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Our ref rb/mht

13 January 2009

Dear Keith

Consultation on whether UK and Irish auditing standards should be updated for the new international auditing standards

KPMG welcomes the opportunity to comment on this important subject and fully supports the process that the APB has adopted in this area. Our answers to your specific questions are included in the appendix to this letter.

It is important that the UK has a strong set of auditing standards and maintains its position as a leader in this field. Therefore, we fully support APB's proposal to update the UK and Irish auditing standards to reflect the new international auditing standards. As stated in the consultation paper, the improvements to the international standards that have been made are designed to improve audit quality and the understandability of the ISAs. Therefore, in the light of the debate in the UK on audit quality, we believe that there is no other option but to adopt.

We also believe that it is important that these standards are adopted in line with the IAASB's implementation date (audits of periods commencing on or after 15 December 2009). The UK has always been a supporter of international convergence and the adoption of these revised standards in line with the global adoption date supports this. KPMG globally will be adopting these revised standards for 2010 December year ends and has already started the process to update its audit methodology.

It is important to ensure that there is sufficient time to prepare for these new standards. Therefore, it is imperative that the APB communicates its decision as soon as possible. The consultation paper states that this will be in March 2009. If possible, we would encourage an earlier announcement.



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If you would like to discuss any of the points raised please do not hesitate to contact Myles Thompson or myself.

Yours sincerely

A handwritten signature in blue ink that reads 'Richard Bennison'.

Richard Bennison
UK Head of Audit

Appendix: Answers to specific questions

- 1. Do you agree that ISAs (UK and Ireland) should be updated to reflect improvements in the underlying international auditing standards? If not, please explain your reasons.**

Yes. As explained in our main letter we do not believe there is any other option as these improvements have been devised to improve audit quality.

- 2. If you agree that the ISAs (UK and Ireland) should be updated for improvements in the underlying international auditing standards, do you believe that this should be done by adopting the Clarity ISAs: (a) as soon as practicable, or (b) if and when they are endorsed by the EC?**

As soon as practicable, which we believe should be in line with the IAASB's timetable of accounting periods commencing on or after 15 December 2009. As explained in our main letter it is important that we have one consistent set of global auditing standards.

- 3. If you believe the Clarity ISAs should be adopted as soon as practicable, do you believe it will be practicable to require the resulting new ISAs (UK and Ireland) to apply to audits of UK and Irish entities with accounting periods commencing on or after 15 December 2009?**

Yes, see above.

- 4. Do you support APB's view that the same standards should apply to audits of entities of all sizes? If not, please explain your reasons.**

Yes. There is no reason for two sets of auditing standards which would only cause confusion and imply that there are two standards of audit. All audits should be performed to one consistent standard.