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International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Audit - Tax - Advisory

Kenneth C. Sharp
Global Leader – Assurance Services
Grant Thornton International Ltd
201 S College Street, Suite 2500
Charlotte, NC 28244-0100

T +1.704.632.3500
F +1.704.334.7701
www.GTI.org

RE: IFAC Policy Position 2, *IFAC's Support for a Single Set of Auditing Standards: Implications for Audits of Small and Medium-Sized Entities*

Dear Council and Board Members:

Grant Thornton International Ltd welcomes the opportunity to comment on the International Federation of Accountant's (IFAC) Policy Position 2, *IFAC's Support for a Single Set of Auditing Standards: Implications for Audits of Small and Medium-Sized Entities*. We have long supported the ultimate goal of one set of recognized global auditing standards, and along with IFAC, strongly support the work of the International Auditing and Assurance Standards Board (IAASB) in achieving its objective of establishing International Standards on Auditing (ISAs) that are applicable to audits of all entities, regardless of their size or complexity. As small businesses branch out globally at an increasing pace, uniform high quality international standards become just as relevant.

There is a danger that a two-tier model for auditing standards would result in lists of prescriptive procedures, removing the ability to exercise judgment in choosing audit procedures that will be the most effective and efficient in the circumstances of the engagement. It is critically important that ISAs continue to be based on principles and objectives with only the necessary required procedures so that audit processes can be scaled appropriately for small, complex entities, as well as listed entities.

In addition, a separate model of simplified auditing standards for small and medium sized entities (SMEs) would result in different, most likely lower, levels of assurance. A consistent level of assurance associated with the word 'audit' is important so that users of financial statements have a common understanding of the level of assurance. A user should not be expected to evaluate what an auditor has done differently in coming to a conclusion on the financial statements.

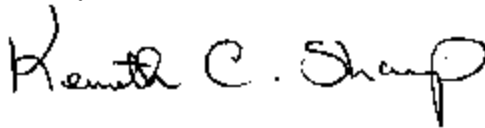
We acknowledge that there is a perceived cost and compliance burden on audits of SMEs, particularly given the current economic climate, and we applaud the IAASB and IFAC in their initiatives, including the Clarity Project, to address these concerns. We believe the recent

structural and drafting improvements facilitate the understanding of the objectives and requirements of the ISAs for all auditors considerably. However, we encourage the IAASB to prioritize their plans for 'implementation assistance,' to ensure that not only are the revised and redrafted ISAs implemented robustly, but done so in a manner that is proportionate to the size and complexity of the entities being audited..

In addition, whilst we are not proponents of differential auditing standards, we do agree that it is appropriate to consider other assurance products that might meet the needs of users in different circumstances and therefore, we support the IAASB's initiative to undertake a revision of International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*.

We would be pleased to discuss this letter with you. Please contact me at +1 (704) 632-6781 if you have any questions.

Sincerely,



Grant Thornton International Ltd
Kenneth C. Sharp
Global Leader - Assurance Services