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European Commission
DG Internal Market and Services
Auditing Unit-F4
SPA 2/JII - 01/112
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28 September 2009

Dear Sir or Madam

Consultation on the Adoption of International Standards on Auditing

We welcome the opportunity to comment on the European Commission's consultation on proposals regarding the adoption of the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) for statutory audits required by Community law.

Following extensive consultation with members of the PricewaterhouseCoopers network of firms (PwC), this response summarises the views of member firms who commented on this Consultation Paper. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

General remarks

As a network with member firms and clients around the world, we have long recognised the importance of and need for a robust set of international auditing standards that are recognised as the global benchmark for audit quality worldwide.

We believe that the ISAs as promulgated by the IAASB are worthy of such recognition. The structure and robust due process of the IAASB, with oversight of the Public Interest Oversight Board, clearly position it as a global standard setter and the ISAs as high quality auditing standards in the public interest. IAASB's structure and due process not only brings appropriate expertise to bear but also involves transparent consultation and stakeholder engagement.

For these reasons, we strongly encourage the adoption of the ISAs in Europe and urge the Commission to complete the due process necessary to adopt the ISAs for statutory audits in Europe in accordance with Article 26 of the Directive 2006/43/ED on Statutory Audits as soon as possible.

Our responses on the specific questions posed in the June 2009 Consultation Paper are set out below.

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<u>Responses to specific questions</u>

International acceptance

1. Is international acceptance of the ISAs sufficiently demonstrated?

Yes. There is clear evidence of broad international acceptance of the ISAs by not only the audit profession, but also by regulators and national auditing standard setters.

We have for many years used the ISAs as the underlying basis for the methodology followed within our network. PwC recognised long ago the need for common policies and methodologies in order to be able to meet the needs of our global clients, as well as being a necessary cornerstone in managing audit quality across our network.

As recognised in the Consultation Paper, we have acknowledged this publicly through our commitment to comply with the membership obligations of the Forum of Firms to (with respect to at least transnational audits):

- “Maintain appropriate quality control standards in accordance with International Standards on Quality Control issued by the IAASB in addition to relevant national quality control standards….”
- “Have policies and methodologies for the conduct of such audits that are based, to the extent practicable, on ISAs.”

The Consultation Paper cites the 2006 survey by the International Federation of Accountants that showed that in more than 100 jurisdictions around the world, national auditing standards and audits are based either directly on ISAs or on domestic standards that are derived from the ISAs. It is relevant to note that, more and more, national auditing standard setters around the world are adopting the ISAs directly in lieu of developing their own national auditing standards. The Clarity ISAs have proven to be a trigger for some, such as Canada, to change their convergence strategies from having national auditing standards that are *consistent* with the ISAs, to adopting the ISAs as their national standards. Many national standard setters are well along in their Clarity ISA implementation projects, with a large number aiming to adopt the Clarity ISAs when the IAASB’s standards come into effect in 2010 or shortly thereafter.

Within the EU, an informal FEE survey held in May 2009 showed that nine European Union Member States and Norway intend to adopt the clarified ISAs for audits of financial statements for periods beginning on or after 15 December 2009—decisions made in advance of the results of this consultation. Other national standard setters that are working on Clarity ISA implementation of which we are aware include: Australia, Brazil, Canada, Singapore, Hong Kong, China, India, Japan, South Korea, New Zealand, South Africa, and the US Auditing Standards Board (private company audits).

Thus, global adoption and convergence at a national level is already underway and gaining momentum.

International acceptance of the ISAs is also apparent amongst regulators and other global stakeholders. The IAASB, when preparing ISAs, is obliged to consider fully the views of its Consultative Advisory Group, comprised mainly of public interest regulators. Also, the Clarity ISAs themselves were issued only after its Public Interest Oversight Board had concluded that all due process steps had been followed effectively and with proper regard for the public interest. The PIOB includes as members representatives of IOSCO, the Basel Committee of Banking Supervision, the International Association of Insurance Supervisors, the World Bank, and, indeed, two nominated by the European Commission itself.

ISAs are already accepted for audits of foreign listed entities by many of the world’s capital markets. Indeed, the Statement issued by IOSCO in June 2009 that is referred to in the

Consultation Paper encouraged the acceptance of audits performed in accordance with clarified ISAs for cross-border listings and consideration of the clarified ISAs when setting auditing standards for national purposes. The World Federation of Exchanges has also endorsed IAASB's processes for standard setting and recognised the importance of ISAs.

