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Christina Trickett  
Professional Oversight Board of the FRC  
5<sup>th</sup> Floor  
Aldwych House  
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WC2B 4HN

Dear Ms Trickett

**Professional Oversight Board Consultation Document  
- Reporting on Audit Quality Monitoring – implementing a new approach**

We are responding to your consultation document issued in June 2007 on the form and content of public reporting by the Audit Inspection Unit (AIU) of its monitoring of the quality of audit work at the major UK audit firms.

Our responses to the specific questions set out in the documents are attached. However, we consider the main issues which require comment are as follows:

- We welcome the proposals to extend the public reporting of the results of AIU inspections on individual firms and believe that this will assist audit committees in carrying out their evaluations of the effectiveness of existing and potential audit firms.
- We consider that the proposal to allow audit firms to share the AIU's new-style high level reports on individual audits with the audit client concerned is also a welcome development. We recommend that firms are required to confirm to the AIU that they have shared any such reports with their clients.

Yours sincerely

Ashley Almanza  
**Chief Financial Officer**

## Responses to the Invitation to Comment

**Q1 Are the processes we intend to follow before high-level reports on individual firms are published appropriate?**

BG Group welcomes the proposal to publish high-level reports on individual firms, and considers that the processes that will be followed before the reports are published are appropriate. In particular, we agree that there should be specified timescales associated with the issue of the report, to avoid unnecessary delays in publication.

BG Group also considers that the high-level report should include a section setting out the firm's response to prior year recommendations, including progress made in implementing these recommendations. This is consistent with the approach taken in the detailed report on each inspection.

**Q2 Are the processes we intend to follow before new-style reports on individual audits are finalised appropriate?**

BG Group welcomes the proposal to lift the restriction which prevents firms discussing a report on an individual client with that client. The processes to be followed before finalisation are appropriate. Again, we agree that specified timescales should be applied.

In addition to the processes identified on the consultation document and to ensure that audit clients are able to access the reports on a timely basis, we believe that audit firms should be required to confirm to the AIU that they have shared any individual client reports in their entirety with the respective clients. This confirmation should be incorporated into the overall timescale.

**Q3 Do you have any comments on the Board's proposal that annual reporting on the AIU's work should in future be incorporated in the Oversight Board's annual report to the Secretary of State for Trade and Industry?**

BG Group agrees that, once the proposals on the publication of firm-specific reports have been adopted, a generic AIU report is less useful. Accordingly, the proposal to restrict annual reporting to an expanded section in the Oversight Board's annual report is appropriate in the context of the other proposals. This comment is made on the assumption that the section in the Oversight Board's annual report is easily accessible to interested parties.

We would expect the section in the Oversight Board's report to include the scope of the inspections completed in the year; an assessment of the overall quality of audits that were inspected in the year; and the principal themes and issues arising from the reviews across various firms and audits.

**Q4 Do you have any comments on the Board's provisional regulatory impact assessment?**

Based on the estimated additional costs to be incurred in implementing the revised reporting model, BG Group agrees that these costs will be outweighed by the benefits obtained by stakeholders.