

Audit & Beyond

THE NEWSLETTER OF THE ICAEW AUDIT AND ASSURANCE FACULTY SEPTEMBER 2006 NO.112

Striking the balance: principles and rules

Practitioners have heard the words, 'principles not rules!' increasingly in recent years. One of the *Audit Quality Forum* working groups has recently explored this subject in some detail in the context of International Standards on Auditing (ISAs) that are now in force in the UK in the form of ISAs (UK and Ireland). It is hoped that the publication of this paper will help progress the debate on principles-based standards not just in the UK, but on a global basis.

It became clear during the development of this paper entitled *Principles-based Auditing Standards* that people mean different things when they refer to terms such as 'objectives', 'principles' and 'rules'. This is because there are differing perceptions as to the role of auditors, the purpose of auditing standards, the role of judgement in auditing standards and the extent to which the behaviour of auditors can and should be influenced through auditing standards. The subject is tricky because there are not just differences of opinion, but structural differences across the world relating to the purpose of the audit and the purpose of auditing standards. And there are significant differences in the way the profession operates around the world.

The paper offers detailed conclusions taking account of the views of a wide range of stakeholders including auditors, regulators, preparers and users of financial statements and the corporate sector. Some of the conclusions encourage standard-setters and others to continue to work towards principles-based standards in various ways, but the paper is also realistic and it describes

some of its conclusions as 'hurdles'. The paper recognises that the development of principles-based standards by the International Auditing and Assurance Standards Board is no easy task. There may be limits to the capacity of auditing standards to meet the needs of very large entities, very small entities, jurisdictions in which the profession is well-established, and those in which it is less so. But the paper concludes that the pursuit of principles-based auditing standards is worthwhile because the quality of auditing standards affects the credibility of the audit opinion. The tension between those who believe that auditing standards are too long, detailed and prescriptive and those who believe otherwise is healthy.

Standard-setters need to consider the interests of all concerned and reject demands on the part of some regulators for certainty where there is none, demands on the part of some for 'principles-only' standards, and demands for standards that seek to prescribe auditing procedures so as to minimise the need for the use of judgement. The proliferation of rules in auditing standards is not inevitable; whilst conflicting objectives in accounting standards give rise to uncertainty and the need for detailed rules, the problem is unlikely to be as acute in auditing standards.

The paper also concludes that those who believe that auditors need more rules on how to do their jobs do not trust auditors to use their judgement appropriately, and that some less-experienced regulators calling for more prescription may also lack confidence in

in this issue...

- 2 APB publishes consultation draft: revised guidance on the audit of occupational pension schemes
- 3 What is the purpose of an audit?
- 4 All change with the audit regulations: Institute consultation
- 5 Revised 8th Directive
Reports from the Professional Oversight Board
- 6 Group Audits: Institute responds to the IAASB
- 7 Faculty Roadshow – The essential audit and assurance services update
Statutory transparency reporting by auditors of public interest entities
- 8 Bulletin board

Coming up in the next issue...

- Roadshow 2006 – essential audit and assurance services update – report and feedback from this event
- Update on the Professional Oversight Board's recommendation on compilation reports
- Report on the latest internal audit lecture entitled 'Corporate Governance – a view from the top'
- The new ICAEW assurance service for audit exempt companies

...continued from page 1

their own ability to regulate effectively. But the paper is clear that rules do not necessarily reduce, and do not eliminate, the need for judgement and integrity, nor do they necessarily promote consistency. Problems arise in jurisdictions in which the profession is less well-developed. Whilst auditing standards are important to auditors, they cannot substitute for the proper training of auditors or regulators, the maintenance of ethical standards or professional integrity. Principles-based auditing standards only work if the auditors who use judgement in applying them display professional integrity. Part of the solution to the problem of a lack of integrity in some parts of the profession is the development of an effective principles-based system of oversight, rather than more rules.