Other evidence of recognition for the ISAs includes:

- The Financial Stability Forum has identified ISAs as one of the 12 key standards for sound financial systems and deserving of implementation depending on country circumstances.
- The World Bank uses ISAs as the benchmark for its ROSC (Reports on the Observance of Standards and Codes) for assessing the quality of national auditing standards.
- In the public sector, the International Organization of Supreme Audit Institutions (INTOSAI) uses the ISAs as a basis for its Financial Audit Guidelines.

Collectively, we believe that this recognition and acceptance of the ISAs by auditors, standard setters, regulators and other stakeholders demonstrates growing international acceptance of the ISAs as high quality auditing standards.

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

We believe that it is important that auditing standard setters and regulators do not unilaterally amend the ISAs. As explained further below, the benefits of having a single set of global auditing standards, and the long term quality of those standards, will be achieved and maintained only through a shared commitment by stakeholders to the international standards and the international standard setting process.

Advantages of a singe set of global auditing standards

The University of Duisburg-Essen study concluded that "adoption of the clarified ISAs throughout the European Union (EU) would contribute to the credibility and quality of financial statements and to audit quality in the EU, and to a greater acceptance of audit reports outside of their home jurisdictions within and outside of the EU". These benefits would, in our view, be undermined if unilateral amendments are made to the ISAs (i.e., the core body of the international auditing standards governing the audit of financial statements).

A *single set* of global auditing standards is a key cornerstone in being able to provide investors and lenders with consistently high quality financial information to make investing and lending decisions across capital markets. Indeed, assurance regarding the quality of audit globally can be achieved best with a single set of global auditing standards and a consistent system of auditor oversight of compliance with such auditing standards. Investors and other stakeholders want to know that the quality of audits is consistent regardless of where they are conducted. As the Duisburg-Essen study illustrated, where there is uncertainty about this, there is likely be, at a minimum, a risk-premium incorporated to the costs of capital and possibly even further impediments to efficient capital and trade flows.

Being able to manage audit quality more effectively and reduce duplicated costs of compliance (e.g., policy and methodology development, training, monitoring) are obvious advantages of a single set of global standards for audit firms and networks. But it is not just auditors who will benefit; investors also perceive benefits. A recent survey of global investors in nine countries (United Kingdom, United States, France, Germany, Japan, China, Hong Kong, India, and Singapore) by ipsos MORI identified the following benefits:

- Greater comparability and transparency of audited financial information
- A clearer understanding of auditors' responsibilities' and work
- Greater cross-border investment
- Increased credibility of financial information reported on by auditors

- Lower cost of capital
- Basis for mutual recognition of audits by regulators
- Reduced cost of complying with multiple or different standards

These findings are consistent with the findings in the Duisburg-Essen study and other academic research.

For audit oversight bodies, a single set of global auditing standards provides increased comfort regarding the quality of audits of foreign components of group audits under their jurisdiction. It also provides a basis for mutual recognition in their inspection processes. When audit oversight bodies, other regulators, and auditors around the world speak the same "auditing standards" language, the opportunities for cooperation and mutual understanding increase, and the risk of misunderstanding is reduced.

Maintaining the quality of global standards

The quality and success of the Clarity ISA project was achieved with the collective commitment, involvement and support of audit firms, national standard setters, regulators and other stakeholders. As a result, the Clarity ISAs represent high quality auditing standards worthy of being the benchmark for audit quality. In fact, because stakeholders worked together through IAASB to agree on appropriate revisions to a number of auditing standards in response to recent major corporate scandals (e.g., group audits, related parties, accounting estimates and external confirmations), the Clarity ISAs set a higher bar than currently exists in many national auditing standards.

Auditing standards are not static, but need to evolve in response to changing circumstances. The quality of the international standards is best achieved, and maintained, when all stakeholders commit to IAASB being the institution through which auditing standards issues are identified, discussed and new standards developed. IAASB benefitted from the input of representatives of the European Commission throughout the Clarity project, with the positive outcome that the Commission was able to conclude in the Consultation paper that there is no need to modify the contents of the Clarity ISAs in order to adopt them. It is to both IAASB's and Europe's advantage that the strong working relationship developed during the Clarity project continues so that IAASB's priorities and standard setting activities can be informed by Europe's experience and perspective, and European standard setters seek to make changes deemed necessary to improve audit quality through the ISAs rather than through country specific add-ons.

