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PwC Response to the Audit Quality Framework Document (February 2008).

We welcome the opportunity of responding to the FRC's paper 'The Audit Quality Framework' published in February 2008. As this paper's focus (page 1) appears to be on seeking comments from non audit firm respondents this response will concentrate on the FRC's method of seeking those comments.

On page 2 of the FRC document, it states '*...some audit firms will be required to prepare Transparency Reports. Such Transparency reports will be a useful opportunity for such firms to differentiate themselves by setting out the steps that they are taking to achieve audit quality by reference to this Audit Quality Framework*'. This approach adopts the position contained in the FRC's report on responses to its 'Promoting Audit Quality' consultation document issued in November 2006.

Whilst we support the principle of audit firms, who audit public interest entity audit clients, providing information that will allow stakeholders to make informed decisions, we would refer you to our comments contained in our 3 July 2007 response to the Interim Report of the Market Participants Group (Choice in the UK Audit Market):

"We believe it is for individual audit firms to demonstrate to clients and potential clients how they measure up against those client's selection criteria including the drivers of quality. We would be concerned if the FRC sought to impose conditions such that a costly or bureaucratic process was imposed on the profession."

We would strongly resist any approach that dictated how and where we should publish any additional information, for which there is no legal or regulatory requirement that has been subject to proper cost and benefit analysis.

The FRC has indicated that it intends to carry out the first review of the framework this year and comments are sought by 30 June. The FRC may have overlooked two important factors:

- There is no legal requirement on audit firms to produce an annual transparency report until 5 July 2009 at the earliest; and
- The six largest audit firms, on whom the transparency reporting legal requirement will generally fall, have the following financial years:

Deloitte	31 May
BDO Stoy Hayward	30 June
E&Y	30 June
Grant Thornton	30 June
PwC	30 June
KPMG	30 September

Audit Firms have three months, after the end of their financial year, to produce a transparency report. It is unlikely, therefore, that any transparency report will be available before the end of August 2008, if firms choose to produce a voluntary transparency report this year.

We consider that this will severely disadvantage stakeholders in being able to comment by 30 June on the use of the framework. In the circumstances, there is unlikely to be any information to allow stakeholders and the FRC to properly consider whether the framework is working and whether any changes are needed.

We would suggest that any review of the framework is only carried out when there is sufficient evidence on which stakeholders can comment. In the circumstances we suggest that the framework is allowed to 'bed in' with stakeholders being asked for comments at the end of 2009 at the earliest.

Please contact Peter Wyman if you wish to discuss the contents of this letter.

Yours faithfully