The paper highlights the problem of differing cultures. Principles- or objectives-based standards are well-supported on both sides of the Atlantic and quite well understood despite differences in regulatory frameworks and litigation risk. But structural barriers in the US to the removal of detailed rules and development of more principles- or objectives-based standards should not be underestimated. And whilst allowing for legal, regulatory, cultural and other differences by permitting individual jurisdictions to determine the right level of detail in auditing standards may seem superficially attractive, it may be a recipe for spurious harmonisation and lowest common denominator standards. On the other hand, ignoring or playing down the importance of such

differences is a recipe for failure. The process of the exposure of auditing standards and hammering out a consensus between stakeholders will help ensure that in the long run, a better balance will be struck. But there will be no quick fixes because the rule-books were not created overnight and they will not be dismantled quickly.

Principles-based Auditing Standards can be found at www.auditqualityforum.com.

Katharine Bagshaw, Manager, Auditing Standards (Policy and Practice), Audit and Assurance Faculty

APB publishes consultation draft: revised guidance on the audit of occupational pension schemes

The APB has recently published a consultation draft of Practice Note (PN) 15 *The audit of occupational pension schemes in the United Kingdom (revised)*.

The main changes to the content of the document reflect developments since PN 15 was last updated in November 2004, and are:

- Replacement of guidance on the application of Statements of Auditing Standards by guidance on the special considerations arising from International Standards on Auditing (ISAs) (UK and Ireland), including the guidance that was set out in Bulletin 2005/05 'Audit Risk and Fraud – Supplementary Guidance for Auditors of Occupational Pension Schemes'
- The Occupational Pensions Regulatory Authority (Opra) was replaced by the Pensions Regulator (TPR) in April 2005. References in the PN to the role and powers of Opra have therefore been replaced by equivalent material in relation to TPR
- The guidance on reporting on contributions, including the example

auditor's statements in Appendix 6, has been revised to reflect the introduction of materiality as a consideration by The Occupational Pension Schemes (Administration and Audited Accounts) (Amendment) Regulations 2005 (SI 2005/2426), for financial periods beginning on or after 22 September 2005

- The summary of the legal and regulatory framework in Appendix 2 has been updated to reflect the effects of the Pension Act 2004, Finance Act 2004 and Finance Act 2005
- New guidance on the accounts required for an actuarial valuation, Pension Protection Fund valuations, and to support an application to the Fraud Compensation Fund, has been inserted into Appendix 2

In addition, the proposed revised guidance provides updated background information and references to official material such as the Codes of Practice issued by TPR.

While the consultation draft will not be the authoritative statement on good

practice until APB approves the revised Practice Note for issue (subject to any changes arising from the consultation process) it does include points that reflect new statutory or professional requirements, for example in relation to auditors' reports. The examples in Appendix 6 have been updated to refer to ISAs (UK and Ireland) where applicable, and references to materiality should be included in the auditor's statement about contributions for financial periods beginning on or after 22 September 2005.

Copies of the consultation draft may be downloaded from the APB website at www.frc.org.uk/apb. The Faculty will prepare a formal response to APB on behalf of the Institute, so members are invited to send any comments on the draft to MaryLouise.Wedderburn@icaew.co.uk by 9 October.

Mary-Louise Wedderburn, Audit and Assurance Faculty

What is the purpose of an audit?

As reported in last month's issue of *Audit & Beyond*, the *Audit Quality Forum* has been examining the relationships between shareholders, boards, auditors, regulators and other stakeholders in the audit. In response to concerns raised by *Forum* participants about the differing perceptions of the purpose of the audit amongst stakeholders, a working group was set up to articulate the purpose of the statutory audit of companies in the UK with a view to seeking greater consensus. Louise Maslen reports on the development of the recently published paper, *Audit Purpose*.

The framework for the statutory audit

The group (which was made up of representatives from the auditing profession, regulators, investors, business and academics) considered how the audit has developed in response to agency risks (where directors act as agents of a company), the legal framework in the UK for a statutory audit, relevant case law and what auditing standards say about the objectives of the audit. The paper explains that the purpose of the statutory audit is to provide an independent opinion to the shareholders on the truth and fairness of the financial statements, whether they have been properly prepared in accordance with the Companies Act 1985, and to report by exception to the shareholders on the other requirements of company law such as where, in the auditors' opinion proper books and records have not been kept. Directors, in effect, act as trustees for shareholders and are bound by certain fiduciary duties, established in common law and under statute. The statutory audit plays a fundamental stewardship role, helping owners of companies to assess the stewardship of directors.

