



## AQF calls for proposals to fundamentally change audit reports in the future

The *Audit Quality Forum*, at its last meeting, gave its support to some radical proposals for audit reports made by the Auditor Reporting Working Group which, if implemented, should help to narrow the expectations gap that currently appears to exist between investors and practitioners.

Audit reports have been the subject of much discussion and debate over the years, but never before has this debate been so topical in the UK. With the new Companies Act 2006 bringing about changes in auditor liability, changes in the reporting requirements under International Financial Reporting Standards and the new direction provided by Europe, it seems an appropriate time for the UK to be considering whether audit reports meet the needs of those who use them.

The *Audit Quality Forum* has just published its latest paper, *Auditor Reporting* as part of its Fundamental series. This paper draws on the views of investors, business, practitioners and academia and discusses the very issues that have been at the heart of discussions around transparency and confidence in the independent audit.

The paper discusses the current information flows that already exist between companies, their shareholders and their auditors, including what information will be provided under new requirements. The paper also considers the sort of information that shareholders would like to see from audit reports and

what, in the current environment are the constraints that prevent changes to the existing form and content of the audit report. Shareholders have for a long time expressed a wish for less boilerplate and standardised audit reports. They have also expressed a wish for more discursive information within the audit report, which would include matters that auditors have discussed with the audit committees. However, it was accepted that inappropriate disclosure of confidential and commercially sensitive information may not necessarily benefit the shareholders.

Although the working group perceived that the corporate governance framework developed over the last decade and the increased clarity around the role of the non-executive directors has improved transparency and increased the level of dialogue between companies and shareholders, it also acknowledged that there were ways in which the audit report could be made more useful to shareholders. The paper identifies the following recommendations:

- The opinion paragraph to adopt as soon as possible, the wording and structure of section 495 (3) of the Companies Act 2006 in its three distinct parts
- Positive statements that:
  - Adequate accounting records have been kept; and
  - There are no matters that auditor wishes to draw attention to by way of emphasis

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### Get the inside track on the new Companies Act

The Companies Act 2006 is the biggest shake up of company legislation in the past 50 years.

The ICAEW is working with the Department of Trade and Industry, the Law Society and CCH to bring you a series of roadshows providing a practical overview of the new legislation, and its key implications for businesses.

The roadshows will run from May to June 2007 and will be held in Newcastle, Leeds, Manchester, Birmingham, Nottingham, Cambridge, London, Exeter and Cardiff.

More information to come via the Practice Members home page [www.icaew.com/inpractice](http://www.icaew.com/inpractice).

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- Move the opinion to the front and the standardised language to an appendix
- A review needs to be carried out of the current disclosures within the annual accounts, including information to be provided under new requirements to assess the extent to which disclosures go all or part of the way to meeting the wishes of investors for more information
- Consider whether the Combined Code requirements for audit committees could be reviewed so that audit committees could include more specific information through their report to shareholders, including identifying key issues discussed with auditors as a result of the audit
- The provision of company specific information within the audit report,

in relation to the audit, to the extent that the information is not already provided elsewhere

The first three recommendations could be brought in earlier. However, all of these recommendations need to be put into context of the wider discussions going on within Europe and the European Commission's desire for a single common audit report in Europe. It will be important for the relevant UK bodies to encourage the appropriate European and International bodies to consider the proposals outlined in the paper.

Richard Reid, chair of the working group said:

*'The debate has been a long and interesting one with the diverse views that exist. The working group has grappled with some*

*extremely difficult and complex issues. The paper provides a balanced view which acknowledges shareholders' desire to get more information but also considers carefully the constraints within which auditors have to work but without all of this creating an unnecessary burden on those that have to prepare the information: the companies. It is now for the bodies identified; the Financial Reporting Council and the Department of Trade and Industry to consider the proposals further and instigate wider debate and more consultation with those that the proposals will affect the most.'*

*Fundamentals: Auditor Reporting* can be downloaded from the Forum's website: [www.auditqualityforum.com](http://www.auditqualityforum.com).

Sumita Shah, Manager, Audit and Assurance Faculty.

