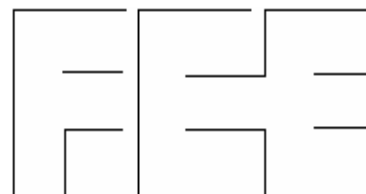
Date
14 February 2007

Le Président

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



Edcomments@ifac.org

Dear Mr. Sylph,

Re: Exposure Draft - Proposed Redrafted International Standard on Auditing (ISA) 320 (Revised) – Materiality in Planning and Performing an Audit

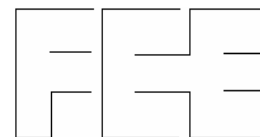
FEE (Fédération des Experts Comptables Européens – European Federation of Accountants) is pleased, as the representative organisation of the European accountancy profession, to comment on the Exposure Draft - Proposed Redrafted International Standard on Auditing 320 (Revised) "Materiality in Planning and Performing an Audit" (ISA 320).

FEE supports ISA 320 as it is an improvement on the existing standard. We believe, however, that our comments which follow would further enhance the standard. This letter also includes our response to the questions set out in the proposed document.

Comments on introduction

Paragraph 4

Paragraph 4 refers to the auditor's determination of a materiality level based on the context in which users of the financial statements make decisions. We agree with the concept behind the paragraph that users should have a reasonable understanding of the matters described. However, we question whether it is right to state that auditors 'assume' this because this implies that the auditor has consciously to consider whether it is appropriate to make this assumption on each individual audit engagement. As we don't believe this is what the IAASB intended we recommend that the second sentence of the first paragraph of Paragraph 4 should be amended, from *'In this context, it is reasonable for the auditor to assume that users:...''*, to *'The standard has been written on the basis that users of financial statements can be characterised as follows:...''*, which is then followed by the sub-paragraphs (a) to (d).



Paragraph 6

We suggest that to avoid unnecessary duplication with other ISAs the contents of this paragraph are checked against ISA 300 (Redrafted) "Planning an Audit of Financial Statements", with a view to making this paragraph more concise. Then, to help ensure effective linkage between the two ISAs cross-reference to ISA 300 can be provided.

We do not understand the sentence beginning "It is not practicable". While this may be true of a complex entity, in a less complex entity with relatively few transactions we believe such procedures can be performed. As we don't know what the IAASB had in mind we cannot offer alternative words.

Comments on objective

The objective in ISA 320 in relation to reconsidering materiality as the audit progresses is not in line with paragraph 12, which requires revision of the materiality level only "in the event of becoming aware of information" etc. The objective should be better aligned with the requirement, for example '*The objective of the auditor is to determine, and reconsider as necessary as the audit progresses,...*'

Response to IAASB's Request for Responses on Questions

Is the objective to be achieved by the auditor, stated in the Proposed Redrafted ISA, appropriate?

No. We refer you to our comments on the objective.

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 judgment by auditors?

Yes.

If you have any further questions about our views on these matters, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jacques Potdevin', written over a horizontal line.

Jacques Potdevin
President