

Christina Trickett

From: Nicholls, Jonathan (London) UK [Jonathan.Nicholls@hanson.biz]
Sent: 30 August 2006 12:18
To: Christina Trickett
Subject: Reporting on Audit Quality Monitoring
Follow Up Flag: Follow up
Flag Status: Completed

Following the request of John Crewe in his letter dated August 21st I can respond as follows:

Question 1:

I attach most weight to the arguments laid out against extended public reporting in 5.3. In particular, I would be concerned that audit firms would become more defensive in their approach to inspections and audits. If the US is a precedent, a legalistic approach would tend to be adopted by auditing firms which would not necessarily result in improved audit opinions. Timeliness of reports would be adversely affected as would the cost of inspections for both the AIU and the Audit firm. On balance it is difficult to envisage any sensible payback from this cost for companies who would end up paying for this ultimately.

Question 2:

- a) I favour Option C. Both clients and Audit firms have a common aim in improving the quality of audits. This option allows a firm to respond. I would caveat the recommendation by suggesting that clarity on changes to interpretation of in force Auditing Standards are discussed/debated with the Auditing firms in good time to ensure that they are able to modify their processes.
- b) Disclosure should only be after a failure of the firm to respond positively.

Question 3:

I do not think the results of AIU inspections on individual firms should be available to audit committees, however audit firms should be able to let audit committees know if the AIU has inspected the audit of the company and whether there were any adverse findings. If the firm is failing to meet the necessary standards, it will be revealed through the process in Question 2 above. The absence of any report from question 2 implies the Audit firm is delivering at an appropriate standard. If audit committees need third party support for new appointments or retaining firms they can take references from other CFO's.

Question 4:

The costs as detailed in the Annex need to be controlled and the additional costs from adopting Option C would seem to be reasonable for the incentive that this option provides

Jonathan Nicholls
Finance Director
Hanson plc

This e-mail and any attachment transmitted with it are confidential and are intended for the named person's use only. The contents of the e-mail may contain sensitive and private or legally privileged information. If you have received this e-mail in error, please delete it (and any attachment) from your system and notify the sender immediately. You should not retain, copy or print the contents of this e-mail (or any attachment) nor should you, directly or indirectly, disclose or distribute the contents to anyone.