If the Clarity ISAs are viewed merely as a useful platform to achieve convergence now, but attention then diverts back to national standard setting, the quality of the ISAs would be likely ultimately to decline. It is important for the continued quality of the ISAs, and ongoing recognition of them as high quality auditing standards that set an appropriate benchmark for audit quality globally, that all stakeholders commit to the primacy of the global auditing standard setting process, and are committed to both contributing to IAASB's due process and accepting the final standards as approved following that full, fair and transparent due process in the public interest.

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

It is important to differentiate between proposed amendments to international standards made at a Member State level:

- which either provide direction and guidance on how auditors should comply with specific local legal or regulatory requirements on which auditors are required to report that extend beyond the audit of financial statements as contemplated by the ISAs,
- or which are "add-ons" or "carve outs" to the ISA requirements and guidance for the audit of the financial statements.

Whilst we accept that the former may be appropriate, we do not support the latter.

The implications of the ability of Member States to amend the ISAs at a jurisdictional level are the same as those outlined in question 2 regarding amendments at the European level. In fact, because this could result in substantive differences in auditing standards for the core audit of financial statements among individual Member States, the impacts are arguably exacerbated from an EU perspective and could undermine effective functioning of the internal market for audit services.

The implications may be seen to be more severe for “carve outs”, as any departures from the requirements and procedures that have been determined, through due process, to be necessary to achieve the objectives of ISAs can be expected to, almost by definition, have negative implications for audit quality.

On the other hand, some might argue that allowing “add ons” would be in the public interest because they will add to audit quality in their jurisdiction. However, as explained above, seeking improvements in auditing standards at a national rather than the international level risks ultimately undermining the quality of the international standards, and also undermines regional and global consistency of audit quality. For preparers, audit committees and users, it is difficult to understand the need for, and relevance of, differences in auditing standards in different jurisdictions, particularly when they nevertheless result in the same audit opinion in the auditor’s report.

We believe that it is of vital importance to the long term quality of the international auditing standards that all stakeholders see the global auditing standard setter’s due process as the means through which developments in auditing standards are discussed, debated and consensus on new standards or requirements is reached.

There are circumstances when additional requirements or guidance to auditors may be needed to address requirements in local corporate or business law or regulation that are beyond or separate from the opinion on the financial statements. We accept that Member States should have the ability to promulgate auditing standards and guidance for legal and regulatory matters that do not affect the ISA audit opinion on the financial statements. These additional legal or regulatory requirements are already contemplated in the ISAs, which include provision for reporting on matters that do not affect the ISA audit opinion, but arise from legal and regulatory requirements, in a second part of the auditor’s report. We do not view these as “add-ons” in the sense that they add to the requirements that form the basis for the auditor’s opinion on the financial statements, but rather as separate additional requirements addressing other legal or regulatory responsibilities.

In this regard, we note that Article 26 of the 8th Directive permits imposition of audit procedures or requirements additional to the international auditing standards only if they stem from specific national legal requirements relating to the scope of statutory audits. As there is a risk of a proliferation of these additional responsibilities, and because there may be a fine line between such requirements and the financial statement core audit, we recommend that the European Commission develop a due process for the notification and consideration of specific national legal requirements relating to the scope of statutory audits in individual EU Member States, as envisaged in Article 26.

Quality and Credibility of Financial Statements

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

We concur with the overall conclusion of the University of Duisburg-Essen study that the net benefits expected from ISA adoption across Europe will exceed the costs through contributing to:

- the credibility and quality of financial statements,
- audit quality, and

- greater acceptance of audit reports outside of home jurisdictions within and outside of the EU.

As the results of the study show, the benefits are gained not just by audit firms and networks, but also by investors, capital market participants, and regulators. Additional benefits can also be achieved through having a common basis for mutual recognition in auditor oversight.

We thought it particularly relevant that the Study acknowledges that it is important to recognise not only the direct costs of adoption, but also the opportunity costs of failing to adopt the ISAs in all EU Member States. Such costs would include:

- The need to use multiple, different sets of standards by engagement teams in the same firm for statutory purposes (which would be in accordance with local standards) and for contributing to a group audit where the group audit is performed under other European Union Member States standards or under the local auditing standards of another Member State.
- The need to amend methodologies, audit manuals, training, in individual Member States to accommodate the differences, and to manage the differences in auditing standards in group audits.
- Costs incurred through any confusion of stakeholders as to what an audit entails under different Member State regimes.

