



FRC consults on Audit Quality

The Financial Reporting Council (FRC) has published a Discussion Paper *Promoting Audit Quality*. This is expected to be the first of a number of Discussion Papers to be published by the FRC discussing the way it addresses its objectives, and inviting stakeholders and commentators to comment on the FRC's approach.

This Discussion Paper addresses the FRC's objective of promoting and maintaining confidence in the audit process and the resulting audit report. This is stated as a key component of the corporate reporting and governance regime that leads to the effective operation of capital markets. The FRC is seeking opinions as to whether, within the existing legal and regulatory framework, all appropriate steps are being taken to maintain and enhance the quality of audits and, if not, seeks views as to what more could or should be done.

The FRC identifies those drivers that it believes are central to achieving a high quality audit of listed companies (see below). It then considers whether there are 'threats' which weaken the effective operation of those drivers and, if so, whether those threats need to be addressed.

The Discussion Paper has been prepared in the context of the financial reporting framework in the UK and the Republic of Ireland. However, because of the increasingly international context in which standard setting takes place, it will be important to engage in the international debate on these issues. For example, the Institute would hope that the UK authorities play an active part in promoting to the International Auditing

and Assurance Standards Board (IAASB) the need for auditing standards which are genuinely principles-based and in the discussions on the implementation of the Statutory Audit Directive taking place in Europe.

The FRC's main focus is on the audits of UK listed companies and other public interest entities which may mean there are important issues for the Institute to raise around the 'an audit is an audit' principle and the impact on small practices.

Audit quality and its drivers

Key points summarised in the report are as follows:

- There is no single agreed definition of audit quality that can be used as a 'standard' against which actual performance can be assessed
- An auditor's opinion as to whether the financial statements are 'true and fair' is subjective. Different views may be held as to the extent and nature of audit evidence required to support the opinion
- Limited transparency makes an assessment of audit quality difficult by those who rely on it
 - The audit report does not provide users with information to assess the underlying quality of the audit
 - Users play a limited role in appointing and instructing the auditor
- FRC has therefore sought to identify drivers of audit quality and consider the threats to those drivers

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Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of the Audit and Assurance Faculty is being held on 23 May 2007, commencing at 2.00pm, at the Institute of Chartered Accountants in England and Wales, Chartered Accountants' Hall, Moorgate Place, London EC2P 2BJ.

Notice of Faculty elections

Notice is also hereby given that elections will be held in 2007 for four seats on the Audit and Assurance Faculty Committee. Nominations for these elections must be received by the Head of the Faculty by noon on 21 March 2007. Polling day will be on 25 April 2007. The Summary of Procedures for Faculty Elections is available on the Faculty website at www.icaew.com/aaf. Nomination forms can be obtained from Norma Pavitt at the Faculty on 020 7920 8422 or by emailing: norma.pavitt@icaew.com.

- The four main drivers per FRC (discussed in more detail in the paper) are as follows:

- *The culture within the audit firm.* Audit quality can be driven by audit firms creating an environment where achieving high quality is valued, invested in and rewarded

- *The skills and personal qualities of the audit partners and staff.* These lie at the heart of a firm's ability to undertake a high quality audit and include technical skills, business knowledge and experience, combined with innate judgement skills

- *The quality of the audit process.* Various factors play their part in an effective audit process, for example a suitable audit methodology, the audit team having appropriate experience and knowledge, and high

quality technical support

- *The reliability and usefulness of audit reporting.* The ultimate objective of the audit process is the provision of an audit opinion in which users of financial statements have confidence

There are a number of consultation questions under these four headings. The Discussion Paper also identifies a number of factors which are seen as being outside the control of auditors affecting audit quality, including the pressure of tight reporting deadlines, good corporate governance, the contributions made by audit committees and the regulatory and legal regimes faced by auditors.

The FRC has asked for comments on the Discussion Paper by 31 March and the Faculty will take the lead in preparing the

Institute's response. The FRC envisages holding meetings at which the suggestions that emerge can be discussed and the FRC will formally consult on any proposals that it intends to take forward. To the extent that the comments reveal a consensus for change or action that is outside the FRC's powers, it will raise those matters with those responsible.

The Discussion Paper can be downloaded free of charge from the Publications section of the FRC's website (www.frc.org.uk/publications/pubs.cfm). If you have comments you would like to be considered for the Institute's response, please send these to chris.cantwell@icaew.com by 28 February.

