



CONSULTATION ON THE ADOPTION OF INTERNATIONAL STANDARDS ON AUDITING

Issued by the Directorate General for Internal Market and Services of the
European Commission

Comments from ACCA
September 2009

ACCA is the global body for professional accountants, supporting 131,500 members and 362,000 students throughout their careers, and providing services through a network of 82 offices and centres.

We aim to offer the first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

www.accaglobal.com

General Remarks

ACCA is pleased to respond to the European Commission's (EC) *Consultation on the Adoption of International Standards on Auditing (ISAs)*.

We welcome the rigour of the Consultation and the accompanying study by the University of Duisburg/Essen. It presents evidence and the EC's views as to whether the clarified ISAs meet the criteria to be recognised in EU law – that they have been developed with proper due process, public oversight and transparency, and are generally accepted internationally; that they contribute a high level of credibility and quality to the annual or consolidated accounts; and most importantly overall, that they are conducive to the European public good.

We are strongly of the opinion that the clarified ISAs meet these criteria and that, accordingly, the EC should move towards their adoption as early as possible, subject only to the necessary consideration that translations into national languages should be available and sufficient time be allowed so that auditors can properly implement the new standards. The adoption of modernised auditing standards that are applied consistently across the EU will do much to realise real benefits for business, investors and regulators.

In the remainder of this response we provide answers to the questions in the Consultation and give the specific details requested from respondents.

Answers to Specific Questions in the Consultation

(1) Is international acceptance of the ISAs sufficiently demonstrated?

ACCA agrees with the arguments presented in the consultation that support the conclusion that international acceptance of ISAs is sufficiently demonstrated.

As a global accountancy body, ACCA has long championed the adoption of International Standards of Auditing around the world. We examine students for our professional qualification on the basis of ISAs, we offer an ISA-based Certificate in International Auditing to finance professionals generally and, as part of our services to members, we provide access to the current text of the standards through our online knowledge library.

(2) What degree of importance do you attach to the fact that the Commission may amend the standards?

It is important that the Commission retains the power to amend the standards if such action is necessary to maintain the European public good. However, we note the statement in the Consultation that: 'Commission services currently do not foresee the circumstances in which modifications of the contents of the clarified ISAs would be necessary.' We agree with this conclusion and suggest that it would only be in exceptional circumstances that amendment could be considered. This is particularly the case for any amendments that would result in disapplication of the international requirements because that would no longer allow auditors in Europe to assert compliance with ISAs. If, at some future time, amendment is to be contemplated we suggest that the matter should not be decided without full public consultation.

(3) To what extent are "add-ons" or "carve outs" by Member States acceptable?

ACCA agrees with the strict criteria imposed by Article 26 (3) of Directive 2006/43/EC. To allow 'add-ons' or 'carve outs' other than those necessary to accommodate specific national legal requirements relating to the scope of statutory audits would not be conducive to the European public good.

(4) Do you have any comments on the overall cost/benefit analysis presented in the University of Duisburg/Essen study?

The objectives of the University of Duisburg/Essen study are relevant to assessing the ISAs' contribution to a high level of credibility and quality of financial statements. The objectives go beyond mere qualification and extend to the development of an appropriate conceptual framework and analysis supported by survey.

The study did not achieve the planned extent of coverage that would have allowed its conclusions to be representative of capital market participants, audit regulators and audit clients. Neither was it successful in obtaining input from small and medium-sized audit firms. Nevertheless, it provided a range of valuable, forward-looking insights necessary to a proper understanding of the subject matter.

The study reports that the findings are impacted by the fact that large firms would, in any case, use clarified ISAs for their methodologies irrespective of whether or not the EU adopts the ISAs. This leads us to the conclusion that non-adoption by the EU would have higher cost implications. The overall conclusion, that there are significant net benefits of EU adoption, is one with which we would agree.

(5) Should the Application Material be part of the adoption process and acknowledged as "best practice"?

Application Material should be adopted as it is an inherent part of the clarified ISAs.

We do not see a link between the two parts of the question. There is no need to grant any special status to such material in a legally binding adoption instrument, such as by presenting it as 'best practice' because it introduces no requirements. Changing its status on adoption could, conversely, prevent EU auditors from claiming compliance with ISAs.