Such costs would be avoided if the ISAs were to be adopted throughout Europe without add-ons and carve-outs as there would be a “level playing field”. These costs do, however, need to be considered in any of the options being considered that do not contemplate full adoption throughout Europe.

Another important benefit is the fact that many national auditing standard setters decided not to embark on their own projects to revise their national auditing standards in response to lessons learned in recent corporate scandals but rather contributed to the IAASB’s projects. As a result, new revised ISAs in areas such as group audits, related parties and accounting estimates represent best practice.

5. Should the Application Material be part of the adoption process and acknowledged as “best practice”?

The Application Material is an integral part of the ISAs and in our view, it is vital that it should be part of the adoption process.

As explained in ISA 200, *Overall Objective of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, it is important to have an understanding of the entire text of an ISA, including the application and other explanatory material, in order to understand the ISA’s objective(s) and apply the requirements properly. As paragraphs A58 and A59 in ISA 200 explain, while such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements of an ISA. The application and other explanatory material may also provide background information on matters addressed in an ISA. Our experience in implementing the Clarity ISAs into our methodology and tools has already demonstrated to us its value and importance.

Thus, in our view, the application and other explanatory material is more than “best practice”; it is vital to the consistent interpretation and application of the objectives and requirements in the ISAs and, thereby, the coherence and quality of the ISAs as a whole.

We recognise that there may be a need to include additional guidance in individual Member States to explain how certain ISA requirements apply within their legal and regulatory context. Indeed, there are ISA requirements and application material that recognise particular circumstances when this might be expected. As a general rule, however, we believe the circumstances when such additional guidance might be needed are relatively limited, and that it is in the best interests of all stakeholders that any local additions to the application material are fully transparent as local additions.

The fact that the Application and Other Explanatory Material is vital to a complete understanding and proper application of the ISAs does not necessarily mean that the whole of an ISA must be published or adopted in the same way. There may be valid reasons for using different processes, instruments or vehicles to promulgate the objectives, requirements and application material. What is important is that it is clear that the application material retains the authority as described in ISA 200. In this regard, it is important that the authority the Application and Other Explanatory Material is properly portrayed as being guidance, rather than imposing further specific requirements or approaches that must be applied.

We are fully supportive of the suggestion in the consultation paper that a regulation be used by the Commission as the legally binding instrument to adopt the ISAs for use in the EU.

6. Should ISQC 1 on internal quality controls be part of the adoption process?

Yes, we believe that ISQC 1 should be part of the adoption process.

The ISAs recognise the importance of firm level quality control systems to audit quality. ISA 220 sets out the engagement partner's and engagement team's responsibilities with respect to the quality control procedures that should be applied in the conduct of an audit. It recognises in its introductory paragraphs that the requirements in the ISA are premised on the basis that the firm is subject to ISQC 1 (Redrafted) or to national requirements that are at least as demanding. Whilst separate and distinct (i.e., compliance with one is not necessarily contingent on compliance with the other), they are complementary and the overall objective of audit quality may not be achieved without quality control being addressed at both the firm and engagement level.

As noted above, membership obligations of the Forum of Firms include maintaining appropriate quality control standards in accordance with International Standards on Quality Control issued by the IAASB, in addition to relevant national quality control standards. We have found ISQC 1 to be a useful framework when putting in place the policies and procedures which support audit quality within our member firms.

We also note that the University of Duisburg-Essen study concluded that the introduction of ISQC 1 would increase the benefits of ISA adoption at EU level.

Although we believe that ISQC 1 needs to be part of the adoption process, the means by which it is adopted needs to recognise its unique nature. ISQC 1 recognises that a firm's quality control system is a behavioural, dynamic system of self-monitoring and self-correction. It involves ongoing assessment, benchmarking and self-correcting actions to achieve a sound basis for quality control. Compliance within such a system is, of necessity, different from compliance within the context of auditing standards, where a failure to perform a required procedure may have direct implications for the quality of that particular individual audit engagement and affect the auditor's ability to express an opinion on the financial statements. In contrast, at any point in time in a self-monitoring system, there may be inadvertent or insignificant breaches or deficiencies, or policies and procedures that may need to be strengthened. The effectiveness of the system depends on significant matters being identified on a timely basis so that the appropriate people within the firm are informed and can take appropriate action to address them—all of which is reflected in ISQC 1 requirements. Compensating actions can be taken to address a particular significant deficiency and mitigate its effect, enabling the firm to meet the objective of the firm's system of quality control, as articulated in ISQC 1.

