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May 13, 2013
Mr. Arnold Schilder
Chairman, IAASB
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Re: Request for Public Comment: IAASB Consultation Paper, A Framework for Audit Quality

Dear Mr. Schilder,

BDO International Limited¹ (BDO) is pleased to have the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB or Board) Consultation Paper, *A Framework for Audit Quality* (the Framework). We share your goal of strengthening audit quality and believe the Framework is a relevant summary of the many attributes necessary to achieve that goal. We agree that improving audit quality will require involvement from all participants in the financial reporting supply chain, and hope that the publication of the Framework will help facilitate discussion among these participants.

While we are supportive of the Board's initiative to promote a dialogue on approaches to improving audit quality, we are unclear as to the authoritative nature of the Framework and for this reason recommend including the Framework as Guidance and Support Tools, within the IAASB's Publications and Resources to clarify its authority. It should be recognized that achieving consistency in audit performance across engagement teams, accounting firms, and global networks will be difficult, given the amount of subjectivity inherent in implementing many of the concepts. Accordingly, we believe that the Framework should be sufficiently flexible to accommodate the multiplicity of operating, structural, and cultural circumstances, by avoiding overly prescriptive language.

The following are our responses to the specific questions posed in the Consultation Paper.

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

We agree with the areas of audit quality covered in the Framework and suggest a few additional areas for the IAASB to consider, as described below.

While the Framework discusses the effect of laws and regulations on audit quality, these should also be considered in conjunction with the litigation environment that may exist in a particular

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jurisdiction. The ways in which laws and regulations are interpreted and judged by the various court systems can vary significantly, with differing impacts on audit quality.

Another area that should be considered in more detail is the benefits that can be gained by auditors reviewing working papers from remote locations. In that regard, technology has made off-site review increasingly possible and more prevalent. However, the Framework focuses on the challenges of off-site reviews, rather than including a balanced discussion that also considers their benefits, such as greater timeliness of reviews and financial reporting.

We also believe that developing nations would benefit from some additional guidance on applying the concepts raised in Part 3 of the Framework - *Key Interactions*. The relationships described in this section, or the types of discussions encouraged by the Framework, may not be typical in all developing nations, and we believe some may have a difficult time implementing these concepts without further guidance.

Finally, audit efficiency is included as an attribute of audit quality. While audit efficiency is a valuable goal, the characteristics of efficiency described in section 1.7.4 ordinarily will also relate to promoting audit effectiveness. This relationship should be incorporated in the Framework.

- 2. 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?**

While auditors have the primary responsibility for audit quality, we agree that management and other stakeholders can contribute to an environment that will foster it. However, the importance of others, such as management and those charged with governance, is not recognized in the Framework until late in the document. We believe it would help to present this section earlier in order to provide an appropriate context for the discussion of the auditor's responsibility.

- 3. How do you intend to use the Framework? Are there changes that need to be made to the form or content of the Framework to maximize its value to you?**

The BDO network has already used the Framework and similar initiatives as input to the development of our own framework and consequent policies and procedures tailored to our network and its member firms. We will continue to consider the impact of any changes to the Framework as ultimately issued in the evolution of our own framework.

The Framework would be made more valuable to our network and likely to other similarly situated networks if the guidance on applying the Framework to smaller audit engagements were expanded. Suggestions on how the ideas generated in the Framework could be applied to owner-managed businesses that do not have complex governance structures would be beneficial.

- 4. 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?**

We agree with the suggested areas to explore, and have some specific comments related to certain of them.

Area 6 - Considering “root causes” and best practices by regulators, audit firms, and the wider audit profession in order to learn from past audit deficiencies and to identify and address systemic issues. We support the investigation into global information sharing and, in that regard, we encourage regulators to collaborate with each other and work with accounting firms to identify root causes of deficiencies they have identified during their inspections.

Area 7 - Increasing the informational value of auditor’s reports and improving perceptions of the value of the audit. We are supportive of current initiatives taken by the IAASB to enhance the quality, relevance, and value of auditor reporting as outlined in our response letter dated October 5, 2012 to the *Invitation to Comment - Improving the Auditor’s Report*.

We also suggest the IAASB consider exploring application of the Framework by smaller accounting firms and for audits of smaller entities, and in developing nations, as mentioned in our response to questions 2 and 3 above.

We appreciate the opportunity to comment on the proposed Framework and hope that our comments and suggestions will be helpful to you as you deliberate ways to improve audit quality.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,

BDO International Limited

Wayne Kolins
Global Head of Audit and Accounting