



**The Quoted
Companies Alliance**

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28 November 2008

Dear Mr Leonard,

The Auditing Practices Board: International Standard of Auditing (UK and Ireland) 700 (Revised): The Auditor's Report on Financial Statements

INTRODUCTION

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation dedicated to promoting the cause of smaller quoted companies (SQC), which we define as those 2,000+ quoted companies outside the FTSE 350 (including those on AIM and PLUS) representing 85% of the UK quoted companies by number. Their individual market capitalisations tend to be below €500m.

The QCA is a founder member of EuropeanIssuers, which represents over 9,000 quoted companies in thirteen European countries.

Below is the response of the Quoted Companies Alliance. This has been produced primarily by Tim Goodman, a member of our Corporate Governance Committee. A list of Committee members is detailed at Appendix A.

SUMMARY

We welcome the opportunity to provide our views on this paper. We believe that the example concise report provides a substantial improvement on the current format of audit reports, both by eliminating disclosures which are unnecessary and to increase the useful disclosures. We see this as an improvement in transparency and a reduction in unnecessary boilerplate statements.

We also very much welcome the APB's intention to use its influence internationally, including within the IAASB and the EU, to assist the development of auditors' reports. We believe that this is of great importance to companies and investors globally.

We believe that where there is an emphasis of matter, the auditor's report should contain a reference to the emphasis of matter and that statement should contain a cross reference to the notes to the accounts that discusses the matter. This will enable better navigation through annual reports to the disclosures of real importance.

We believe that the concise auditor's report should also include a statement relating to the auditor's responsibilities in relation to other information. For the same reason as described above we believe that inclusion of such a statement would improve the quality of reporting – and therefore add value to shareholders.

Whilst the exposure draft does not mandate changes to the audit report, we believe that the example concise report could contain these suggestions which would further improve its content. By adding these changes to the example concise report the APB would encourage such disclosure.

RESPONSE

Question 1 - The APB invites comments on:

- (a) the proposed ISA (UK and Ireland) 700 (Revised) on pages 15 to 31;**
- (b) the proposed "Statement on the scope of an audit and the auditor's responsibilities in respect of a publicly traded company incorporated in the United Kingdom, on pages 33 to 39, which it is intended would be posted to the APB's web site; and**
- (c) permitting cross referencing to information held on the APB's web site.**

- (a) We have no additional comments on the exposure draft other than those made in the summary above.
- (b) We have no comments on the scope statement.
- (c) We welcome the ability to cross reference information held on the APB's web site.

Question 2 – Do commentators support APB's proposal of describing the auditor's responsibilities and the work an auditor typically performs by either:

- (a) cross referring to standard paragraphs maintained by the APB on its web site; or**
- (b) including a description in the auditor's report itself?**

We are satisfied that cross referring to the APB's website enables readers of annual reports to access the relevant standards with sufficient ease whilst improving the clarity of the auditor's report and therefore support option (a).

There should be a short sentence within the report to describe briefly the details that interested readers would find within the APB website along with the APB web address to encourage readers to visit the site.

Question 3 – On pages 41 and 42 the APB sets out a schedule of the range of example statements that it presently intends to post to its web site. Are there any other examples that you believe it is imperative that the APB should post to its web site?

As a representative body of smaller quoted companies we have no comment to make on entities outside of the private sector. Within the private sector, we are solely

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interested in publicly quoted companies and some private companies. We therefore find it difficult to comment on other possible statements.

Question 4 – In addition to the need for the APB to develop and maintain current examples relating to a number of different types of entity what other practical difficulties do you think might arise from the APB's proposed approach?

We have no comment to make on this approach – we do not perceive that there are any serious practical difficulties.

Question 5 – Is the wording of paragraph 18 in the Exposure Draft of the proposed ISA (UK and Ireland) 700 (revised) sufficiently generic to apply to all entities that are required to be audited? (In this regard more detail concerning the legal framework applicable to a particular type of entity will be provided in the applicable example “Statement of the scope of an audit and the auditor's responsibilities”). If not please describe any concerns?

We believe that the paragraph is satisfactory.

Question 6 – Do you agree that it is logical for the reference to the “true and fair view” to be the final element in the auditor's opinion on the financial statements? If you disagree what would be your preference for ordering the elements.

The “true and fair view” is the logical conclusion of the work that the auditor conducts to state its opinion. We therefore believe that it is appropriate to come at the end of the opinion.

Question 7 – Please provide any comments that you may have on the steps set out concerning the APB's proposed course of action and the proposed timing of those steps (see pages 5 and 6)? Are there any other actions that you believe the APB should be taking?

We believe that the steps seem appropriate. As previously discussed, we welcome the APB's intention to improve auditors' reports internationally which will be of benefit to companies, their boards and their owners.

If you wish to discuss any aspects of our response, we will be happy to meet.

Yours sincerely,



John Pierce
Chief Executive

QCA CORPORATE GOVERNANCE COMMITTEE

Edward Beale (Chairman)	City Group PLC
Mirza Baig	F&C Asset Management plc
Nigel Burton	Advanced Power AG
Anthony Carey	Mazars LLP
Louis Cooper	Horwath Clark Whitehill LLP
Clive Garston	Halliwells LLP
Tim Goodman*	Hermes Equity Ownership Services Ltd
Mark Harwood	Baker Tilly LLP
Elaine New	Seven Arts Pictures plc
Andrew Viner	BDO Stoy Hayward LLP
Melanie Wadsworth	Faegre & Benson LLP
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