For these reasons, it is important in adopting ISQC 1 that the means by which it is adopted and applied at both the European level and by Member States (e.g., the instrument) support its objective of designing and maintaining an effective quality control *system* and does not inadvertently lead to a legalistic or piecemeal approach to compliance with individual requirements.

Treating requirements in the ISQC in the same way as they are in the ISAs could create unreasonable expectations about a firm's quality control policies and procedures that are inconsistent with the notion of a dynamic, self-improving process, and therefore may, in the long run, have negative results.

7. In the 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?

There are two separate considerations in this question:

- Whether the reference to the ISAs should be modified by "ISAs *as adopted in the EU"*.
- Whether a consistent *reference* to the audit having been conducted in accordance with the ISAs would be sufficient to achieve the benefits of adopting ISAs across the EU, or whether further harmonisation is needed.

Wording of the reference to the ISAs

The benefits of adopting the ISAs as articulated in our responses to the earlier questions would best be achieved with an unmodified reference to compliance with the ISAs in the auditor's report and not to "ISAs *as adopted in the EU*".

The reference to "as adopted in the EU" implies that there will be variations between the ISAs as adopted in the EU and ISAs generally. For the reasons set out above, we do not support modifications to the ISAs at either the EU or Member State level. If no such modifications have been made, the reference to "as adopted in the EU" will only confuse readers. It becomes even more complicated if "add-ons" are allowed in Member States, as the reference could become "ISAs as adopted in Europe and as modified in *Country x*". Although transparency is undoubtedly important, it becomes very difficult for readers to understand the standards in accordance with which the audit was conducted and how they differ from the ISAs.

The reference to "ISAs as adopted in the EU" could also complicate group audits, and inadvertently have a negative affect on the worldwide reliability of consolidated financial statements of global entities if the differences, if any, are not well understood.

A further complication would arise if there are ISAs issued by the IAASB that are in force but which have not yet been legally adopted in the EU. As audit firms that are members of IFAC's Forum of Firms are obliged to apply the ISAs when they become effective (based on the effective date identified in the standard), and in light of the practical necessity of having globally consistent audit methodologies, it would be problematic if there was any implication that audit firms could not adopt new or amended ISAs in advance of their formal adoption in Europe.

Consistent audit reports

We believe it would be unfortunate if, having achieved consistent implementation of the ISAs across the EU Member States, the most visible public output of the audit process could potentially be significantly different. Whilst a consistent reference to the audit having been conducted with the ISAs is a step in the right direction, we are concerned that the full advantages of adoption of the ISAs across Europe articulated above would not be achieved unless the ISA audit reports across Europe describe, for example, what an ISA audit is in the same way. Audit reports on the financial statements no longer stay within national borders and the differences in the standard wording in an auditor's report on the financial statements may confuse and create uncertainty about the similarities or differences that may or may not exist in the underlying audit. Uncertainty as to the need for and reasons underlying those differences could undermine the achievement of the benefits of adopting the ISAs in the EU.

ISA 700, *Forming an Opinion and Reporting on Financial Statements*, was developed following a full due process and issued originally in December 2004, and the Clarity redrafted version in April

2009. From an EU perspective, ISA 700 was designed to accommodate the differences that may exist in legal and regulatory reporting requirements in different jurisdictions that are beyond the opinion on the financial statements. Thus, it provides for a two part report, whereby the additional legal and regulatory requirements are addressed in a second part of the report, but the auditor's report on the financial statements in the first part of the report would use the same form and content. In addition, it allows for 'Other Matters' paragraphs that can be used to address specific matters in that jurisdiction that are relevant to users' understanding of: the audit, the auditor's responsibilities, or the auditor's report. It also allows for differences in how management's responsibilities are described in law and regulation, and the wording of the auditor's opinion itself.

We recognise that there are jurisdictions and stakeholders who would like to revisit the content of auditor's reports. Indeed, we fully support further research and reflection on this. We note that IAASB itself has sponsored academic research in conjunction with the US Auditing Standards Board to obtain information that will help inform that debate. However, those discussions and debates are unlikely to come to fruition for a number of years. For this reason, we believe that there would be benefit in EU Member States adopting the extant ISA 700 now, and then fully participating in and contributing to the IAASB's global discussions on how auditors' reports should change in the future.

