

Christina Trickett

From: Smith, Peter [Peter.Smith@Rothschild.co.uk]
Sent: 06 September 2006 14:30
To: Christina Trickett
Subject: Reporting on Audit Quality Monitoring

Dear Ms Trickett,

I am writing in connection with the FRC/POB Consultation document dated June 2006 dealing with the method of Reporting on Audit Quality Monitoring.

Although my principal career was spent in the accountancy profession, retiring as Senior Partner of PricewaterhouseCoopers, since 2000 I have held a number of board appointments in the Corporate Sector, acting as Chairman of the Board, Chairman of the Audit Committee or Non-Executive Director of a number of listed and private companies.

Having read the Consultation document, I am not convinced that there is any significant need for a change to the current arrangements and would therefore prefer Option A. The reasons against making any changes are set out in the Consultation document and are well argued.

Audit Committees I believe are well able to assess whether the external audit has been of adequate quality and will make that assessment by reference to their own experience of the individuals and the output in their own situation. Whilst it is entirely appropriate that there should be a monitoring process by the FRC/POB over audit firms, it seems to me that it would enhance the quality of external audit for that process to be a matter of continuous improvement based on reviews of firms and a private dialogue between the FRC/POB. Throwing the results of periodic reviews out for many thousands of audit committees to assess seems highly likely to come to wrong answers as well as take enormous additional time. If there are areas where a firm should be improving its processes, then they should be identified by the AIU and the firm should make commitments to make the required improvements. If firms fail, or are disinclined, to meet the requirements placed upon them, then it is preferable for sanctions to flow through the oversight regime, rather than require individual audit committees to make their own assessments.

I repeat, therefore, that I see no reason to make changes to the current arrangements.

Yours sincerely

Peter Smith

If you receive this e-mail in error, please contact +44 20 7280 5000. The information contained in this e-mail and in the attachments if any, is confidential. Unauthorised use, disclosure, printing, forwarding or copying is strictly prohibited.