## PCAOB Auditing Standard No. 5

**There was a time when US auditing standards were only of interest to a few academics, standard setters and some of the larger firms that had clients with secondary US listings. Now, like it or not, they are of increasing relevance to practitioners in the UK.**

A good example of this is the recently issued Public Company Accounting Oversight Board's (PCAOB) proposals on the audit of internal control. Readers will have heard of the debate in the US about the heavy cost of Sarbanes-Oxley compliance, which includes compliance with the PCAOB's existing standard (AS 2) on internal control. The proposed replacement of this standard is partly a result of this debate and it seeks to adopt a more principles-based approach. It should be said at the outset that the proposals, on the face of it, are a considerable improvement on the very rigid and prescriptive existing standard.

So how does this relate to UK auditing standards? Proposed PCAOB auditing

standards *An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements* and *Considering and Using the Work of Others* were issued for comment in December. Whilst the standard on internal control is relevant to integrated internal control audits conducted under the Sarbanes-Oxley legislation in the US, both proposed standards are very likely to have some effect on the International Auditing and Assurance Standards Board's (IAASB) thinking. The IAASB develops and promulgates International Standards on Auditing (ISAs) and the APB in the UK has adopted ISAs for use in the UK and Ireland. Specifically, the IAASB currently has a project on material weaknesses that arose partly from the fact that the PCAOB and the IAASB use the term 'material weakness' in different ways; confusion has arisen. These are important issues because the US context and approach is quite different to the broader approach internationally. The US standard deals with public reporting of material weaknesses under US legislation. There

is no equivalent legislation in the UK or Europe where reporting by auditors on material weaknesses has always been private.

The standard on internal control has changed some definitions and is clearer about what is not required of the auditor. Several specific requirements in the existing standards have been removed, altered or replaced. The intention is to encourage a more risk-based top-down approach and for auditors to use their judgement. The achievement of these aims in the US will depend in great measure on the climate in which US audits are conducted and the approach taken by the PCAOB's audit inspectors to auditors.

The Institute has made robust representations to the PCAOB on this document and on the related SEC exposure on internal control for management. The proposals and Institute's response thereto can be found at [www.icaew.com/index.cfm?route=111905](http://www.icaew.com/index.cfm?route=111905).

# Audit planning under ISAs

When I trained as a Chartered Accountant in the 1980s there were only two auditing standards: the Auditors' Report Standard and the Auditors' Operational Standard. How times have changed! But the growth in the volume of auditing standards has not changed the basics of auditing. Indeed, the audit approach under current ISAs (UK and Ireland) is to use risk-based auditing and good old-fashioned professional judgement, rather than a highly systematic tick-box approach.

The requirements of ISA (UK and Ireland) 315 *Understanding the entity and its environment and assessing the risks of material misstatement* represent a significant change to previous auditing standards. ISA 315 and ISA 300 *The auditor's procedures in response to assessed risks* (the risk ISAs) have resulted in an increase in the thickness of the planning section in many commercially available audit working papers packs. Feedback received by the Faculty from delegates attending the 2006 roadshows and representatives of the Quality Assurance Directorate (QAD) who acted as Panel members at those roadshows highlighted two issues:

- The planning section of the working paper packs are taking significantly longer to complete than the previous packs and these costs are not always recoverable
- Using a standard pack 'blindly' does not always lead to compliance with ISAs (UK and Ireland).

## Tailor the programmes and checklists (but don't over-tailor them!)

Any standard audit working papers pack will always be a basic 'vanilla flavour'. They are written for the audit of small, medium-sized and larger entities as well as being able to accommodate diverse business activities. Many firms use proprietary systems supplied by publishers or training groups which are also designed for a variety of different audit firms. This means that significant tailoring of planning documentation and audit programmes will often be needed to arrive at the right audit approach for a particular audit.