Auditing standards: where next?

The new UK auditing standards have now been through one full busy period in most practices, and are now in the middle of another. This article looks back at some of the lessons learned, highlights some yet to be resolved issues and actions the Faculty plans to take to deal with them, and looks forward to changes in the pipeline.

The Faculty's autumn 2006 roadshow provided an opportunity for practitioners to give feedback on their experience of implementing ISAs (UK and Ireland). Issues noted included the:

- Extent of documentation of systems required to understand the business
- Extent to which controls need to be understood, documented and tested
- Level of prescription in some proprietary audit programs
- QAD approach to monitoring firms applying the new standards for the first time

Some helpful discussions took place on these subjects. It was suggested that

judgement was often needed in the application of the standards and that the extent of documentation, where not mandated by the standards, may be influenced by the particular circumstances of the client. It was agreed that the use of standard audit programmes would be unlikely to produce the highest quality audits unless the auditor had a clear understanding of the requirements of the standards and had considered their application to the audit client in question. QAD representatives indicated that as always, a pragmatic and supportive approach would be taken to firms implementing the new standards and that a thoughtful as well as adequately documented approach to conducting an audit would be encouraged.

The Faculty will be considering all of these issues in some detail in the first half of 2007 in consultation with both practitioners and training and software providers, and considering what can be done to foster best practice in the areas noted above.

Looking forward, the IAASB's Clarity Project is taking up a substantial amount of institutional time. No less than 26 exposure drafts of clarified standards are expected in 2007 as the IAASB seeks to meet a 2008 'deadline' in order that the EC is in a position to adopt ISAs for application throughout the EU. As readers know, the clarity project aims to make standards clearer by separating requirements from application material, eliminating duplication and so forth. Whilst the ICAEW supports this work and it seems clear that clarified standards are clearer (and shorter) in many cases, the effect of the project has been to increase the number of mandatory requirements. This is because existing present tense statements ('auditors do this or that') are either elevated to requirements or are relegated to application material. We are keeping a close eye on this and are making representations at all levels with a view to reducing unnecessary mandatory detail in auditing standards.

Charitable companies and directors' report requirements

Charities that are incorporated or registered under the Companies Act 1985 (the Act) are subject to the same reporting requirements as other companies: the only available exemptions being based on size criteria rather than activity. Where a company has an audit, whether statutory or voluntary, its directors (the charity trustees) are now required to make a declaration that individually they consider that the auditors have been provided with all 'relevant audit information'.

This article considers how auditors can help the trustees of company charity clients to address the issues involved in making the statement about provision of information to the auditors.

Under section 234ZA of the Companies Act, for financial years beginning after 31 March 2005, directors' reports must now include a statement to the effect that, in the case of each director:

'so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.'

International Standard on Auditing (ISA) (UK and Ireland) 260, *Communication of audit matters with those charged with governance*, emphasises the need for two-way communication between auditors and directors and the new requirements are ideally discussed at the planning stage so that directors are aware of the sort of information and explanation required by auditors before the audit starts.

The following analysis provides a possible framework for discussion.

Explain what is meant by 'relevant information'

The definition of 'relevant information' given in the Companies Act is 'information needed by the company's auditors in preparing their report'. This extends beyond the books, records, information and explanations referred to in section 389A of the Act, given the auditors' responsibility to state their opinion as to the consistency of the directors' or Trustees' Annual Report (TAR) with the accounts (the Charities SORP states that a separate TAR is not required provided that any Directors' report prepared under the Companies Act also contains all the information required by the SORP). The TAR must contain extensive non-financial information such as details of significant activities that contribute to the achievement of the charity's stated objectives. Auditors also need to understand the entity's operating environment and business risks, and the likelihood of or existence of fraud. Again, the information needed for the required level of understanding goes beyond facts and figures derived from the accounting records.

Explain the duty of care and steps to be taken by each director in relation to the provision of information to the auditor

The legislation defines taking all necessary steps on the part of an individual director as ascertaining from his fellow directors and the company's auditors what constitutes 'relevant audit information', and satisfying himself that both he and the auditors are aware of that information. Under section 234ZA directors are expected to have the knowledge, skills and experience reasonably expected of a person carrying out their role (as interpreted in the context of the size and nature of the organisation).