Purpose of financial statements

The purpose of the audit cannot be fully understood without considering the purpose of financial statements. The group looked at the current UK legal framework and with this in mind

supported a definition that is founded on stewardship. The International Accounting Standards Board's Framework for the Preparation and Presentation of Financial Statements, however, places greater emphasis on its usefulness to a wide range of users in making economic decisions rather than for the benefit of shareholders for stewardship purposes. In the light of this and the potential impact on the future development of accounting standards, the group recommended that these differences in approach needed further consideration by an appropriate forum.

Other stakeholders

There are many stakeholders who have an interest in the audit. These include creditors, potential investors, regulators, management and employees. Financial information in the accounts may be a material source of information to these stakeholders and they may take assurance from the fact that an audit has been carried out. However, whilst the audit does have a clear public interest role to play, its purpose as defined in law is clear – it is for the benefit of the shareholders and in normal circumstances auditors owe no duty of care to these other stakeholders. The interests of (and any assurance derived by) these other stakeholders are consequences of the statutory audit, albeit they are valuable with important public interest and social benefits.

Expectation gaps

The group considered the existence of expectation gaps as regards what an audit is, recognising that there are differences between what some stakeholders want or believe to be the purpose of the audit and what auditors are providing to existing shareholders by way of assurance in accordance with their statutory role.

In particular, the group considered expectation gaps around auditors' responsibilities on accounting records. Under current company law, auditors are required to report by exception where

they consider that proper accounting records have not been kept (the Company Law Reform Bill proposes that auditors consider whether adequate accounting records have been kept).

Whilst applicable auditing standards in the UK cover the work required by auditors to obtain an understanding of the entity and its environment they do not specifically address what work should be done to comply with the UK requirement on auditors regarding accounting records. In the paper, the group questions whether there is clear guidance for auditors on this aspect of their responsibilities, including what work they need to do to form an opinion on the accounting records and what and when they should report if they are not satisfied. The group concluded that further guidance on auditors' responsibilities would be helpful.

Reasonable assurance

Auditing standards talk of 'reasonable assurance that the financial statements as a whole are free from material misstatement' but what is meant by the term 'reasonable assurance' and do all stakeholders interpret it in the same way? There is a lack of understanding as to whether auditors are **providing** reasonable assurance to shareholders, in which case what does 'reasonable' mean, or whether auditors are **attaining** reasonable assurance, allowing them to provide an opinion on the financial statements. The group concluded that reasonable assurance is the level of confidence the auditors are expected to attain from their audit that the financial statements are not misstated; but will all auditors interpret this level of assurance and the work effort to attain it in the same way?

The paper can be downloaded from the website at www.auditqualityforum.com. If you have any comments or feedback on the paper please e-mail louise.maslen@icaew.co.uk.

All change with the audit regulations: Institute consultation

Company Law Reform Bill

ISQC1

The current audit regulations were issued 10 years ago but the simple passage of time is not why we are consulting on changes to them now.

The Company Law Reform Bill

The Company Law Reform Bill is about to become law. This, in turn, enacts the revised 8th Directive on company law (usually referred to as the statutory audit directive). It was the original 8th Directive, enacted into UK law by the Companies Act 1989, which first required the registration of auditors. We now have to prepare to amend the regulations to address changes that the Bill will bring which include:

- Allowing EU auditors and EU audit firms to be part of a registered audit firm
- The responsible individual in charge of the audit has to sign the audit report in his or her own name (the requirement for signatures has yet to be finalised so this amendment may change)
- The introduction of a new term 'statutory auditor' to describe the firm and the people who undertake audit work on its behalf, although our intention is to retain the terms 'registered auditor' and 'responsible individual'

ISQC1

While the switch to international auditing standards was dealt with last year by changing definitions in the regulations, we now have the new International Standard on Quality Control (ISQC 1). Although a few changes to the regulations were made last year, chapter 3 needs more of an overhaul as ISQC 1 covers similar issues and we are keen to avoid duplication.

