



THE ASSOCIATION
OF INTERNATIONAL
ACCOUNTANTS

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ASSOCIATION OF INTERNATIONAL ACCOUNTANTS

Auditing Practices Board Consultation: Revision to Practice Note 26 'Guidance on Smaller Entity Audit Documentation'

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Association of International Accountants

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Company number 00264086. The AIA is a Recognised Qualifying Body for company auditors in the UK.

Introduction

These comments are submitted by the Association of International Accountants, with input from a technical committee and members of the Association. AIA would like to thank John Dunn for his input in this consultation response.

About AIA

AIA is one of six statutorily Recognised Qualifying Bodies (RQBs) in the United Kingdom for statutory auditors under the Companies Act 2006. The AIA professional qualification is recognised throughout the European Union and in other major financial centres around the world.

The Association promotes and supports the advancement of the accountancy profession both in the UK and internationally. Whilst supporting international accounting and auditing standards the AIA seeks to ensure that its examinations and membership requirements support the development of the accountancy profession in the countries in which it examines.

The AIA's examinations for membership have been held half-yearly on a world wide basis for 80 years. The examinations are based on International Financial Reporting and International Auditing Standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic Accounting. As an RQB under the UK Companies Act 2006 the AIA offers to students who take its examinations commencing in or after June 1991 and go on as members to complete special audit-based practical training under the AIA, an accountancy qualification which is recognised by the UK Government under that Act as a recognised professional qualification for statutory auditors in the UK.

AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

Exposure Draft Practice Note 26 (Revised) - Guidance on Smaller Entity Audit Documentation

AIA welcomes the opportunity to comment on this draft standard. The documentation of audit evidence is an important matter, both in terms of maintaining audit quality and in terms of providing the auditor with a basis for rebutting any subsequent criticism of the opinion expressed

With regard to the specific question posed on page 4 of the document, AIA believes that the proposed updates and the associated illustrative examples do properly reflect the proposed ISAs (UK and Ireland), with two very minor provisos:

- If illustrative examples are provided in this manner it would be useful to attach some form of commentary or annotation in order to highlight the specific issues that are being illustrated. Alternatively, it might be argued that an appropriately qualified auditor should be capable of interpreting and applying ISAs without requiring such assistance and that the illustrations could be dispensed with entirely.
- The fonts based on cursive handwriting are quite difficult to read. If the APB wishes to imply that it is acceptable for audit firms to use pre-printed audit documentation that is filled in by hand then it would be far more effective to say so explicitly.

The APB's invitation to comment also seeks comments on other aspects of the draft. AIA believes that it might be worth cautioning readers of the final document that auditors of smaller entities may well be more exposed to allegations of negligence. It could be argued that the audited financial statements of a smaller entity are used more widely than those prepared by larger entities because there are fewer alternative sources of information. Furthermore, the circumstances of smaller entities may force the users of audited financial statements, both shareholders and third parties, to rely more heavily upon the audit.

If those concerns are valid then the auditor should be aware that clear and comprehensive audit documentation will often be the most effective defence against an accusation or claim for damages.