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THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND



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By email: k.billing@frc-apb.org.uk

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Dear Keith

APB CONSULTATION PAPER: CONSULTATION ON WHETHER UK AND IRISH AUDITING STANDARDS SHOULD BE UPDATED FOR THE NEW INTERNATIONAL AUDITING STANDARDS

The Institute of Chartered Accountants of Scotland's Audit and Assurance Committee welcomes the opportunity to comment on the above Consultation Paper.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires the Audit and Assurance Committee to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Our responses to the questions in the consultation paper are set out below.

Q1: 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.

We strongly agree that ISAs (UK and Ireland) should be updated to reflect improvements in the underlying international auditing standards. ICAS has supported the Clarity project since its inception and has responded to all exposure drafts issued by the IAASB. The clarified standards represent an obvious improvement on the existing standards and we believe that they will enhance audit quality. Therefore to continue with the existing standards is not a viable option for the APB.

Q2: 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?*

The ISAs (UK and Ireland) should be updated as soon as practicable. This will ensure consistency internationally, since other countries are likely to adopt the clarity ISAs as from the IAASB's effective date, as well as enhancing public confidence in the audit profession during the current economic crisis. The APB has committed itself to the highest quality auditing standards, therefore to delay adoption would risk jeopardising the APB's and UK audit profession's reputation and international influence.

Q3: 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 & Ireland) to apply to audits of UK and Irish entities with accounting periods commencing on or after 15 December 2009?

We believe that it will be practicable to require the resulting new ISAs (UK and Ireland) to apply to audits for accounting periods commencing on or after 15 December 2009. ICAS has made its members aware of the clarified ISAs since the commencement of the clarity project, and will continue to raise awareness and will ensure relevant training is made available to members via the training providers. A statement is due to be issued to members by the chairs of the respective Audit Registration Committees setting out the approach that the review teams will take to the implementation of the clarified ISAs, particularly in relation to the audits of SMEs.

As most of the clarified ISAs have now been made publicly available by the IAASB we believe that there is sufficient time for auditors to familiarise themselves with these and to update their audit methodologies accordingly. We do not believe that this should be a complex change for auditors to manage – the change from SAs to ISAs was a more fundamental one which was well managed

Q4: 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.

ICAS has long held the view that 'an audit is an audit' and that the same standards should apply to audits of entities of all sizes. We strongly support principles-based standards that provide sufficient flexibility for them to be applied effectively to all audits. The existence of more than one level of auditing standards would risk introducing a lack of clarity and understanding of the role of the auditor, which could erode public confidence in the audit profession. As audit exemption thresholds increase, there may be increased calls for alternative forms of assurance for smaller entities, but any such engagements would need to be sufficiently differentiated from an audit.

I hope our comments are useful to you. If you wish to discuss any of them, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Amy Hutchinson', with a long horizontal flourish extending to the right.

AMY HUTCHINSON
Assistant Director, Accounting and Auditing
Secretary to the Audit and Assurance Committee