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Mr James Gunn  
Technical Director  
International Auditing and Assurance Standards Board  
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New York, New York 10017  
USA

### **Request for Comments - Exposure Draft Framework for Audit Quality**

Dear Mr. Gunn,

The Federal Audit Oversight Authority (FAOA) of Switzerland welcomes the opportunity of commenting on the consultation paper "*A Framework for Audit Quality*" (*the Framework*) developed by the International Auditing and Assurance Standards Board (IAASB).

The FAOA commenced its operational activities on 1 September 2007. The objective of the FAOA is to ensure the proper provision and quality of audit services. A broad outline of the organization and the duties of the FAOA is to be found in the Audit Oversight Act and Ordinance ([www.revisionsaufsichtsbehoerde.ch](http://www.revisionsaufsichtsbehoerde.ch)).

Through its Ordinance on the Oversight of Audit Firms of 17 March 2008, the FAOA declared the ISA to be binding for auditing statutory and consolidated financial statements prepared in accordance with IFRS (cf. Circular 1/2008 on Approval of Auditing Standards of 17 March 2008). The FAOA participated in the creation of the International Forum of Independent Audit Regulators (IFIAR) and is committed to playing an active role in that forum. Furthermore, the FAOA is represented in the IFIAR Standards Coordination Working Group. The objectives of this Working Group are to share views on relevant projects and to facilitate discussions with relevant bodies such as IAASB or IESBA as regards their standards or other matters.

#### **1. General comments**

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards. The FAOA appreciates this objective and the efforts of the IAASB in developing a framework that describes the factors that contribute to audit quality at the engagement, audit firm and national levels. This Framework should provide a sufficient basis and structure for discussions about audit quality and positive actions to achieve a continual improvement in audit quality. However, the Framework should not be understood as an additional standard on auditing or quality control, nor as a substitute for such standards.

## 2. Specific comments and responses

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

The FAOA believes that any evaluation of the Framework has to consider the objectives of the Framework. We believe that the key elements of audit quality necessary to raise awareness and to facilitate discussion about audit quality have been considered in the Framework. This focus on the key elements enables and ensures that stakeholders focus their discussions on the key triggers of audit quality. Like the “COSO Internal Control – Integrated Framework”, the Framework for audit quality should only provide a broad definition of the areas of audit quality (e.g. the importance of the applicable financial reporting standard is noted in section 4.3 of the Framework, without implying that this should be IFRS, US-GAAP or local GAAP).

*“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?”*

The FAOA agrees with the approach of the IAASB in not providing any assessment of the importance of the individual elements to audit quality and not developing or enabling a scorecard for audit quality. The importance of the individual key elements will vary depending on the environment and interests of the stakeholders. As the framework should not be used only in one region, the evaluation of the impact of single elements on audit quality should be part of the stakeholders' discussion. The FAOA believes it sufficient to demonstrate how the key elements of audit quality are interdependent and interact with each other, without providing a relative scale.

*“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 FAOA will use the Framework in discussions with other stakeholders on a case by case basis. The clear communication of inspection findings is of particular importance to the FAOA. This includes an open communication between audit firms and the audit regulator to enable audit firms to better understand the root causes of deficiencies identified and respond to them in a positive manner. Moreover, the FAOA places importance on the dialogue between audit regulators in different countries, the aim being to promote consistency of inspection approaches and strengthen global audit quality (Sec. 3.4.2).

The FAOA also fully supports the initiative to require auditors to communicate file review inspection findings to those charged with governance at the relevant entities (Sec. 3.8). The FAOA strongly believes that such mandatory communication would raise the awareness of those charged with governance to audit quality and have a significant positive impact upon it.

*"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?"*

The FAOA has no specific comments regarding this question.

Yours sincerely,

Frank Schneider

A handwritten signature in black ink, appearing to read 'F. Schneider', with a long horizontal flourish extending to the right. The signature is written over the printed name 'Frank Schneider'.

Chief Executive Officer

