

Auditing Practices Board

Consultation on whether UK and Irish Auditing Standards should be updated for the new ISAs

Comments by Audit Scotland

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Introduction

Audit Scotland is the public sector audit agency undertaking the external audit of the majority of public sector entities in Scotland. We welcome the opportunity to comment on the Consultation paper.

Overall comments

Audit Scotland believes that the standards applied in the UK and Ireland should be of the highest standard available and that the UK should therefore adopt the new ISAs as soon as practicable. We do not believe that it is necessary to wait for the EU to make a decision on the standards that it wishes to adopt and are prepared to run the risk that further changes may be needed to ISAs and to our audit methodology if the EU chose not to adopt the new ISAs in full.

The Auditor General for Scotland and the Accounts Commission together appoint the external auditors of some 200 public bodies. The appointed auditors are a mix of Audit Scotland staff and private firms. We believe that it is essential that all auditors are working to the same standards and it would be very confusing for the audited bodies and other stakeholders if some audits were to be carried out, say by the large firms, in accordance with the new standards but others were to be carried out in accordance with different standards.

The part of the consultation paper which indicates the impact of the adoption of the new ISAs on the cost of audits is very helpful. However these were all private sector entities and the content of the accounts of public sector bodies and hence the relative amounts of audit work required on different areas of the accounts is different. It would therefore be very helpful if the APB were able to share further details of the methodology adopted for the impact assessment and/or details of the relative additional costs in each part of the audit.

Responses to the specific questions in the consultation paper

Q1 Updating

We agree that ISAs (UK and Ireland) should be updated to reflect improvements in the underlying international auditing standards.

Q2 Timing

We believe that the standards should be updated as soon as practicable.

Q3 New ISAs from periods beginning on or after 15 December 2009?

We believe it would be practicable to adopt the new standards with effect from audits of accounts for accounting periods beginning on or after 15 December 2009.

Q4 Application to entities of different sizes.

We agree with the APB that the same standards should apply to the audits of entities of all sizes as there would be a risk that the audits of smaller entities would be perceived as being of a lower standard if differential standards were to be applied. In our view any necessary interpretation of the standards for the audit of smaller entities can be appropriately addressed through additional guidance such as that provided in Practice Note 26.

We hope that you find our comments helpful and should you require any further information please contact Russell Frith, Director of Audit Strategy, Audit Scotland, 110 George Street, Edinburgh, EH2 4LH, e-mail rfrith@audit-scotland.gov.uk.

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