Individual trustees are not all expected to be financial experts with a detailed knowledge of audit procedures, but they

cannot delegate their duty of care to fellow trustees who they think do have such knowledge. As explained in the Charity Commission booklet *The essential trustee: what you need to know*, 'trustees have and must accept ultimate responsibility for directing the affairs of a charity, and ensuring that it is solvent, well-run, and delivering the charitable outcomes for which it has been set up'. This means that each trustee is required to know what the applicable law is, and then use his or her best endeavours to ensure that they and the charity comply with that law.

Auditors can reassure the trustees that the new declaration does not represent a change in their individual responsibility for the TAR and accounts. It does, however, extend individuals' duties in relation to audit information.

Previously it was a criminal offence to give misleading or false information, but not an offence to fail to provide information or explanations to auditors. The new legislation makes it a criminal offence to withhold information from auditors. It is important to convey to trustees the shift of emphasis, from simply responding to auditors' queries, to volunteering information to auditors.

The key to discharging their duty of care in this respect, and to signing the declaration in peace of mind, is for every trustee to take an active and conscientious part in the charity's work that might be relevant to the financial reporting process. They should ensure that they know what is going on in those areas where they are not directly involved. They should attend all trustee meetings, preparing for such meetings by reading the agenda and supporting papers, join in discussion and ask questions where anything is not clear. It is really a matter of good governance and common sense, but discussion of the issues between trustees and auditors early in the audit cycle will be invaluable to both.

Audit reports change again

What every auditor cannot afford to miss is that for periods commencing on or after 1 April 2005, the audit report wording has changed for *all* audits. John Selwood reports.

Background

The APB issued Bulletin 2006/6 *Auditor's Reports on Financial Statements in the United Kingdom* in September 2006. This replaces Bulletin 2005/4, which previously provided the example audit reports to support ISA 700 (UK and Ireland) *The Auditor's Report on Financial Statements*. Broadly there are two reasons for the changes in the example audit reports:

1. The Companies Act 1985 (CA 85) and Companies (Northern Ireland) Order 1986 have been amended to require the auditor to express a positive opinion as to the consistency of the directors' report with the financial statements
2. The expression of compliance with International Financial Reporting Standards (IFRS) has been amended in the interests of harmonisation

The first of the changes relating to positive reporting on the directors' report will affect most audits. Whilst the change in relation to IFRS might appear only to affect the audit reports of entities applying IFRS, it has necessitated changes to a number of example reports in relation to smaller entities.

The directors' report – positive reporting

The CA 85 imposes a number of obligations on auditors to report 'by exception', such as when proper books and records are not maintained, when the directors do not provide all the information and explanations required or when the directors' report is not consistent with the financial statements. Previously there has been no requirement to report that there was compliance, only when there was not, i.e. 'silent' or 'negative' reporting. For periods commencing 1 April 2005 onwards, the auditor must report whether the directors' report is consistent with financial statements; reporting on proper books and records and information and

explanations remains negative. Whilst the nature of reporting has changed, the auditor's responsibilities in relation to the directors' report have not. The auditor does not audit the directors' report and does not gather audit evidence to support it. ISA 720 (UK and Ireland) states:

The auditor should read the information in the directors' report and assess whether it is consistent with the financial statements (Section B, para 5)

If the auditor identifies any inconsistencies between the information in the directors' report and the financial statements the auditor should seek to resolve them (Section B, para 7)

The resulting changes to the audit report are shown below.

Respective responsibilities of directors and auditors

We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at and of its profit [loss] for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

For many auditors, however, the responsibilities might become more onerous for periods ending on or after 31 March 2006 when the new requirements of section 234ZZB of the CA 85 come into force, significantly extending the Business Review for every company, with the exception of those that qualify as small.

IFRS compliance

The revised standard formulation for

expressing compliance with IFRS in the European Union drives other changes to the audit report. The new Bulletin also tackles situations in which the group accounts are prepared in accordance with IFRS but the entity financial statements continue to comply with UK GAAP. This causes particular problems for the auditor where the accounts are presented as a combined document. Example 8 in the Bulletin addresses this.

Bannerman

The Faculty has been asked whether the Bannerman paragraph has been dropped, because it is not used in the example reports. The Bannerman wording was drafted by the ICAEW and forms part of the guidance in Audit 01/03. It does not appear in the APB's example wordings because the APB considers such matters are outside its standard-setting remit, and auditors should therefore continue to consider adding this as part of their risk management processes.