Finally, given the 10 years since the current audit regulations were issued, we are taking the opportunity to have a general 'tidy-up' and changes include:

- To facilitate new structures for firms, the audit compliance principal does not need to be a principal but can instead be a member of the management board
- Chapter 2 now includes all matters relating to eligibility, application, continuing obligations and cessation of registration, collecting material from other chapters
- The deletion of the concept 'qualified individual' from chapter 4
- The responsibility for designating responsible individuals within a firm has been given to the audit compliance principal
- The deletion of chapter 6 on corporate practices
- The special independence regulations for corporate practices now apply to all types of firm



For more on the changes and details of how to take part in the consultation (which ends on 22 November 2006) go to www.icaew.co.uk/auditnews.

Peter Burton, Head of Regulatory Policy, ICAEW

Revised 8th Directive

As reported on the Bulletin Board in the last issue of *Audit & Beyond*, the final version of the Statutory Audit (revised 8th) Directive has been published in the Official Journal of the European Union.

Timetable for formal adoption of the Directive

The effective date is 29 June 2006 which means that Member States have until 29 June 2008 to adopt and publish the provisions necessary to comply with the Directive. In the UK the DTI is expected to consult formally on implementation towards the end of this calendar year.

Comitology

The Directive identifies a number of areas which either must be or alternatively may be implemented through so-called 'comitology', i.e. streamlined, delegated decision making procedures. In brief, comitology is where a Directive delegates to a specialised Committee the implementation of

detailed measures or rules in specific areas. The Committee is chaired by the European Commission and EU Institutional safeguards exist to ensure that the Committee does not extend beyond the framework and remit set out in the Directive. A new compromise has recently been reached to give the European Parliament the right to block comitology measures.

In the case of the Statutory Audit Directive, the specialised committee is the Audit Regulatory Committee (AuRC) and the adoption of ISAs is a key priority for comitology procedures. The AuRC is composed of the relevant national ministries: in the UK, this is the Department of Trade and Industry (DTI).

The European Group of Auditors' Oversight Bodies (EGAOB) sits beneath the AuRC and is composed of high-level representatives from the entities responsible for the public oversight of statutory auditors in Member States or, in their absence, of representatives from the competent national ministries. Only

non-practitioners can be designated as members of the EGAOB although the expertise of practitioners may be sought, e.g. in connection with the adoption of ISAs. The first aim of the EGAOB is to ensure the effective coordination of new public oversight systems of statutory auditors within the EU. It will also provide technical input to the Commission on implementing measures as required in the Directive, e.g. the adoption of ISAs.

An update on the Directive, including a link to the final text of the Directive and the state of play on the key policy issues, is available at www.icaew.co.uk, under 'Technical & Business Topics', 'Audit and assurance'. Please send any comments you have regarding the implementation to chris.cantwell@icaew.co.uk.

Chris Cantwell, Manager, Practice Regulation (Policy and Practice), Audit and Assurance Faculty

Reports from the Professional Oversight Board

Over the summer the Professional Oversight Board (POB) has published two reports relating to audit monitoring.

Report on audit monitoring

The first report highlights its review of audit monitoring by the UK recognised supervisory bodies. POB performed an in-depth review of the monitoring procedures of the recognised supervisory bodies to complement its annual compliance testing of their regulatory systems. Findings conclude that the arrangements/resources applied by the bodies fulfilled the requirements set out in the Companies Act. It goes on to identify areas where the monitoring approach or application of the approach could be improved. It recommended that the bodies should:

- Tailor their approach for file selection to ensure an adequate coverage of audit engagements and audit principals is achieved during an inspection
- Perform detailed assessments of audited accounts and relate the findings from this review to the audit file
- Provide clearer guidance for inspectors, registration committees and where appropriate firms on the justification of the grading of monitoring visits

Annual report from AIU

The second report is from the Audit Inspection Unit (AIU) and summarises the findings from the 2nd year audit quality inspections of the Big Four and the 1st year at five other significant

firms. The AIU is responsible for monitoring the audits of all listed entities and other entities in whose financial condition there is considered to be a major public interest. The AIU's monitoring approach focuses on audit partners' judgements and audit processes.

