



## International Federation of Accountants

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Office of the Secretary, Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, DC  
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Via Email

### **Re: PCAOB Rulemaking Docket Matter No. 009**

Staff of the IFAC's International Auditing and Assurance Standards Board (IAASB) appreciates this opportunity to comment on the PCAOB's Proposed Rule 3101, *Certain Terms Used in Auditing and Related Professional Practice Standards*. We applaud the efforts of the PCAOB to clarify the use of certain terms that communicate the level of obligation imposed on the auditor in complying with the PCAOB's standards.

As you likely are aware, the IAASB is also exploring ways to improve the clarity of its standards so that the responsibilities of the auditor are stated in a clear, concise and definitive manner, thereby improving audit quality and consistency. The IAASB's initiative encompasses a review of the drafting convention it uses and, similar to the PCAOB's Proposed Rule, the consideration of how to articulate differing levels of professional obligations in the standards it issues. At its October 2003 meeting, the IAASB discussed developments in its project to improve the clarity of IAASB Standards and, within that context, discussed the PCAOB's Proposed Rule.

Noting its strong desire for national and international standards to be aligned as closely as possible, the IAASB expressed disappointment with respect to the short 30-day response period for comments on the Proposed Rule – a Rule which has significant implications for both practitioners and for standard setters at the national and international levels. The IAASB believes the issues surrounding the Proposed Rule require adequate time (such as the 90-day comment period ordinarily provided by the IAASB) for the development of a formal and measured response. Unfortunately, the comment period provided makes such an exercise unrealistic and unworkable.

Accordingly, the following represent Staff's reaction to the PCAOB's proposals. The comments contained herein do not necessarily represent the views of the IAASB.

## **General Comments**

In principle, we support the PCAOB's proposed approach which sets forth professional obligations in three different categories: unconditional obligations, presumptively mandatory obligations and condition obligations. We also commend the PCOAB in recognizing that the auditor must apply expertise and exercise judgment in the planning and conduct of an audit. We concur that it would not be possible, nor desirable, to attempt to supplant the auditor's judgment by prescribing, in inflexible detail, how the auditor should discharge his or her responsibilities.

We also believe that the proposed terminology used to describe the degree to which auditors are expected to comply with the professional obligations is clear, concise and suitably definitive. In particular, we support the PCAOB's use of a selection of words when identifying unconditional obligations in order to allow standards to express the intent of the drafters in the best manner appropriate in the circumstances. As a result, we will suggest to the IAASB that it consider adopting some of these concepts into its own project on improving the clarity of IAASB Standards.

We note that current US auditing literature uses the adverbs "ordinarily" and "normally" when describing certain actions or procedures by the auditor. Arguably, the use of such words could imply another level of obligation distinct from those identified in the Proposed Rule. We presume any revision to existing US standards, and as adopted by the PCOAB, would consider the elimination of such words in order to avoid potential confusion.

## **Specific Concerns**

### **DOCUMENTATION REQUIREMENTS**

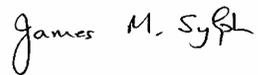
We do have significant concern with Proposed Rule 3101(a)(2). We view the requirement for the auditor to comply with presumptively mandatory obligations "unless the auditor can demonstrate, by verifiable, objective, and [contemporaneously] documented evidence, that alternative actions he or she followed in the circumstances were sufficient to achieve the objectives of the standard ..." as unduly onerous and as placing an enormous documentation burden on auditors.

The practical implication of this requirement is of particular concern in light of the very extensive occurrence in current US auditing literature of the word "should", which we assume will be retained in new or revised PCAOB standards. The resulting obligation may have the unintended consequence of diverting the auditor's focus from thoughtful assessment of the particular circumstances of each engagement, to strict adherence to documentation rules that may detract from the auditor's role of exercising professional judgment on a timely basis to obtain sufficient competent evidential matter to support the audit opinion.

## CONSULTATION

An alignment of the hierarchy of professional obligations (and the language used to differentiate them) between the PCAOB and the IAASB would be very beneficial from a global convergence perspective. I am sure the IAASB would be pleased to have the opportunity to discuss this matter with PCAOB staff before the respective rules are finalized. I would be happy to facilitate such a discussion.

Yours sincerely,

A handwritten signature in black ink that reads "James M. Sylph". The signature is written in a cursive style with a large initial 'J' and a stylized 'Sylph'.

James M. Sylph  
Technical Director, IAASB