More changes on the horizon

There are more amendments to the audit report on the way:

Companies Act 2006 – The Companies Act makes changes affecting signatures on audit reports and references to 'adequate' rather than 'proper' accounting records. Further revisions will take place when the European position on audit reports under the revised 8th Directive becomes clearer.

Accounting Period	Audit Report
Periods prior to periods commencing 15 December 2004	SAS 600 Audit Report
Periods commencing between 15 December 2004 and 31 March 2005	ISA 700 (UK and Ireland) as supported by Bulletin 2005/4
Period commencing on or after 1 April 2005	ISA 700 (UK and Ireland) as supported by Bulletin 2006/6

Business ethics and the role of internal audit

A number of large UK-based companies have been in the press so far this year because of reported unethical practice. Internal Auditors increasingly will have a role to play in ensuring that companies are applying ethical values to their business practice according to Simon Webley, Research Director at the Institute of Business Ethics.

In the last few years the increasing number of corporate scandals has meant the importance of a business having clear values and an ethical code has increased. Mr Webley said the Combined Code on Corporate Governance, issued by the Financial Reporting Council in 2003, highlighted this in particular. It states that 'The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met'.

In the UK, Mr Webley said, business ethics are applied on a voluntary basis with the assumption that companies are also keeping compliant with all legislation. He went on to say that business ethics is important because behaving responsibly at all levels of the business is necessary if the business is to survive and prosper.

The number of companies in the UK with an ethics policy is increasing, said Mr Webley. In these policies the values inherent in business ethics are translated into commitments to the companies' internal and external stakeholders. The drawing up of an ethical code makes these commitments public and is also useful in ensuring staff have an awareness of the company's policy.

Mr Webley stressed that while a larger proportion of larger companies have a code of business ethics, ethical malpractice is still frequently reported. Deficiencies in corporate culture and ineffective values and ethics programmes

are the main reasons for this.

Deficiencies in corporate culture leading to lack of integrity, may be caused by factors such as a fear of failure among staff preventing them from speaking up, or a lack of ethical leadership at the top of the organisation. On the other hand, according to Mr Webley, ineffective ethics programmes may be caused by inadequate business ethics codes within organisations (few codes are written with the user in mind), or a lack of relevant ethics training. On its own, he said, an ethics code is not very helpful – it needs to be backed up by a continuous training and awareness programme for employees and a good example from senior management.

Currently, fewer than 50 per cent of companies surveyed by the Institute of Business Ethics provide training to their staff on the meaning and use of their code of ethics. This proportion has been about the same since businesses were surveyed in 1998.

Mr Webley said it is very important that businesses provide training on their ethics policy to all staff across all levels of the organisation, from the lower levels to the board. When identifying who is responsible for ethics within a company Mr Webley stressed that there is no escaping the fact that everyone within the organisation is responsible for ethics.

Mr Webley then spent some time outlining what he considered to be the core elements of an effective embedding policy for business ethics within an organisation. These are:

- Provide guidance on what to do
- Makes sure there is a means to raise ethical issues confidentially
- Tell all staff what is expected of them
- Ensure a monitoring and assurance policy is in place
- Ensure that the policy and programme are reviewed regularly

The last point above is where internal auditors are becoming increasingly involved, according to Mr Webley. He suggested that a 2005 American Management Association survey provides a number of measures that can be used to assess how effective a company's business ethics policy is. Results from a survey of employees, suppliers, investors and customers on the company's ethics policy are particularly useful, as are the number of complaints from customers related to the ethical behaviour of the business.

Other useful measures for internal auditors to consider are the number and type of lawsuits against the company, looking at the results of ethics audits (both internal and supplier audits), and looking at the completion of the company's ethics goals and associated business results.

In closing his address, Mr Webley suggested some further reading for those interested:

- Ethical and social auditing and reporting – the challenge for the internal auditor (published by the Institute of Internal Auditors in May 2003)
- Internal Audit Guide of a compliance and ethics programme – public exposure draft (published by the Open Compliance and Ethics Group (OCEG) 2006).

In addition, the Institute of Business Ethics has just published 'Living up to Our Values: developing ethical assurance' which provides guidance on assessing ethical standards and performance. Further details can be found at www.icaew.com/index.cfm?route=143936.

Institute of Business Ethics – www.ibe.org.uk.

Proposed changes to international independence requirements for assurance engagements

The International Federation of Accountants (IFAC) is consulting on a proposed revision to section 290 of its Code of Ethics on independence requirements for audit and other assurance engagements.