A proprietary or standard pack will tend to include checklists and standard forms (even in the planning section) that are designed for larger, more complex clients. For instance several questions on an internal control checklist might not apply to a smaller owner-managed business. Using the checklist rigidly is obviously inefficient for this client as sorting the 'wheat from the chaff' in the checklist might take longer than identifying the controls that influence the financial statements. More seriously, the checklist lacking any real relevance to the client could mean that the user of the pack never properly documents their understanding of internal control and it is possible that this knowledge will not be used in planning the audit and establishing the audit approach. In some instances when an auditor is planning the audit, it might be more effective to ignore a particular checklist or form in the standard pack and document knowledge and conclusions by way of narrative notes instead. The QAD is supportive of this approach as they appreciate that it can foster more thorough auditing than a tick-box approach using a checklist. The publishers and training groups who supply the proprietary audit packs are, in the main, also advocates of this approach.

The 'clean sheet of paper' approach can be very efficient and effective in planning a good quality audit provided that the auditor planning the audit has exercised proper professional judgement and knows the requirements of the ISAs (UK and Ireland). There is a big but though! Standardised checklists serve a purpose – they are there partly to ensure that nothing is missed and also serve as a framework to demonstrate compliance with the requirements of standards and thought processes. If good-quality standardised checklists are either ignored altogether or 'tailored' beyond recognition, there is sometimes a real risk that things will be missed.

## Know the requirements of the standards

Using a standard audit approach and standard working papers is no substitute for reading the standards and knowing their requirements. Moreover, under-

standing the standards will not only lead to better quality audit work but it will also mean that auditors can be more confident in recording the planning in the form of narrative notes rather than using standard forms and checklists. Sorry to be handing out homework, but if you get involved in the planning of audits you should have at least read:

- ISA (UK and Ireland) 315 – *Understanding the entity and its environment and assessing the risks of material misstatement*
- ISA (UK and Ireland) 330 – *The auditor's procedures in response to assessed risks*
- ISA (UK and Ireland) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements*
- ISA (UK and Ireland) 300 – *Planning an audit of financial statements*

## Begin with the end in mind

Amongst other things the Oxford English Dictionary defines planning as to 'arrange beforehand' and to 'design'. This works for audit planning, too. The risk ISAs can appear daunting and working paper packs can look intimidating but the planning process is ultimately quite straightforward as shown below.

1. Understand the entity
2. Identify and assess risks of material misstatement
3. Design tests in response

If during the planning process the auditor is required, by an audit pack, to do something that does not form part of the above process, then he or she should think very carefully before doing it. And it is important to remember that planning is not a discrete process and that adaptability is essential. Planning is an iterative and continuous process and it is always necessary for auditors to be ready to revise the planning and adapt the audit approach to new insights.

*John Selwood is a Chartered Accountant and independent training consultant, who lectures for the major training accountancy companies and publishers.*

# APB consults on additional guidance on smaller audits

The Auditing Practices Board (APB) has just issued two consultation papers regarding guidance for auditors of smaller entities. The issues in the two papers are interrelated and involve questions as to whether additional guidance is needed, if so who should issue it and how this relates to training responsibilities. The deadline for comment is 30 April 2007.

In December 2004 the APB issued a new suite of standards – International Standards on Auditing (UK and Ireland). While most of the requirements in the ISAs (UK and Ireland) were consistent with pre-existing standards, new requirements were introduced in relation to the assessment of audit risk and fraud. Initial feedback on the implementation of the ISAs (UK and Ireland) suggests that some practitioners incurred additional cost in the planning of audits, in particular in connection with documentation requirements. This results, in part, from ISA (UK and Ireland) 315, which takes the position that an understanding of internal control is necessary for identifying types of potential misstatement, even when a wholly substantive approach is adopted for audit testing, and that this understanding needs to be documented. Cost increases seem to have been greatest on audits that were previously conducted on a largely substantive basis – where the auditor's documentation of the client's internal controls was non-existent or very limited.

The APB raised this issue at meetings of other national standard setters and the International Auditing and Assurance Standards Board (IAASB) in early 2006. There was a widespread international recognition of the impact of documentation requirements on the cost of small audits and the APB agreed to lead on developing a paper on how documentation requirements apply to SME audits. The resulting consultation paper *Guidance on Smaller Entity Audit*

*Documentation* contains practical guidance including illustrative examples of audit documentation. Hopefully this guidance demonstrates the APB's view that the documentation required by ISA (UK and Ireland) 315 does not need to be extensive and therefore overly costly to prepare.

