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Mr Greg Tanzer
Secretary General
IOSCO General Secretariat
Calle Oquendo 12
28006 Madrid
Spain

By email: AuditorTransparency@iosco.org

Dear Mr Tanzer

TRANSPARENCY OF FIRMS THAT AUDIT PUBLIC COMPANIES

The ICAEW welcomes the opportunity to comment on the consultation paper *Transparency in Firms that Audit Public Companies* published by IOSCO in September 2009.

The ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The ICAEW is a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

Section 3 of the IOSCO consultation paper (September 2009) is entitled 'Transparency of Audit Firms' Governance'. We note that footnote 12 on page 6 of your consultation paper refers to the first consultation paper that was issued by the Audit Firm Governance Working Group in November 2008. In this letter we have confined our comments to updating you on the activities of the Working Group which are intended, amongst other things, to enrich the transparency reports published by UK audit firms further to the EU Statutory Audit Directive.

The Audit Firm Governance project is the result of Recommendation 14 of the October 2007 report of the UK Financial Reporting Council's (FRC) Market Participants Group which recommended that 'Every firm that audits public interest entities should comply with the provisions of a Combined Code-style best practice corporate governance guide or give a considered explanation.'

The ICAEW was invited by the FRC to support the follow-up to Recommendation 14 by drawing up a code and for that purpose formed the independent Audit Firm Governance Working Group. The Working Group issued a second consultation paper, including a draft code, in July 2009 and the consultation period closed in October 2009.

The Working Group expects to issue the finalised Audit Firm Governance Code on 18 January 2010. We will send you a copy of the Code and the accompanying press release when they are published. The Code will be placed on the websites of the ICAEW and the FRC where background information, the two consultation papers and responses thereto can be found. The web address for the ICAEW is www.icaew.com/auditfirmgovernance .

The Audit Firm Governance Code will apply to those firms that audit more than 20 companies listed on the Main Market of the London Stock Exchange. The Code will thus apply to eight audit firms that together audit about 95% of these listed companies. For these firms, the Code sets a benchmark for good governance which other audit firms may wish to adopt voluntarily in full or in part.

In drawing on aspects of the UK's Combined Code on Corporate Governance such as the comply or explain approach, the Audit Firm Governance Code establishes the principle that audit firms should appoint independent non-executives within their governance structure. It also codifies much existing good practice and links to matters that audit firms must comply with as regulated professional partnerships.

If you or your staff would like to discuss the background to the Code and its preparation, please contact either myself or Jonathan Hunt (Jonathan.Hunt@icaew.com). Jonathan and I have been the support team to the Audit Firm Governance Working Group.

We are happy for you to place this letter on the public record.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

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