



**The Japanese Institute of  
Certified Public Accountants**

4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan  
Phone: 81-3-3515-1130 Fax: 81-3-5226-3356  
Email: international@sec.jicpa.or.jp  
Website: www.jicpa.or.jp

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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

**JICPA Comments on Proposed International Standard on Auditing, ISA 260 (Revised),  
*Communication with Those Charged with Governance***

The Japanese Institute of Certified Public Accountants (“we”, “our”, “us” and “JICPA”) are pleased to provide you with our comments on the Proposed International Standard on Auditing, ISA 260 (Revised), *Communication with Those Charged with Governance* (“Proposed ISA”). Based on our review, we have the following comments:

**Requests for Specific Comments**

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

The auditor uses professional judgment in deciding which matters arising from the audit are relevant to the responsibility of those charged with governance to oversee the financial reporting process. Accordingly, paragraph 5 (c) should include the same wording as in paragraph 4 of ISA 260 (close off document):

“Provide those charged with governance with timely observations arising from the audit that are, in the auditor’s professional judgment, significant and relevant to their responsibility to oversee the financial reporting process.”

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 judgment by auditors?

(Comments)

Please see our other individual comments below.

### **Other Individual Comments**

#### Paragraph 2

Whether ISAs apply to audits of financial information other than general purpose financial statements is not an issue specific to ISA 260. Other ISAs may raise the same questions. Accordingly, paragraph 2 should be deleted.

#### Paragraph 10

The first three sentences, which are exceptions to the auditor's communication with those charged with governance and not so significant as to be included in "Requirements", should be moved to "Application and Other Explanatory Material".

#### Paragraph 12

The last sentence ("This communication is often included in the engagement letter or other form of contract that records the agreed terms of the engagement."), which is not deemed to be essential explanatory material, should be moved to "Application and Other Explanatory Material".

#### Paragraph 14 (a)

As "Qualitative Aspects of Accounting Practices" in Appendix 2 of the Proposed ISA deals with matters that are not limited to qualitative ones, we propose that "significant *qualitative* aspects" of the entity's accounting practices be changed to "significant aspects".

#### Paragraph A21

As the Appendix is part of the application material, Appendix 2 does not provide guidance with paragraph A21 that is also part of "Application and Other Explanatory Material". We propose that the final sentence in paragraph A21 be revised accordingly.

#### Paragraph A27

The final two sentences in paragraph A27 (\*) should be deleted because they are already explained in paragraph 10.

(\*) “Communications regarding independence may not be relevant, e.g., where all of those charged with governance have been informed of relevant facts through their management. This is particularly likely where the entity is owner-managed and the auditor’s firm and network firms have little involvement with the entity beyond a financial statement audit.”

#### Appendix 1

Although Appendix 1, which lays out the requirements of each ISA in detail, is duplicated with those of each ISA, we believe that the title and related paragraph number of the relevant ISAs are sufficient for inclusion in Appendix 1. Also, we propose that the form of Appendix 1 of Proposed ISA should be consistent with ISA 230, *Audit Documentation* (Exposure Draft) that is expected to include similar descriptions.

In addition, the description of paragraphs 52 and 55 of ISA 700, which have no explicit requirements to communicate with those charged with governance, should be deleted.

In closing, we wish to express our appreciation for this opportunity to comment on this Proposed International Standard on Auditing and hope you will consider our comments.

Sincerely yours

Atsushi KATO

Executive Board Member - Auditing Standards

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