Associated with the development of this guidance is the question of whether to update Practice Note 13 *The Audit of Small Businesses*, which is now out of date. The IAASB is currently undertaking a Clarity Project which will incorporate guidance on the considerations specific to the audit of smaller entities within the ISAs themselves and the International Federation of Accountants is also developing an explanatory guide to the use of ISAs on SME audits. In light of these factors, the APB is consulting on whether it is appropriate to withdraw Practice Note 13, without developing a further update.

Much of *Guidance on Smaller Entity Audit Documentation* can be viewed as training material which would normally be developed and presented to audit firms through internal training or courses provided by third parties. This raises wider issues concerning how auditors, especially in smaller firms, are made aware of changes in auditing standards and how they receive training to ensure that they can apply new standards cost effectively. Interesting questions exist as to who should have responsibility for training in auditing standards and promulgating training material. One of the issues on which the APB is consulting is whether there could be confusion as to the status of such material if it is issued by the APB.

This is a very important issue for the future. In addition to the changes made by the introduction of ISAs (UK and Ireland) in December 2004 further changes are likely to be made in the not too distant future as the IAASB finalises its Clarity Project and as the European Commission moves

to adopt the resulting ISAs for use throughout the EU.

The APB through its website is doing much to highlight the changes to ISAs that are happening as a result of the Clarity Project ([www.frc.org.uk/apb/publications/iaasb.cfm](http://www.frc.org.uk/apb/publications/iaasb.cfm)). We recognise, however, that not all auditors will have the time to monitor these changes on a real time basis – especially as the final decision for the clarified ISAs to be adopted in the EU could still be two years away. Furthermore this information is not intended to be a substitute for auditors obtaining training in how the standards should be applied. The two APB consultation papers are intended to stimulate a debate on the best way for auditors, especially of smaller entities, to learn about changes in auditing standards and obtain high quality training in them. Starting the debate now, well in advance of the adoption of the ISAs within the EU, will hopefully mean that things will be 'all right on the night'!

Copies of the consultation papers are available on the APB's website at [www.frc.org.uk/apb](http://www.frc.org.uk/apb) under the section Publications.

*Hazel O'Sullivan, APB Project Director.*



# Auditor liability: EU consultation

The European debate on auditor liability has taken a step forward with the publication of the anticipated European Commission report and the formal launch of a consultation exercise requesting responses by 15 March.

Liability remains one of the major policy debates impacting on the audit profession across the EU. Following the publication of the independent study conducted by London Economics at the request of the Commission, the purpose of the consultation is to gather views from stakeholders on the various policy options available. It is important to highlight that, in accordance with the Statutory Audit Directive, the Commission has the option to issue recommendations to Member States in this area. The consultation will play a key role in clarifying whether the Commission will exercise this option.

It is evident from the report's discussion of different policy solutions that a one-size-fits-all approach would not fit well with the different legal traditions in Member States. The Commission document recognises the negative impact of unlimited liability regimes from a variety of perspectives, including the availability of insurance coverage, the current structure of the listed companies audit market and audit firm concentration, as well as the Internal Market perspective. The imbalances arising from the risks of auditing against the lack of adequate insurance coverage and capital resources for the firms are respectively analysed. Other areas of attention include the impact of liability on audit networks and the willingness of non-auditors to invest into an audit firm.

There are two Annexes devoted to analysing the various liability regimes currently in place across the EU. At the

present time auditors' liability is capped in five EU Member States (Austria, Belgium, Germany, Greece and Slovenia), whilst some form of limitation of liability exists in other national regimes. At the time of preparation, the Annexes noted that the UK Company Law Reform legislation, which was in the process of being adopted, allowed contractual limitations between a company (subject to shareholders' approval) and its individual auditor.

Meanwhile, the Commission has also announced that the European Forum on Auditors' Liability will be resuming its activities. The ICAEW, through its CEO, is the only national professional accountancy body directly represented in the Forum. The consultation documents are available from [http://ec.europa.eu/internal\\_market/auditing/news\\_en.htm](http://ec.europa.eu/internal_market/auditing/news_en.htm).

