

Steven Leonard
Project Director, Audit & Assurance
Codes & Standards Division
The Financial Reporting Council
5th Floor, Aldwych House
71-91 Aldwych
LONDON WC2B 4HN

s.leonard@frc.org.uk

7 May 2013

Dear Mr Leonard,

Revision to ISA (UK and Ireland) 700: Requiring the auditor's report to address risks of material misstatement, materiality and a summary of the audit scope

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European **Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Financial Reporting Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

Response

We have considered the revision to ISA 700 and are supportive of the proposals that it contains.

The consultation paper clearly sets out the demand from users for auditors to provide additional information in the audit report and, read in conjunction with the Audit Committee Report, we would hope that this information would encourage a renewed dialogue between a company and its investors. We would urge the FRC to continue to be so clear about the potential benefits to investors and other users in future consultation papers. Additionally we consider that restricting the revision of ISA 700 to those companies that apply the UK Corporate Governance Code is a proportionate and reasonable response to such demands.

The one area, however, where we do have some concern is in the reporting of materiality. We are concerned that the example audit report, in line with the draft ISA, gives three different values when discussing materiality – overall materiality, planning materiality and triviality. We consider that such a level of detail about technical auditing concepts is confusing to the non-specialist reader. We urge the FRC to review this area and consider instead the reporting of one number being the auditors' final assessment of materiality.

If you would like to discuss any of our response in more detail, we would be happy to attend a meeting.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'TW', is positioned above the typed name.

Tim Ward
Chief Executive

Quoted Companies Alliance Financial Reporting Expert Group

Matthew Stallabrass (Chairman)	Crowe Clark Whitehill LLP
Anthony Appleton (Deputy Chairman)	BDO LLP
Edward Beale	Western Selection Plc
Anthony Carey	Mazars LLP
Peter Chidgey	BDO LLP
Jack Easton	UHY Hacker Young
Bill Farren/Ian Smith	Deloitte LLP
David Gray	DHG Management
Usman Hamid	Ernst & Young LLP
Matthew Howells	Smith & Williamson Limited
Nick Winters/James Lole	RSM Tenon Group PLC
Paul Watts/Jonathan Lowe	Baker Tilly
Niraj Patel	Saffery Champness
Nigel Smethers	One Media IP Group plc
Chris Smith	Grant Thornton UK LLP
Joseph Archer	Crowe Clark Whitehill LLP