



15 May 2013

International Auditing and Assurance Standards Board for Accountants (IAASB)
529 5th Avenue, 6th Floor
New York, New York 10017

Dear Sirs,

Kreston International comments on IAASB Consultation paper: “A Framework for Audit Quality”

Kreston International appreciates the opportunity to respond to the IAASB Consultation Paper: “A Framework for Audit Quality”.

Kreston International Limited is a global network of independent accounting firms. Currently ranking as the 13th largest accounting network in the world, Kreston covers 104 countries with 600 offices providing a resource of over 21,000 professional and support staff. Our member firms are involved in the audit of a range of businesses, from listed entities to SMEs and we have sought their input in preparing this response.

Kreston International members recognise the importance of Audit Quality and the proposed framework has the potential to communicate an understanding of the components of audit quality to a wide range of stakeholders. The framework achieves this objective but there are a number of areas where it could potentially be enhanced. In particular:

- It is important that the document is presented in a manner that tries to ensure it is actively used by a range of stakeholders such as firms, those charged with governance, investors, regulators, professional bodies and governments;
- The Framework could be seen as being written by auditors for auditors, although there has been a wide ranging consultation. It would be beneficial if the support of other significant stakeholders could be demonstrated within the document; and
- The impact of effective enforcement in raising audit quality needs to have greater emphasis in the framework.

We have given our responses to the detailed questions below.

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

The Framework does cover the expected areas of audit quality. However, although a definition of what constitutes a quality audit is alluded to at paragraph 18 this is not clearly established and greater prominence could be given to explaining what constitutes a quality audit. This will help place the supporting Framework into an appropriate context.

As mentioned in our introductory comments the role of enforcement needs to be given greater emphasis. Audit Quality will be enhanced where there is seen to be an effective, even handed enforcement programme in place that encourages the application of the required standards. This will help create equality across suppliers of audit services helping to create a sustainable market where an appropriate reward can be obtained for undertaking a high quality audit.

The role of external regulatory authorities in supporting and enforcing Audit Quality is central. Although it is understandable, that in many jurisdictions, reports are focussed on findings of areas requiring improvement this can over emphasise Audit Quality failings. An area that could be explored is the development of more balanced reports that would identify the positive contribution made by auditors both in ensuring financial statements are fairly presented and the hidden impact on behaviours at both the corporate and the individual employee level.

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?

The balance of responsibilities is generally appropriately reflected within the Framework.

The Framework does not currently differentiate between the impacts of the many factors identified. Although it is not possible to rank the factors completely there are some factors that will have a greater impact on the ability to conduct a quality audit than others. Some indication of the significance of different factors would assist in making the document more useable by stakeholders.

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 Framework could be used as a benchmark for our policies and procedures. As mentioned in the introductory comments if the document considered the different perspectives of stakeholder groups it could then be used to engage with those groups to ensure a common understanding of audit quality.

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 suggested Areas to Explore all have interest although it may be difficult to deliver tangible benefits in a number of them due to local legal requirements. In determining areas to be given priority the potential impact on either improving audit quality or communicating clearly the quality of work performed (addressing the information and expectation gaps).

Given the comments above Area 7 covering the informational value of the audit report is key and significant work is already being undertaken by IAASB in this area.



As noted in our introductory comments enforcement can play a role in improving audit quality. As such Area 5 could be beneficial in ensuring a consistent approach is taken to dealing with audit failures and that enforcement is used to ensure that firms striving to undertake a quality audit are not at a disadvantage in the market. In many jurisdictions professional bodies are either responsible for or play a significant role in licensing and enforcement for auditors. Therefore, these bodies should play an important role in exploring this area.

Audit Inspection activities currently provide information on audit issues identified in inspections. Audit inspection bodies will also have access to information on examples of successful audits where quality was demonstrated. If reporting was developed to cover this area this would reduce the information gap and give a more balanced view of the value provided by audit. The information on good audit practice could also be used by audit firms to enhance their own procedures.

Area 10 regarding encouraging audit committees to provide more information to users of the financial statements on the work they have undertaken could help address the information need regarding the issues addressed in the audit and demonstrate the value of audit. Consideration could also be given to how audit committees communicate their work in assessing the quality and suitability of the audit firm as part of the appointment process.

If you have any questions please contact andrew.collier@kreston.com

Yours faithfully
For and on behalf of Kreston International

A handwritten signature in black ink, appearing to read 'A. Collier'.

Andrew Collier
Director of Quality and Professional Standards