## New arrangements for overseas auditors

As part of the implementation process of the EU Statutory Audit Directive, the European Commission is consulting until 5 March on the approval and oversight of third country auditors (i.e. non-EU auditors). An appropriate implementation of the Directive in this area is of primary importance, particularly as the validity of audit reports and the stability of European markets may be concerned. According to Commission estimates, there are approximately 220 third country audit firms currently engaged with issuers from 63 third countries listed on regulated EU markets, with the UK representing a major share in this regard.

The Directive broadly foresees two possibilities: that third country auditors register with an EU Member State(s) and are overseen by it (them) or that the third country's oversight system is judged as equivalent, thereby exempting the

auditor from the need of EU registration and oversight. Individual EU Member States may decide on such an exemption as long as a decision on the equivalence of a third country's system has not already been adopted by the European Community. Consequently, the Commission's report discusses the merits of EU-wide decisions as against decisions made by individual EU Member States. It is also important to highlight that decisions on equivalence are required to be made on the basis of reciprocity with the third country.

These provisions foresee a high level of dialogue between the European Commission, EU national oversight authorities and their third country counterparts. In this respect, the European Group of Auditors' Oversight Bodies (EGAOB) was established in 2005 to serve as a platform for coordination on these and other issues arising from the Directive. The consultation also deals

with matters in this domain, such as the possible transfer of the audit working papers and other documents to authorities outside EU jurisdictions, an issue which raises a number of questions regarding compliance with data protection rules.

The Commission notes that a classification of third countries would be appropriate in order to give priority to the assessment of non-EU economies of major market relevance and developed audit and oversight systems. With regard to other third countries, it is proposed that some transitional arrangements could be established to allow for the development of the auditing environment.

In the UK the Professional Oversight Board (POB) has issued a press notice and short overview of the provisions. The POB is encouraging all stakeholders to participate in the consultation.

# Networks: impact on auditor independence of being one

There has been some excitement about possible new network independence requirements in parts of the audit world in recent months. So let's immediately correct a misapprehension. There are no new network independence requirements. Once you are a network firm, you have to do what you had to do before. What has happened is that new definitions of what a network firm is, have been issued from the European Commission in the Statutory Audit (8th Company Law) Directive and the International Federation of Accountants' (IFAC) Code of Ethics.

## What do network firms have to do?

The main consequence of being a 'network firm' is that you have to be independent of audit clients of other network firms, which implies the need for a proactive system to identify independence issues throughout the network. The IFAC Code of Ethics has stated this for some years, but of course despite lobbying from the Institute and others towards harmonisation in this area, local regulators implement this in slightly different ways. Accordingly network firms need to take account of a variety of independence requirements around the world, which sometimes means having to apply the most stringent requirements across the board.

In the UK and Ireland, the Auditing Practices Board's Ethical Standards (APB ESs) are what hold sway. Actually the APB ESs are one of the more reasonable sets of national standards in terms of extraterritoriality, requiring APB ES requirements to apply across UK and Irish network firms, but IFAC requirements to be applied to other network firms involved in the audit.

## What constitutes a network firm?

This is what is changing. The revised

Statutory Audit Directive has adopted a new definition which in essence considers a 'network' to be a structure (legal or otherwise) the constituent firms of which act in common, or appear to act in common, or have common ownership or control.

IFAC is adopting an essentially identical definition but has added some discussion paragraphs which interpret what the definition means. In essence, if a grouping either holds itself out as acting in concert (common name, etc) or acts so closely together that any of them could influence the audits carried out by any other, then they should consider themselves a network. In the UK and Ireland, as noted, the APB ESs will be the prime means of implementing any change in definition. The substance of the existing APB definition of a network firm is not dissimilar to the new one, considering issues such as common control, ownership or management, or use of a common name or significant common professional resources.

The big firms and a lot of the mid-tier firms already regard themselves as networks under the existing definition and this won't change. A lot of smaller, loose referral groupings of independent firms do not regard themselves as networks and this should not change. However, given that there is a more detailed set of criteria, it is feasible that some smaller mid-tier groupings might consider themselves within the definition of networks when they were not previously.

## Making the decision

At the risk of stating the obvious, if in doubt, a lot can be achieved by considering the threats and applying common sense.

