

Christina Trickett

From: Michael Steen [dmc.steen@googlemail.com]
Sent: 01 September 2006 16:36
To: Christina Trickett
Subject: Reporting on Audit Quality Monitoring

Dear Ms Trickett,

I was once a partner in KPMG and am now chairman of a number of audit committees of PLCs.

I am sure the Oversight Board's choice of Option C is the right one.

It must be remembered that the Audit Committee, although interested in assessing the quality of the audit, has and is entitled to rely on the auditing firm being qualified with the basic competencies and proper procedures. It is for the Regulator to "deliver" a profession with these attributes. An Audit Committees can be expected to form a view on whether, say, the audit partner seems to have a sound understanding of the company's business, and delivers value, but the Committee cannot and should not probe deeply into the basic competencies and proper procedures, which should be a "given" so far as Audit Committees are concerned.

As to Question 3, an Audit Committee would not know what to do with a "management letter" on the auditors (unless it was devastating), or how to compare management letters on several firms. The Committee is entitled to assume that the Regulator is generally content with the firm, or would suspend it if not.

Yours sincerely,

Michael Steen