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Internal Market and Services DG

**FREE MOVEMENT OF CAPITAL, COMPANY LAW AND CORPORATE GOVERNANCE
Director**

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Mr Jim Sylph
Technical Director
International Auditing and
Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York,
NY 10 017 – USA

**Subject: Comment on the Exposure Draft of Proposed ISA 530 (Redrafted) –
*Audit Sampling***

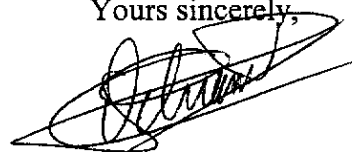
Dear Mr Sylph,

1. We appreciate the opportunity to comment on the IAASB proposal for a redrafted International Standard on Auditing on Audit Sampling.
2. Proposed ISA 530 (Redrafted) intends to clarify the auditor's duties when he decides to make use of audit sampling techniques. The decision whether to use such techniques will be made under ISA 500¹. We therefore support that ISAs include a specific and short standard on sampling, but have concerns about the proposals in the exposure draft.
3. In essence, audit sampling is a technique that auditors can use as part of the process of evaluating whether:
 - for a test of controls, do the results of testing support the original risk assessment of the operating effectiveness of the controls (i.e. can the controls be relied on or not for audit purposes); or
 - for a test of details, is there evidence that the population may be materially misstated.
4. The current draft still contains too many technicalities in the body of the requirements. We recommend a further effort by the IAASB in order to state requirements that leave aside the technicalities but give clear indications to auditors on their duties when using audit sampling and how to use their professional judgement in this subject matter.

¹ Paragraphs 13 and A 34 in the latest exposure draft of ISA 500 – Audit Evidence

5. The requirements should focus on three aspects only:
 - the auditor shall decide on the sample design, size and sampling technique (paragraphs 6 and 7). In this respect, we believe that the drafting of paragraph 7 would be clearer if it remained close to para. 40 of extant ISA 530, to state i.e. that the auditor shall determine a sample size sufficient to reduce sampling risk to an acceptably low level;
 - each item should have an unbiased chance to be selected (paragraph 8);
 - the auditor shall implement the chosen approach (paragraphs 9 and 12), and evaluate the results (paragraphs 14 and 15).
6. The technicalities should be moved to the Application Material. Particularly, proposed requirements in paragraphs 10, 11, and 13 have been elevated from guidance material in the current ISA. We believe they should be moved back to the Application Material. Furthermore, a clearer distinction should be made between a statistical approach and a non statistical approach in the Application Material.
7. The interaction of ISA 530 with a number of other ISAs would deserve further clarification. ISA 500, in paragraph A31 to A34, does not provide much guidance to assist the auditor on the choice of using or not audit sampling techniques. Proposed ISA 450 (Revised and Redrafted) on the evaluation of misstatements identified during the audit refers to ISA 530 for the definition of projected misstatements. ISA 450 may require in the final version the auditor to follow up whether management has corrected material projected misstatements. This should only be possible if the projection is reliable enough, i.e. based on a robust statistical method and work allowing for a high degree of statistical confidence. However, no mention of this is made in ISA 450 or ISA 530. We invite the IAASB to further clarify these points.
8. I would like to emphasise that this comment letter cannot pre-empt any future official position of the European Commission. In particular, our position on the above ISA, and the objectives therein, may be modified depending on the outcome of the future revision of other ISA's in the frame of the Clarity Project.
9. The comments in this letter have taken account of the views expressed within the European Group of Auditors' Oversight Bodies (EGAOB), and/or within the 'ISA Sub-group' of the EGAOB. The ISA Sub-group is comprised of participants from European organisations including audit regulators, standard setters on auditing, professional bodies, and companies. Those comments may not necessarily reflect in all circumstances unanimous views of the members of the EGAOB and/or of the participants to the EGAOB ISA Sub-group.

Yours sincerely,



Pierre Delsaux

Cc: Jürgen Tiedje, European Commission, Members of the EGAOB.