Possible Adoption of the ISAs

8. Do you support adoption of ISAs at EU level?

Yes. As suggested in the consultation paper, we are fully supportive of a regulation as the legally binding instrument to be used by the Commission to adopt the ISAs for use in the EU (recognising that a different approach might be taken to implement the Application and Other Explanatory Material, as discussed in Question 5).

In adopting the ISAs at the EU level, it should be recognised that the ISAs have been written to fit into a regulatory environment that has requirements governing:

- The scope of the audit
- The respective responsibilities of auditors, management and those charged with governance
- To whom the auditor is responsible
- The relevant ethical requirements
- The oversight arrangements

In formulating the regulation to adopt the ISAs, it is important to be very clear regarding whether these matters will continue to need to be addressed through Member State legislation and/or regulation, or whether they may now be effectively covered by the ISAs. Otherwise, there is a risk of contradictory requirements or gaps in different Member States.

9. If yes, which of the [following] options do you support?

We fully support option 3—the ISAs should be adopted for the statutory audit of all companies, including small companies for which an audit is required.

An audit, no matter the size of an entity, is designed to provide reasonable assurance that the financial statements taken as a whole are free of material misstatement. Investors and other users of financial statements and auditor's reports—whether they are reading the financial statements of a large listed entity, or the financial statements of a small, non-listed entity—have the same expectation as to the level of assurance that an audit provides.

We support a single set of principles-based auditing standards that are scalable to all entities. Principles-based standards allow audit processes to be scaled appropriately for both small and large entities through the exercise of well-reasoned professional judgment by the auditor. We believe that the ISAs sufficiently meet these attributes and can be applied equally to large and smaller entities.

We are pleased that IAASB has recognised the unique characteristics of small and medium entities through including guidance on how specific requirements can be applied in their circumstances in the Application and Other Explanatory Material. In addition, the Staff Question & Answer paper published by the IAASB in August 2009 usefully pulls together all of the relevant guidance and demonstrates how the ISAs are intended to allow for the scalability many auditors of smaller entities are seeking. Equally, some national standard setters, such as the UK Auditing Practices Board, have issued guidance and practice aids designed specifically to help auditors of smaller entities apply the ISAs. All of these inputs should help with the implementation of the ISAs by smaller entities and demonstrate how the ISAs can be applied practically in those audits.

We believe that the other options have the following disadvantages:

- Confusion regarding the nature and level of assurance being provided, given that different standards are being used but the same audit opinion is being provided. This will have a negative effect of lowering the level of confidence in the reliability of financial reporting.
- Potentially impairing harmonisation in EU financial reporting because of differences in the audit regimes not only throughout the EU, but within Member States.
- Potentially entrenching, or even widening, the perceived differences between audit firms and networks that conduct audits of larger and/or listed entities and auditors of smaller entities. This could structurally build in further impediments to choice in the audit market.
- As discussed in responses to earlier questions, increased complexity in managing group audits, with the need for different policies and methodologies for different components.
- Add complexity and cost to audit oversight.

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

We recommend that the European Parliament adopt the ISAs as soon as your due process allows.

As noted above, a number of other national standard setters and the 20 largest networks of accounting firms in the Forum of Firms will be implementing the ISAs for audits of financial statements for periods beginning on or after 15 December 2009 (the IAASB's effective date for the Clarity ISAs). Thus, from our perspective, it would be ideal for the EC to also adopt the ISAs at that time as well.

However, we recognise that it may be difficult for the EC to complete its endorsement process by then. Some national auditing standard setters have chosen an effective date of audits of financial statements for periods ending on or after 15 December 2010. This avoids the complications of audits of short periods and could be an option if the EC was able to complete its adoption process early in 2010.

At the latest, we would hope that the ISAs could be adopted in the EU no later than for audits of financial statements or periods beginning on or after 15 December 2010, so that there can be widespread global convergence as soon as practicable.

It would be useful if the EC could announce its timetable for adoption and implementation in EU Member Statements of the ISAs for the audits of financial statements in the EU as soon as possible. This will allow all stakeholders, including audit firms, to plan accordingly.

We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact David Devlin, Public Policy and Regulatory Matters Central Cluster Leader (+353 1 7926351).

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Yours faithfully,

PricewaterhouseCoopers