



THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS  
IN ENGLAND AND WALES

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Jon Grant, Technical Director  
The Auditing Practices Board  
5<sup>th</sup> floor, Aldwych House  
71-91 Aldwych  
London  
WC2B 4HN

By email

Dear Jon

**CONSULTATION ON PROPOSED CLARIFIED INTERNATIONAL STANDARDS  
ON AUDITING (UK AND IRELAND)**

The Institute of Chartered Accountants in England and Wales ('the Institute') welcomes the opportunity to comment on the APB Consultation paper of proposed clarified ISAs (UK and Ireland) published by the APB in April 2009.

The Institute 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 Institute is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

**We congratulate APB on its clear and detailed analysis of responses to its October consultation on whether to adopt clarified ISAs in the UK and Ireland, on its transparent analysis of the disposition of pluses, and on the reduction of 'audit quality plus' requirements. The number of such requirements rendered unnecessary as a result of the clarity project and revisions to standards is testament to APB's influence at international level.**

**APB has to date taken an admirable lead in the adoption of ISAs in Europe and it would be fitting for it to complete the process by recognising that the removal of the remaining 'audit quality plus' requirements will not undermine audit quality in the UK. The five remaining quality pluses cover matters which are already dealt with elsewhere in ISAs.**

**A clear public statement from the UK that ISAs are fit for purpose without amendment will encourage other standard setters and legislators to do the same. This will greatly enhance the likelihood that ISA adoption in Europe will have its intended effect of both improving audit quality and achieving consistent application.**

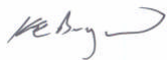
**APB can and should retain the option to add UK and Ireland audit quality pluses to deal with unforeseen circumstances and the particular circumstances of the UK and Ireland, at least for the time being.**

**We are encouraged by the fact that APB intends to update PN 26 in the near future and note that it has been received very well both in the UK and Ireland and in other jurisdictions. The UK and Ireland have a great deal of experience in the implementation of ISAs by comparison with some other European Member States and the revised PN 26 can be expected to be of use not only to UK and Ireland firms but also to standard setters in other jurisdictions. We also take this opportunity to acknowledge the extensive co-operation between APB and the ICAEW and other CCAB bodies in implementing ISAs in the UK and Ireland which provides a high quality template for other jurisdictions.**

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

Yours sincerely

Katharine E Bagshaw FCA



Manager, Auditing Standards  
ICAEW Audit and Assurance Faculty  
T + 44 (0)20 7920 8708  
F + 44 (0)20 7920 8754  
E: [kbagshaw@icaew.com](mailto:kbagshaw@icaew.com)

## Questions

Q1: *Do you agree with the criteria APB has applied for deciding to retain:*

- (a) *Supplementary requirements*
- (b) *Supplementary guidance?*

*If not, please give your reasons and explain what criteria you would apply.*

**Yes**, although the single criterion for audit quality pluses as 'still considered important for audit quality' is somewhat brief and subjective.

Q2: *Are there any particular proposed audit quality supplementary requirements and guidance that you believe are not necessary to retain? If yes, please identify them and give your reasons.*

**Yes, all of them.** There is a need in the longer term have all disclosure requirements on the going concern basis of preparation solely within accounting standards rather than auditing standards.

Q3: *Do you believe that the proposed supplementary requirements and guidance are clearly expressed? If not, please explain how they could be improved.*

**Yes.**

Q4: *Are there any particular current audit quality supplementary requirements and guidance that APB has not proposed to retain that you believe should be? If so, please identify them and give your reasons.*

**No.**

## Additional point

The requirement of paragraph 9 of ISA 720 (UK and Ireland) part B that the auditor shall 'seek to resolve' inconsistencies between the information in the directors' report and the financial statements is taken from 11-1 in extant ISA 720, minus the words '...through discussion with those charged with governance'. These words now appear in modified form ('the auditor *ordinarily* seeks to resolve...through discussions with those charged...etc.') in A2.

While the original 11-1 can be read as imposing greater burdens on auditors because it *requires* attempted resolution through discussion, precluding other means, to some extent, it is equally possible to read the original as *less* burdensome, as only one means of attempted resolution is required. The revised version leaves the auditor with more scope in terms of how resolution may be sought, and therefore imposes the greater burden. This reflects a more widespread problem with open-ended 'seek to' requirements generally which always beg the question 'how', and 'how hard'? We suggest that APB should revert to the original wording and construction as *less uncertain and onerous than the revised wording and construction.*