While the IFAC Code does not apply directly to individual members, the Institute and other UK accountancy bodies, as members of IFAC, will be required (probably by 2009) to pick up any significant provisions not dealt with by the Auditing Practices Board (APB)'s Ethical Standards (ESs). The APB ESs apply to audits performed in accordance with UK and Ireland auditing standards. It is likely that the APB will take the new IFAC requirements into account in the next revision to those Ethical Standards.

The exposure draft does not represent a wholesale rewrite and, in principle, the basic threats and safeguards approach remains in place, though a number of paragraphs have been rewritten or relocated to clarify their intent. However, in terms of absolute requirements and prohibitions, changes from the existing IFAC independence requirements include:

- A split of section 290 into two: one covering audit and 'review' engagements and one other assurance engagements. This will result in an extension of the relatively more prohibitive auditor independence requirements to assurance engagements considered to be 'reviews'
- Some detailed tweaks to requirements on financial interests in entities which control the audit client
- An extension of those additional requirements currently applicable to

the audits of listed entities, to audits of other significant entities of public interest (in aggregate: ESPIs). The precise definition of these is left to member bodies though guidance is given

- The introduction of a cooling off period for key audit and certain other partners in ESPIs
- Removal of the 'few partners' exemption from the requirement to rotate engagement partners when auditing ESPIs
- Extension of the ESPI partner rotation requirements to key audit partners other than the engagement partner
- Some additional prohibitions in respect of the audits of listed entities and other entities of significant public interest. Inter alia, these:
 - tighten up the requirements in respect of the provision of valuation services, recruiting senior management, the provision of corporate finance services and the provision of IT systems services (as regards the latter, there is a minor strengthening of the requirements for all audits)
 - there is a new section on tax, which highlights that in principle, provision of any tax service could create a threat to independence. It notes that tax return preparation is generally not an issue but tax planning work should be considered to see if it has a material effect on the financial statements being audited. The calculation of material tax liabilities for clients who are ESPIs is prohibited and restrictions are placed on when auditors can represent their clients in the resolution of tax disputes

- Clarification that temporary staff provided may not undertake work which would be prohibited if the audit firm were providing it directly

As far as audits in accordance with UK and Irish auditing standards are concerned, a number of the additional provisions noted above have already been incorporated in the APB ESs, including the cooling off period, removal of the 'few partners' rotation exemption for listed audits, extension of the partner rotation requirements for listed entities to key audit partners (though the proposed IFAC definition of 'key audit partner' could be considered to be broader); and certain restrictions on when auditors can represent their clients in the resolution of tax disputes.

A copy of the exposure draft and an IFAC explanatory memorandum is available at www.ifac.org/ethics.

The Institute will be responding to the consultation, the deadline for which is 30 April. Members may respond directly to IFAC but are also invited to submit any views for inclusion in the consultation response to tony.bromell@icaew.com by 16 March.

Tony Bromell, Head of Accountancy Markets and Ethics

Independent reports on packaging waste

The Audit and Assurance Faculty has, since the summer of 2006, been working with the Institute of Chartered Accountants of Scotland (ICAS), the Environment Agency (EA) and the Scottish Environment Protection Agency (SEPA) to draft guidance for accountants providing reports in connection with the Producer Responsibility Obligations (Packaging Waste) Regulations 2005.

There have been some delays in agreeing the guidance whilst the agencies considered the extent to which they were willing to participate in engagements that individual accountants agree with their reprocessor and exporter clients. The guidance reflects the agencies' final position and is now available on the Faculty's website www.icaew.com/aaf.

This article provides a brief synopsis of the steps that accountants may wish to consider when taking on this work.

The reporting arrangements that are set out in the guidance are based on principles outlined in previous guidance: Technical Release Audit 1/01, *Reporting to third parties* and Audit 3/03 *Public Sector Special Reporting Engagements – Grant Claims*. If you are undertaking this work, you should also be alert to the principles outlined in recent Faculty guidance: Technical Release AAF 04/06, *Management of Risk and Liability*.

Background

The Technical Release includes some guidance notes which explain the background to the Regulations. The Regulations require (as one of the conditions of accreditation by the relevant agency) an independent accountant's report to be submitted by 28 February 2007.