The threats are: (i) undue influence on the audit through intra network control or other means of exerting

influence – in which case the network firms should be independent of the audit client; or (ii) networks acting in such a way that the reasonable and informed third party (an EC phrase picked up by IFAC) would consider them to be one firm and therefore it would look very odd and uncondusive to public confidence if the network firms were not independent of each others' clients.

There is clearly a cost to the structures needed to monitor network independence. Networks are set up to allow out of region or international audit business to be done more easily and seamlessly. Audits need confidence and independence which is a cost of maintaining that confidence. The Institute has sought and continues to seek to keep the network requirements as harmonised and as principles-based as possible. This does mean matters are not always black and white and it will require interpretations to be made by groupings. That is the price of a principles-based approach which allows common sense and professional judgement to flourish.

The commentary above has concentrated on independence aspects because that's what this article is about, but it is worth briefly mentioning liability. Legal liability tends to follow legal form so may not directly impact on networks. However, there is a clear sharing of reputation risk – the revised Statutory Audit Directive requires network details to be made publicly available in the registration records and the transparency reports produced by auditors of public interest entities.

A slightly longer version of this article, together with the IFAC network document, is available at [www.icaew.com/ethics](http://www.icaew.com/ethics).

# A new role for internal audit

Being able to demonstrate that you have an in-depth understanding of the business will play a key part in ensuring your recommendations as an internal auditor are taken seriously and adopted by colleagues, according to Simon D'Arcy, the Deputy President of the Institute of Internal Auditors – UK and Ireland.

Speaking to attendees at January's Internal Audit Lecture, Mr D'Arcy said that in his experience business people had found it unusual that as an internal auditor, he had been able to show a high degree of understanding about their business areas and empathy with their individual business circumstance. However, he believes this is becoming a more important part of the internal auditor's function. In order to demonstrate empathy with colleagues, Mr D'Arcy said it is important not just to have an understanding of the business but also to have an understanding of what the

business (and the various elements of it) looks and feels like to them. Showing empathy is not just putting yourself in the shoes of your colleagues and expecting them to react as you would; rather, he suggested, it is understanding that people will react differently to you and that their reaction is as valid or right as your own. You can only achieve this understanding by listening, acknowledging and accepting the other person's point of view.

Mr D'Arcy argued that showing empathy is essential to providing assurance because unless you can fully understand what is going on within a business, you will be unable to fully assess the risk, the consequences of an action and what would be an appropriate subsequent control.

Showing empathy is also critical for recommendations to be implemented successfully. If you truly understand what is going on, you are likely to arrive at a

solution that makes sense to your colleagues and this will be more willingly adopted rather than imposed. Empathy is also a reciprocal habit and by showing it, you will encourage your colleagues to understand you and why you believe something needs to be done. This leads to a successful outcome for everyone, says Mr D'Arcy. When empathy is not shown, he suggested, there is more chance that suggested procedures are not adopted and resources can be wasted.

In summing up why showing empathy is such an important part of the assurance process, Mr D'Arcy said that without it, assurance is lacking essential integrity and internal auditors are providing false assurance and therefore failing in their objectives. He stressed that it is necessary for internal auditors to ensure their opinions are soundly-based and showing empathy with colleagues is a vital part of this process.

## M Institute to champion medium business

**M Institute is a new organisation, with the objective of being the trusted information source and support infrastructure for medium businesses – companies with annual turnover of between £10m and £250m – and to focus the government on actions it can take to support their continued economic growth performance.**

As well as providing best practice material, M Institute will champion issues that are critical and relevant to medium businesses, to ensure the business environment is as favourable as possible to mid sized companies. The latest research study from M Institute and the ICAEW, with support from Microsoft, *Empowering Medium Enterprise*, highlights that this sector is often denied the capital it needs for growth. The Mid Market in the UK is a major growth engine of the UK economy, the sector employs over 30% of the workforce, but access to capital to finance growth is almost impossible to obtain. It is time

this sector was recognised and rewarded for its achievements.

