

Christina Trickett

From: PeterHickman@HBOSplc.com
Sent: 22 September 2006 12:32
To: Christina Trickett
Subject: FW: Reporting on Audit Quality Monitoring

Dear Christina

We have reviewed the consultation document referred to above and our comments are as follows:

We support the overall direction you are recommending being a balance of encouraging a positive engagement between the AIU and the firms whilst establishing effective incentives for the firms to deliver year on year improvements in quality.

On the specific issues on which you have asked for views:

Question 1

We favour the arguments in 5.3 and in particular the benefits of avoiding a legalistic approach which would inevitably impede progress and the need to avoid adverse impacts on the confidence in companies' financial statements by casting doubt on the robustness of their audit.

Question 2

We favour Option C on the basis of the arguments in 6.2. This appears to provide an appropriate balance of avoiding the adverse impacts set out in para 5.3 whilst ensuring that there is an underlying incentive for the firms to deliver improvements. We would also support such public reporting in two additional circumstances:

- there is a material systemic failure in the firm's procedures; or
- where it has published a materially misleading transparency report

Question 3

We would not support the presentation to Audit Committees of the results of the inspections of individual firms or the audits of individual companies. We believe that such disclosure would almost inevitably lead to many of the disadvantages set out in para 5.3.

Question 4

We do not consider that the costs set out in Annex A should be a significant consideration in determining the appropriate option to pursue. The Oversight Board should adopt the approach which will best enhance audit quality.

I trust that these comments are useful. I would be happy to assist with any questions that may arise. I further confirm that we are happy for this submission to be made publicly available on your website.

Peter Hickman
Director, Group Finance
HBOS plc

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