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MMcK/hw

Dear Steve

ISA (UK and Ireland) 700 (revised)

Our Association welcomes the publication as an exposure draft of the revised ISA 700 for the UK and Ireland and for the opportunity to comment on it. We firmly believe in auditing standards that support quality audit of UK companies and groups under the frameworks of relevant accounting standards and of UK law. We recognise that this document reflects the fruit of a number of initiatives including that of the FRC which led to the publication of the discussion paper 'The Auditor's Report: A time for Change?' to which we were pleased to respond.

The Invitation to Comment conveys the APB's recognition that there is a window of opportunity to influence international decisions on the format of the auditor's report and to commence research on how they can be made more informative. Considerable efforts have already been made in this area by such bodies as the Audit Quality Forum but the spread of feedback on the FRC paper which sought to build on these efforts does not encourage a view that significant progress is likely to be achieved. However there are other possible means of reporting to shareholders on matters pertinent to audit through enhancements to financial reporting (including qualities of narrative reporting) and through reporting from the audit committee. Paragraphs 3.22 to 3.24 identify a number of important areas where additional information may be beneficial to investors such as on important risks and uncertainties and on main judgments made by auditors during the audit. It will be important that the APB and the FRC consider how progress can best be made in these areas.

Of the specific matters on which comments have been invited we would highlight the importance we ascribe to the contents of Paragraph 18 of the proposed ISA, in particular to the emphasis given to the fact that it is not sufficient for the auditor to reach its conclusion as to whether the accounts

give a true and fair view solely on the basis that the financial statements were prepared in accordance with applicable law and accounting standards.

In view of the importance of the true and fair view in engendering confidence in financial reporting and auditing thereof we agree that it is appropriate for the reference to this to be the final element of the auditor's opinion on the financial statements.

Yours sincerely

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

Michael McKersie
Assistant Director,
Capital Markets