



Mr. James Gunn, Technical Director
International Auditing and Assurance
Standards Board
545 Fifth Avenue, 14th Floor,
New York
New York 10017
USA

Stockholm 29 May 2013

IAASB Consultation Paper: A Framework for Audit Quality

FAR, the Institute for the Accountancy Profession in Sweden is responding to your invitation to comment on the *IAASB Consultation Paper: A Framework for Audit Quality*.

FAR's general comments

FAR welcomes the IAASB's project to develop a Framework for Audit Quality. FAR agrees with the IAASB that audit quality is important and the importance to explain audit quality has increased during the years. However, FAR recommends the IAASB to further clarify in the Framework certain matters such as the IAASB's view of the general purpose of the Framework, its intended users and its status.

A better understanding of audit quality will be of use for both auditors and audit firms when using their experience and knowledge and applying their integrity and objectivity and, of course, in organizing the firm's quality control processes. Also, for various stakeholders, an understanding of audit quality and how they contribute to audit quality will be useful. It is important to recognize that different stakeholders may have different perspectives and expectations on audit quality.

Also, it would be helpful to include a separate section early in the Framework emphasizing the impact a high quality audit has on stakeholders' confidence in financial statements, as a background to the need for having a common understanding of audit quality.

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

Ultimately, FAR considers the quality of all audits performed to be a reflection of the reputation of the profession. In order for the Framework to reflect the quality in all audits, it is crucial that the Framework addresses both small and medium sized practices (SMP) as well as Large Practices and audits in small, medium and large sized entities. Consequently, FAR would welcome a broader perspective for the whole paper.

As an example, the paper considers stakeholders to be audit committees and institutional investors, disregarding the fact that there are other stakeholders, such as private investors and owners of privately held businesses.

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?

A comment that does not directly regard the balance in the responsibility is the balance in the language so the Framework is comprehensible for all relevant parties. Currently, the Framework is very technical, and it appears to be addressing auditors mainly. To be of use for all stakeholders, it needs to be written in a language that addresses all stakeholders in a less technical manner.

In searching for the appropriate balance in responsibilities, the purpose of identifying regulators as stakeholders must be to obtain better regulation, not more regulation.

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?

FAR understands that the Audit Quality Framework is intended to be of use for all stakeholders. Currently, the Framework primarily has focus on matters relating to auditors. However, if the Framework is to be successful, it should focus more on how other stakeholders contribute to audit quality. For example, by addressing the regulators' impact on audit quality, the Framework might result in the development of more efficient and suitable regulations for financial reporting and auditing.

FAR expects that the Framework will be useful in Sweden as a base and inspiration for the development of adapted external information for discussion and communication regarding Audit Quality aspects with stakeholders.

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?

The areas to explore, and which should be given priority, are:

- Improving information sharing between audit firms when one firm decides to resign from, or is not reappointed to an audit engagement. Currently, an auditor might not find it rewarding to provide information to a successor, an attitude that is counterproductive to audit quality in general.
- Increasing the informational value of auditor's reports and improving perceptions of the value of the audit.
- Achieving improved two-way communication between auditors and regulators, particularly in the financial service sector.

In addition, an area to explore is how regulations regarding auditing and financial reporting should be developed in order to be more efficient and suitable and thus improve Audit Quality.

FAR



Bo Hjalmarsson
Chairman FAR Auditing Policy Group