(6) Should ISQC1 on internal quality controls be part of the adoption process?

ISQC 1 should be adopted as it is a related standard that is an essential complement to the clarified ISAs. It is referenced in many places, not least ISA 220 *Quality Control for an Audit of Financial Statements* and ISA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and adoption would be much simpler than relying on the creation of national standards which, as section 1.3.2 of the University of Duisburg/Essen study points out, would have to be judged against the benchmark of ISQC 1.

(7) In case of adoption of the ISAs at EU level, would a common reference to “ISAs as adopted in the EU” in all auditors' reports in the EU be sufficient? Or, is further harmonisation of audit reports necessary?

ACCA believes that a common reference to ISAs in all auditors' reports in the EU would be sufficient. We do not support the creation of an EU standard for the auditors' reports on annual or consolidated accounts prepared in accordance with IFRS, as that could lead to two general forms of audit report in each Member State.

The consultation refers to 'ISAs as adopted in the EU'. We would prefer to see reports referring only to ISAs, as the above form of words could introduce uncertainty as to whether there was equivalence to ISAs.

(8) Do you support adoption of ISAs at EU level?

We fully support the adoption of ISAs for use in the EU. The Consultation itself, supported by the University of of Duisberg/Essen study, presents compelling arguments in favour of that course of action.

(9) If yes, which of the following options do you support:

Option 1 – ISAs should be adopted for the audit of the consolidated accounts of the listed companies (IFRS accounts);

Option 2 – ISAs should be adopted for the statutory audit of all companies except for the audits of small companies where Member States would be free to choose which audit standards should be applied;

Option 3 – ISAs should be adopted for the statutory audit of all companies, including small companies for which an audit is required.

We support Option 3, as it is inefficient and potentially confusing to users for there to be two sets of auditing standards in use in Member States.

(10) Do you have comments on the timing in case of an adoption of the ISAs?

Members of the IFAC Forum of Firms will apply the ISAs to audits of financial statements for periods beginning on or after 15 December 2009. The Auditing Practices Board is also adopting ISAs for use in the UK and Ireland to a similar timetable. ACCA believes that the EC should work to a short timetable for adoption and implementation. However, it is important that there is sufficient time for auditors to become familiar with the new standards, especially where national language translations are necessary.

Details to Accompany the Response

In this section we provide the specific details requested from respondents.

Audit profession: organisation of accountants and auditors

Name of your organisation / company: Association of Chartered Certified Accountants

Country where your organisation / company is located: United Kingdom

Contact details incl. e-mail address:

ACCA
29 Lincoln's Inn Fields
London
WC22A 3EE
United Kingdom

Please contact, in the first instance,
David York, Head of Auditing Practice,
david.york@accaglobal.com

Short description of the general activity of your organisation / company:

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 131,500 members and 362,000 students throughout their careers, providing services through a network of 80 offices and centres. Our global infrastructure means that exams and support are delivered - and and influence developed - at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities. Our focus is on professional values, ethics, and governance, and we deliver value-added services through 50 global accountancy partnerships, working closely with multinational and small entities to promote global standards and support.

We use our expertise and experience to work with governments, donor agencies and professional bodies to develop the global accountancy profession and to advance the public interest.

Our reputation is grounded in over 100 years of providing world-class accounting and finance qualifications. We champion opportunity, diversity and integrity, and our long traditions are complemented by modern thinking, backed by a diverse, global membership. By promoting our global standards, and supporting members wherever they work, we aim to meet the current and future needs of international business.

Is your organisation registered in the Interest Representative Register? Yes

If yes, please specify the address of your organisation and the Register ID number in the Interest Representative Register:

29 Lincoln's Inn Fields
London WC2A 3EE
UNITED KINGDOM

4227861124-34

Publication:

Do you object to publication of the personal data on the grounds that such publication would harm your legitimate interests?

We have no objection to publication.

TECH-CDR-870.DOC

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM

T +44 (0)20 7059 5000
F +44 (0)20 7059 5050

www.accaglobal.com