Banks have a short-term view on lending which does not support the longer-term requirements of medium business. VCs have gradually moved up-market so that their need for a return is such that companies have either to deliver a spectacular growth performance or give the investors a higher share of the business than they would like to. Government schemes for finance are aimed at start-up businesses and are irrelevant to medium business. The UK business community is often criticised as lacking innovation and entrepreneurship, this study demonstrates that it is here in the mid market, but because of the problems accessing capital this growth is often impeded. This research from M Institute and the ICAEW seeks to focus the attention of policy makers and advisors to medium businesses on the challenges facing the medium sector and the actions government can take to

support their continued economic growth performance. There is much work to be done to ensure that medium sized organisations needs are recognised, but the messages from M Institute are being very positively received by government and market influencers. There also needs to be support from the advisors of medium businesses, research shows that the single biggest influencer is their accountants, who medium organisations rely on for guidance and advice. Being part of M Institute enables company advisors to access the latest thought leadership material available for medium business, enabling them to offer their customers the very best advice and support. For more information on M Institute, the work of the organisation and for details of the various membership options, please go to [www.m-institute.org](http://www.m-institute.org).

*Kathy Palmer CEO and Co-Founder M Institute.*

# bulletinboard

## Faculty update

### New APB documents

The APB has issued Bulletin 2007/1 providing revised example reports by auditors under company legislation in Great Britain. These update the examples originally published in Appendix 1 of Practice Note 8. The APB recognises that further changes will be needed when the Companies Act 2006 comes into force.

An update to Practice Note 12 (Revised) *Money Laundering – Interim guidance for auditors in the United Kingdom* has been issued to replace the version issued in April 2006. The updated Practice Note reflects the implementation of section 102 of the Serious and Organised Crime and Police Act 2005.

Further to the news in last month's *Audit & Beyond* regarding revised financial services Practice Notes 19, 20 and 24, the APB has now issued these in final form.

The APB has issued an exposure draft of a proposed International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. Comments are invited by 13 April.

The various documents above can be downloaded from the publications section of the APB's website at [www.frc.org.uk/apb](http://www.frc.org.uk/apb).

The APB has also issued its hard-copy compendium of standards and guidance 2007. This includes all APB standards in issue at 1 January 2007 and selected Practice Notes and Bulletins likely to be of broad current interest. Details of how to purchase are provided on the APB's website.

### IAASB Pronouncements

The International Auditing and Assurance Standards Board (IAASB) is seeking comments on an exposure draft of proposed International Standard on Auditing (ISA) 550 (Revised and Redrafted), *Related Parties*.

The IAASB is also seeking comments on proposed ISA 570, *Going Concern*, which has been drafted in the new style designed to enhance the clarity of IAASB pronouncements.

Comments on the proposed ISA 550 are requested by 30 June and on the proposed ISA 570 by 31 May. Further information from [www.ifac.org/iaasb](http://www.ifac.org/iaasb).

### Information on the Budget

The Institute has a Budget Links Page (see [www.icaew.com/budget](http://www.icaew.com/budget)) which brings together various pieces of information about the Budget in one place. It contains links to reports, press notices and Budget notes as well as links to commentary from key organisations.

### Event on IFRS for SMEs

The IASB has issued an Exposure Draft on an IFRS for Small and Medium-sized Entities. This may be regarded as a replacement for the UK FRSE or – perhaps more likely – for UK GAAP for larger companies. The Institute is holding a major public discussion event on the proposals in London on 14 May from 5pm, including speakers from the IASB and the ASB. To register an interest in attending please contact Lauren Bridgen at [lauren.bridgen@icaew.com](mailto:lauren.bridgen@icaew.com).

### Internal audit lecture series

The Lecture Series will be covering a wide range of topics this year from managing the risk of fraud – lessons from the public sector to auditing risk maturity.

Dates for your diary of forthcoming lectures:

**Monday 23 April 2007**

**Monday 18 June 2007**

**Monday 10 September 2007**

**Monday 22 October 2007**

**Monday 3 December 2007**

The lectures will start at 6pm and will be followed by wine and a finger buffet. The lectures will be held at Moorgate Place, London EC2P 2BJ. The cost of the lectures are £34.04 + VAT. For more information please call Louise Thornton on 020 7920 8493 or visit [www.icaew.com/aaf](http://www.icaew.com/aaf).

## Audit & Beyond editorial information

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