



**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
E-mail: international@jicpa.or.jp
<http://www.jicpa.or.jp/>

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Technical Director

International Auditing and Assurance Standards Board

545 5th Avenue, 14th Floor

New York, New York 10017 USA

JICPA Comment on Proposed International Standard on Auditing 701, *The Independent Auditor's Report on Other Historical Financial Information*, and Proposed International Standard on Auditing 800, *The Independent Auditor's Report on Summary Audited Financial Statements*

The Japanese Institute of Certified Public Accountants (“we”, “our”, “us” or “JICPA”) are pleased to provide you with our comments on the above Proposed International Standard on Auditing. Based on our review, we have the following comments:

Request for Comments

Question 1: Do you agree with the IAASB's conclusion that the standards and guidance for auditors' reports on summary audited financial statements should be retained within ISAs? If yes, do you agree that the standards and guidance should be placed in a separate ISA?

(Comment)

Auditor expresses an opinion on summary audited financial statements based on reasonable assurance obtained in the audit of the financial statements from which summary audited financial statements have been derived. Intended users do not misunderstand the level of assurance in auditor's report on summary audited financial statements when they read summary audited financial statements in conjunction with the audited financial statements. We agree with the IAASB's conclusion that the standards and guidance for auditors' reports on summary audited financial statements should be retained within ISAs.

We agree that the standards and guidance are placed in a separate ISA.

Question 2: Do you agree with the description in paragraph 10, acknowledging that, depending on the circumstances of the engagement, the applicable financial reporting framework may encompass more than just accounting standards and legal requirements?

(Comment)

We propose to delete paragraph 10 because ISA 200 explain that the financial reporting framework may encompass more than just accounting standards and legal requirements.

Question 3: Do you agree with the proposed distinction in paragraphs 15 and 16, and the effect that it has on the form of opinion? If not, clearly explain your preferred distinction and the effect that it has on the form of opinion?

(Comment)

A financial reporting framework is designed to achieve fair presentation of a complete set of general purpose financial statements. It is not designed to achieve fair presentation of the specific information presented. We propose to provide further explanation regarding “a financial reporting framework designed to achieve fair presentation of the specific information” and “a financial reporting framework not designed to achieve fair presentation of the specific information.”

Question 4: Do you agree with the proposals for forming an opinion in paragraphs 23 and 24? If not, clearly explain the reasons for the disagreement?

(Comment)

In paragraph 24, Exposure Draft refers to the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (the “Code of Ethics”) which states auditor’s association with the information that may be misleading. The Code of Ethics should be read entirely to obtain its proper understanding and, accordingly, the guidance by reference to particular part of the Code of Ethics in ISA would lead readers to misunderstanding. In addition, ethical requirement in auditor’s report should be severer of the Code of Ethics or the country’s code of ethics, however, the country’s code of ethics does not necessarily include the reference to the Code of Ethics in paragraph 24. Consequently, we propose to delete the reference to the Code of Ethics in paragraph 24.

The auditor should consider user of financial information and the country’s legal requirements to evaluate whether a financial reporting framework is designed to achieve fair presentation. Although the definition of a financial reporting framework designed to achieve fair presentation allow a departure from the framework (Proposed Confirming Amendments ISA 200 1a.(d)(b) (ii)), we propose to exclude a departure from the framework from such definition because such

case is extremely rare.

Question 5: Do you agree that the ISAs should contain standards and guidance for an auditor's report issued as a result of an audit of one or more specific elements, accounts or items of a financial statement?

(Comment)

Standards and guidance for an auditor's report on one or more specific elements, accounts or items of a financial statement would contribute to consistency in practice. Therefore, we agree that the ISAs should contain standards and guidance for an auditor's report issued as a result of an audit of one or more specific elements, accounts or items of a financial statement.

Question 6: If your response to question 5 is yes, do you agree with the proposed standards and guidance for these types of auditor's report? If not, how should they be amended?

(Comment)

We agree. We propose to provide guidance for an audit of one or more specific elements, accounts or items of a financial statement.

Question 7: Do you agree with the proposed form of opinion on summary financial statements? If not, provide your preferred form of opinion and reasons for such preference.

(Comment)

Although it is alternative form of opinion to use "consistent" as ISA 800 uses, we agree with the proposed form of opinion to use "appropriate summary."

Other Comments

Proposed ISA 701, paragraph 26 (f)(i)

We propose to spell out an abbreviation "ISAs" to "International Standards on Auditing" because this paragraph provides elements included in the auditor's report on other historical financial information. Refer to ISA700 paragraph 65(e)(i).

Proposed ISA 800, paragraph 23

The practitioner is satisfied that there is a rational purpose for the assurance engagement to accept the engagement (paragraph 17(b)(v) of International Framework for Assurance Engagement), and the auditor should accept an engagement to report on summary financial statements only when the auditor has issued an audit report on the financial statements from which they have been derived (paragraph 5 of proposed ISA 800). Consequently, when the

auditor's report on the financial statements from which the summary financial statements have been derived contains an adverse opinion or a disclaimer of opinion, the auditor should not accept the engagement unless the auditor is legally required to accept it in the country.

In closing, we would like 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
The Japanese Institute of Certified Public Accountants