The AIU highlights that its report is not intended to be used as a balanced scorecard or rating tool and identifies that the focus of its work is on those areas where it considers that improvements should be made, either to achieve compliance with relevant standards or to enhance audit quality.

These reports are available from the POB's website at www.frc.org.uk/pob.

Group Audits: Institute responds to the IAASB

The last issue of *Audit & Beyond* reported on the 'revised and redrafted' proposed ISA 600 *The Audit of Group Financial Statements*. The Institute has now responded to the IAASB welcoming the proposed ISA but suggesting that some of the proposed requirements be moved into the explanatory guidance. This article summarises the Institute's key comments in our response including the particular concerns of smaller firms involved in group audits.

Process versus substance

The Institute considers that there should be greater emphasis on substance rather than process in the proposed ISA compared to the IAASB's current draft. Whilst the Institute believes that the proposed ISA will improve the quality of group audits, we question whether all the material currently included needs to be in an ISA and we consider that greater flexibility should be given to firms in how they carry out the requirements. By focusing more on the substance of the requirements, some of the additional processes proposed which are likely to result in little benefit may be transferred to the application guidance. Any likely increase in the costs of group audits should be proportionate to the intended increases in audit quality.

Related and unrelated auditors

The Institute understands the rationale for making no explicit distinction between related and unrelated auditors in the proposed ISA (see previous article). However, it is likely that these requirements as drafted will cause a significant increase in costs as to the extent of formal documentation in this area, especially where the local regulator prohibits the sharing of monitoring reports with the group auditor. This problem will be potentially greater for less sophisticated networks that might

have common policies and procedures for audit work but have less formalised arrangements.

The Institute believes that this could be addressed by moving some of the process steps to the application guidance and leaving the principle in the main body. We have suggested that the application material clarify that the extent of work needed will depend on the degree of commonality.

Other auditor's memorandum

As mentioned in the previous article, the proposed ISA has a number of fairly prescriptive requirements related to the other auditor's memorandum or report of work performed and the Institute is concerned that there should be considerable flexibility regarding how the group auditor and other auditor should communicate. In situations where there has been effective sharing of information during the planning and risk assessment stage, the Institute considers that the emphasis should be on the other auditor providing information on the areas requiring the group auditor's attention.

Other auditor's responsibilities

Whilst the Institute understands the approach to write the ISA in terms of the requirements of the group auditor, we believe that there will be a number of practical problems without further encouragement by IFAC and the IAASB to ensure that the other auditors have a professional obligation to co-operate with the group auditor, for example to provide appropriate access to information. This will be exacerbated by the new mandatory requirement for the group auditor to participate in the risk assessment process of the other auditor of a significant component. At present group auditors will often obtain a planning memorandum and review this

as part of their own planning. However, they will not directly participate in the other auditor's own procedures in all cases, especially where the other auditor is not a related auditor or the component is a public company in its own right where there are frequently concerns as to market sensitive information. This is a particular issue in the case of associates and joint ventures, which, if significant, may render some groups unauditable. For example, where there is a 50:50 joint venture where the two investors have different auditors and the joint venture is significant to both investors, each auditor will need to participate in the risk assessment at the joint venture level.

In addition, practical issues could be dealt with by inclusion of application guidance to support the group auditor's consideration of the access that other auditors will give to audit documentation.

Single entity audit

As highlighted in the last article, the proposed ISA also applies where other auditors are involved in the audit of the financial statements of a single entity. The Institute considers that the ISA could be clearer in respect of this.

