

Paul George
Financial Reporting Council
5th Floor, Aldwych House
71-91 Aldwych
London WC2B 4HN

30 June 2008

Dear Sir



National Office

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP

T +44 (0)20 7383 5100
F +44 (0)20 7383 4715
DX 2100 EUSTON
www.grant-thornton.co.uk

The Audit Quality Framework

We welcome the opportunity to comment on the Audit Quality Framework (the Framework). Grant Thornton supports measures which will enhance audit quality and support confidence of capital markets in the audit process. Grant Thornton has also argued that there should be some greater transparency over the audit inspection process, so that firms are better able to compete on the basis of quality. The Framework collates some of the key points from existing standards in an accessible way.

The Framework will be useful for audit committees

The Framework is a summary of best practice which is already in Audit Regulations, International Auditing Standards (ISAs) particularly ISA 220 Quality Control for Audits of Historical Financial Information and International Standard on Quality Control (ISQC) 1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements, and to an extent, Company law and the Transparency Directive. As such it is a useful summary with its own formatting and viewpoint. We believe that the paper is most useful as an accessible tool for audit committees as to examples of the sort of issues they could be thinking about when assessing the service from their auditor.

The Framework complements existing regulations

The FRC hopes that the Framework will assist various parties in evaluating the work of auditors. If the parties elect to use the Framework, then we believe it may be of help when used in conjunction with other tools available to them.

The introduction to the Framework says that "the framework is supported by other publications, including statements, standards, guidance and discussion papers". The notion of "supported by" implies that the Framework is an over-arching document, which sits above auditing standards. However we believe that the Framework is intended to be and derives its primary benefits from being complementary to existing regulations and guidelines. We will seek a meeting with the Professional Oversight Board to better understand the spirit in which the regulators will use the Framework.

Drivers and indicators

We commend the drivers of audit quality but suggest improvement to the presentation of the list of indicators.

We acknowledge that the indicators are not intended to be an exhaustive list, and that the FRC does not intend to convey the impression that they emphasise one driver or indicator over another. We believe that the introduction to the Framework would benefit from

prominent words to that effect. By way of example, we believe that there are significant indicators outside the control of auditors pertaining to a sustainable audit profession which have been omitted from the Framework such as long term attractiveness of the audit profession to talented professionals; and high quality principles-based standards that focus on key risk areas and are overseen in a consistent manner.

We welcome the recognition of the importance of appropriate agreed arrangements for the limitation of liability.

We also would encourage acknowledgement in the Framework that the majority of audited companies do not have audit committees but have other arrangements for interaction with the auditors.

We have some comments of detail on the indicators:

Some of the language used to describe the indicators of culture within an audit firm is inappropriate in places. For example, culture within an audit firm could be indicated where leadership of an audit firm "...emphasises that partners and staff have sufficient time...", but leadership of the firm will not be able to "...ensure...sufficient time...". Cultural indicators will generally be fostered, created, supported, promoted, encouraged, or emphasised.

On effectiveness of the audit process, "The audit methodology and tools applied to the audit are well structured, and provide for compliance with applicable auditing standards without inhibiting the exercise of judgement, such as..." should be the indicator. The remaining sub-bullets such as "encourage partners and managers to be actively involved in audit planning", being examples of auditing standard requirements, should be described and set out as examples of this indicator.

The first indicator of "reliability and usefulness of audit reporting" should refer to the primacy of ISA 700 The Auditor's Report on Financial Statements.

In summary we commend the drivers as set out in the Framework, but we have reservations about some of the language which is used to describe the indicators, and we welcome further dialogue on the intended use of the Framework.

If you have any questions on this response, please contact Sue Almond (phone: 0870 381 7120; email Sue.Almond@gtuk.com) or Nick Jeffrey (phone: 0207 728 2787; email Nick.Jeffrey@gtuk.com).

Yours faithfully



Sue Almond
Partner, National Assurance Services
For Grant Thornton UK LLP

Direct T: 0870 381 7120
Direct F: 0870 381 7120
E: Sue.Almond@gtuk.com