



Ms Christina Trickett
Professional Oversight Board of the FRC
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Dear Ms Trickett

Reporting on Audit Quality Monitoring

I set out below my responses to the four questions raised in the Professional Oversight Board's Consultation Document "Reporting on Audit Quality Monitoring".

Question 1

To which of the arguments set out in Part 5, for and against extending public reporting of AIU inspection findings, do you attach most weight and why? Are there other important arguments which we have not captured?

I agree that extending public reporting of AIU findings would provide greater transparency and should give the right level of incentive to audit firms to improve the quality of their audits on an ongoing basis. However, I am swayed by the arguments against extending this transparency too far. I believe this would open the risk of the AIU inspection becoming a more legalistic process, with firms becoming defensive, increased costs and the resulting AIU reports being issued on a less timely basis.

Question 2

Which of the options set out at para. 6.1 below do you favour, and why? In particular, do you share our view, set out at para 6.2 below, that the nature of weaknesses at a named firm should be disclosed only after the firm, in the opinion of the Oversight Board, has failed to respond positively and promptly to recommendations made to them by the AIU?

I agree with the Oversight Board's recommendation of Option C. This should give a suitable balance between providing an incentive or a penalty to audit firms, to encourage them to respond positively and quickly to AIU recommendations.



Question 3

Do you think that information from AIU inspections on individual audit firms and/or their audits of individual companies should be made available privately to audit committees? If so, what do you think is the most appropriate way of achieving this?

I consider that the recommended level of public reporting highlighted in this consultation (Option C) would provide useful information to inform Audit Committees' assessment of the effectiveness of their external auditors. I do not believe that the AIU should provide their detailed inspection reports directly to Audit Committees, as this would likely lead to the more legalistic process I referred to in question 1 above. The key matter for Audit Committees to consider would be whether audit firms have responded positively to AIU recommendations, regardless of which individual audit they arose from.

Question 4

How would you quantify the costs and/or benefits of the options set out at 6.1 below, taking into account Annex A?

I agree that it is difficult to determine the absolute benefits of the options set out in 6.1. However, I believe that the costs indicated in Annex A in respect of Option C are at an appropriate level as part of the remit to improve transparency of reporting AIU findings.

Please do not hesitate to contact me or Michael Farquhar, Director of Audit & Risk Management, if you have any queries on this response.

Yours sincerely

Jeremy Darroch

Chief Financial Officer
British Sky Broadcasting Group plc