Engaging with your client

The agencies have confirmed that they will not enter into a tri-partite engagement with accountants. Although the agencies have indicated that they do not envisage a situation whereby accountants will owe them a duty of care, it is likely that you will want to disclaim liability or duty to all other third parties that are not signed up to the engagement. This will need to be considered when agreeing the engagement letter, the scope of work and procedures and the form of report with the client and is the position taken in the model engagement letter contained within the guidance, that you may wish to use.

Procedures

The guidance sets out some suggested procedures that you may wish to consider as part of your work program which will need to be agreed with your client. Other procedures can be agreed with your clients if both parties feel that these are more appropriate. If an agreed upon procedures engagement is agreed with the client, you will need to bear in mind that such reports should only include statements of the factual findings from the procedures carried out and no form of opinion or judgement.

Managing risk and liability

If you agree to carry out this work, you will need to manage your risks and liability in this engagement appropriately. As the agencies will not be signed up to the engagement letter:

- Reports will only be addressed to the directors of the company
- You will need to consider disclaiming liability and/or duty of care to all others that may seek to use the report

- Care will be needed if third parties, including the Agencies, wish to enter into dialogue with you in relation to the work that you have carried out or the form of report as to do so might undermine the effectiveness of any disclaimer

If you become aware of instances where accreditation is being withheld because the Agencies have rejected the report or because they are insisting on further information from the accountant, it would be helpful if you were to inform the Faculty by e-mail (sumita.shah@icaew.com).

Managing Risk and Liability

As a reminder, AAF 04/06, *Management of Risk and Liability* states that when providing these reports, accountants will need to be clear about why the report has been requested, the purpose for which it will be used, and who may obtain access to the report and therefore potentially assert rights against the accountants. The guidance therefore considers the steps that accountants may wish to take to manage the risks associated with such reporting. It raises the thought processes that accountants need to consider and provides overarching principles to accountants seeking to manage their risk and liability.

Sumita Shah, Manager, Audit and Assurance Faculty

bulletinboard

Faculty update

APB issues three 'near-final' Practice Notes

The Auditing Practices Board (APB) has announced the publication of three 'near-final' Practice Notes (PNs):

- PN19: Near-final guidance – The audit of banks and building societies in the United Kingdom (Revised)
- PN 20: Near-final guidance – The audit of insurers in the United Kingdom (Revised)
- PN 24: Near-final guidance – The audit of friendly societies in the United Kingdom (Revised)

The Financial Services Authority (FSA) is currently finalising a number of changes to its Handbook. The PNs are therefore being issued in a near-final form so that they are available to practitioners for 31 December 2006 year-ends. Final versions of the PNs will be issued once the references to the FSA Handbook can be finalised.

They can be downloaded from the publications section of the APB's website at www.frc.org.uk/apb.

IAASB pronouncements

The International Auditing and Assurance Standards Board (IAASB) has

recently approved new proposals to enhance the written representations that auditors request from management, those charged with governance and others, as well as five new exposure drafts written in accordance with its new clarity drafting conventions. These are:

- ISA 230 (Redrafted), *Audit Documentation*
- ISA 540 (Revised and Redrafted), *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
- ISA 560 (Redrafted), *Subsequent Events*
- ISA 610 (Redrafted), *The Auditor's Consideration of the Internal Audit Function*
- ISA 720 (Redrafted), *Reading Other Information in Documents Containing Audited Financial Statements*

Comments on the exposure drafts of proposed redrafted ISAs 230, 560, 610 and 720 are requested by 31 March 2007. Comments on the exposure drafts of proposed ISAs 540 (Revised and Redrafted) and 580 (Revised and Redrafted) are requested by 30 April 2007. The exposure drafts may be viewed at www.ifac.org/EDs.

The IAASB has also issued the first four final International Standards on Auditing redrafted as part of its comprehensive program to enhance

the clarity of its standards. It has also approved amendments to the *Preface to International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*.

The following four redrafted standards have been issued:

- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
- ISA 300, *Planning an Audit of Financial Statements*
- ISA 315, *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*
- ISA 330, *The Auditor's Responses to Assessed Risks*

The four redrafted ISAs have a provisional effective date for audits of financial statements for periods beginning on or after 15 December 2008. While the final common effective date for all redrafted ISAs will be determined as the IAASB's agenda progresses, it will not be earlier than 15 December 2008.

The redrafted ISAs are available at www.ifac.org.

Audit & Beyond editorial information

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