

James Gunn
Technical Director, Audit & Assurance
International Audit and Assurance Board
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USA

May 29, 2013

Dear James

Chartered Accountants Ireland response to IAASB Consultation Paper ‘A Framework for Audit Quality’

The Audit & Assurance Committee of Chartered Accountants Ireland (‘AAC’) is pleased to respond to the above consultation (‘the consultation’).

Our responses to the specific questions raised in the consultation are contained in the Appendix to this response.

AAC welcomes the publication of the consultation document and supports the IAASB’s overall objective of enhancing audit quality through promoting greater awareness of the key elements of audit quality and encouraging wider consideration and dialogue amongst key stakeholders on such issues.

AAC considers that the complex interactions involved in the audit environment are well identified in the document. We consider, however, that there is scope in the document for an explanation of how deficiencies in some of these factors can be central to the perception of users of financial statements with regard to overall ‘audit quality’.

AAC supports the IAASB objective of raising awareness amongst key stakeholders of the complex mix of factors contributing to audit quality. However, AAC would have concerns that the length of the document could counteract this objective. AAC notes that certain parts of the document go into a significant level of detail on certain issues, which are already considered / may be better considered in other documents. AAC believes that a shorter document containing high level principles / concepts would be better suited to achieving this objective.

AAC considers that the Framework needs to better cater for the audit of small and medium sized and non-public interest entities (PIEs). AAC notes that Section 5 ‘Considerations relating to Specific Audits’ discusses the audits of smaller entities, but

AAC would prefer to see such considerations better integrated into the other sections of the Framework, such that the Framework as a whole would be considered to apply to all audit of financial statements.

We hope you find the above comments of assistance, as well as our responses to the specific questions in the Appendix to this letter.

Please contact me at mark.kenny@charteredaccountants.ie or on +353-1-6377344 if you would like to discuss further any of the issues raised.

Yours sincerely,



Mark Kenny
Secretary, Audit & Assurance Committee

Q1: Does the Framework cover all of the areas of audit quality that you would expect? If not, what else should be included?

As noted in our covering letter, AAC considers that the proposed Framework covers the relevant factors and the complexities involved in the audit environment appropriately.

However, we also consider the Framework should be able to cater for all audits, including the audits of small and medium sized entities. The document currently focusses significantly on various issues such as audit committees, financial and prudential regulation, which whilst clearly necessary for large/PIE audits, could give the impression that the document does not address other audits. We suggest that consideration be given to how the document could be structured such that it is clearly applicable to smaller audits, whilst expanding to discuss the important issues pertaining to larger and PIE audits.

Q2: Does the Framework reflect the appropriate balance in the responsibility for audit quality between the auditor (engagement team and firm), the entity (management and those charged with governance), and other stakeholders? If not, which areas of the Framework should be revised and how?

AAC considers that the complex interactions between auditors, management, those charged with governance, regulators and financial statement users are well set out in the document, as are the 'contextual factors'. We would, however, suggest that further discussion of how deficiencies in some of these interactions/factors can impact on the end product of an audit and the perception of the users of 'audit quality'. If, for example, the financial reporting framework contains particular deficiencies, an audit of the highest quality can only mitigate such deficiencies to a certain extent.

Q3: How do you intend to use the Framework? Are there changes that need to be made to the form of content of the Framework to maximize its value to you?

AC considers that the most valuable aspect of the document, apart from an underpinning of the auditing standard setting process, is likely to be in the engagement with the wider stakeholder group on the various factors and interactions involved in an audit. To this end, AAC considers that consideration should be given to producing a shorter Framework which focusses on high-level principles / concepts and leaves detailed discussion of issues to auditing, ethical and other standards, as well as other guidance documents. The 'Input Factors' section is clearly the longest section of the Framework and AAC suggests it would be worthwhile for the IAASB to consider whether this section could be more succinctly presented by making more use of such references. For instance, in discussing

the issue of auditor independence, the document discusses auditor rotation at paragraph 41 but does not identify the various safeguards / measures that may be adopted to mitigate the familiarity threat. Such issues are considered in detail at the level of ethical standards, so a short consideration of the issue of the threats to independence and a cross reference to the ethical standards could suffice here.

Q4: What are your views on the suggested Areas to Explore? Which, if any, should be given priority and by whom? Are there additional Areas to Explore?

AAC notes that certain of the *Areas to Explore*, such as information sharing between successor and predecessor auditors and improved two way communication between auditors and financial/prudential regulators are issues that have been and continue to be considered in certain jurisdictions. The EU Statutory Audit Directive has set out requirements in EU Member States with regard to a successor auditor being permitted access to the previous auditor's working papers, whilst there have been recent developments in both Ireland and the UK with regard to bi-lateral and tri-lateral dialogue between management, auditors and financial regulators. Greater international consistency in this regard would be welcome.

Chartered Accountants Ireland has consistently supported the greater involvement of audit committees in discussing key financial reporting issues and their consideration of same. We would consider the promotion of greater consistency internationally in this area to be well worthwhile.

Chartered Accountants Ireland responded to the IAASB's invitation to comment on improving auditor reports last year and continues to support the consideration of how the informational value of auditor reports can be improved internationally.

Other specific comments

AAC considers the tone of the discussion regard the use of IT in an audit to be overly negative in section 1.7.2. Whilst accepting that there are potential disadvantages associated with an over-reliance on audit software and electronic communications, AAC considers that the Framework should not over-emphasise such disadvantages relative to the potential for positive audit efficiency gains to be made.