The Institute's response to the IAASB on the proposed ISA 600 is available from the 'consultations' section of the Faculty's website at www.icaew.co.uk/aaf.

Chris Cantwell, Manager, Practice Regulation (Policy and Practice), Audit and Assurance Faculty

Faculty Roadshow – The essential audit and assurance services update

Many bookings have now already been received for the Faculty's 2006 Roadshow and the London events on 30 and 31 October are now **sold out**.

In the last two issues of *Audit & Beyond*, we have provided comprehensive information regarding the detailed content of the above event, but as a quick reminder, the Roadshow will be focusing on the following four subjects:

- Audit Quality and the practical implementation of ISQC (UK and Ireland) 1
- Accountants' services for the accounts of audit exempt companies
- Practical lessons from the first year of ISA (UK and Ireland) implementation – did we get it right?
- Update on ethical issues

If you are concerned about these issues then this Roadshow will be relevant to you. The intention is to provide attendees with material which will give them the opportunity to consider their own specific issues and determine the most appropriate ways forward.

The Faculty is pleased that a number of key volunteers involved in the issues covered by the Roadshow have agreed to participate in a Panel session and in

addition to this, we expect the Institute's Quality Assurance Directorate (QAD) to provide feedback for participants, for example on ISA (UK and Ireland) compliance. The Roadshow is likely to be of particular interest to practitioners from smaller firms as the examples will pick up practical issues they have been experiencing in implementing standards and considering what services they offer going forward.

If you haven't already booked a place for this popular event, a booking form can be downloaded from the Faculty's website at www.icaew.co.uk/aaf. More detail regarding the content of the Roadshow can also be found on this website.

The next issue of *Audit & Beyond* will include a Roadshow report.

Date		Venue
15 September		Village Hotel, Maidstone
18 September		The Yew Lodge Hotel, Kegworth
29 September		National Motorcycle Museum, Solihull
09 October		Village Hotel, Cardiff
13 October		Cedar Court Hotel, Wakefield
20 October		Manchester City FC, Manchester
30 October	SOLD OUT	Chartered Accountants' Hall, London
31 October	SOLD OUT	Chartered Accountants' Hall, London
03 November		Menzies Cambridge Hotel and Golf Club, Cambridge
08 November		Aztec Hotel, Bristol
10 November		Exeter Golf and Country Club, Exeter
16 November		Everton Football Club, Liverpool
01 December		De Vere at Grand Harbour, Southampton
04 December		Ramside Hall Hotel and Golf Club, Durham
11 December		The Marriott Hotel, Preston

All sessions start at 10.00am and finish at 4.00pm.
Lunch will be provided.

Statutory transparency reporting by auditors of public interest entities

The Professional Oversight Board has recently published a consultation of the information which the auditors of public interest entities, in particular listed UK companies, should be required by law to publish. 'Transparency' reports should include information on the processes and procedures by which the firm ensures audit quality and audit

independence, on the firm's structure, governance and network arrangements, and on the way in which the firm remunerates partners.

The consultation will form the basis for the development of regulations to give effect to the requirements on transparency reporting in the revised EU

8th Company Law Directive on the regulation of auditors, which was agreed earlier this year.

The closing date for the consultation is Friday 27 October. The consultation is available from www.frc.org.uk.

bulletinboard

Faculty update

Combined Code

On 27 June the Financial Reporting Council (FRC) published an update version of the Combined Code which can be found in the corporate governance section of www.frc.org.uk.

A small number of changes have been made to the 2003 Code, which enable the company chairman to sit on the remuneration committee if considered independent on appointment; provide shareholders voting by proxy with the option of withholding their vote on a resolution; and encourage companies to publish the details of proxies lodged on resolutions where votes are taken on a show of hands.

Challenges and opportunities facing small business

In July, people from 35 countries attended the International Federation of Accountants' global forum that was focused on small business. Participants identified two significant challenges:

- SMEs need financial reporting standards that are appropriate for their users'

needs and reduce the associated cost of compliance

- In an increasingly global economy, SMPs should continue to explore new ways to support the growth and accountability of SMEs

More information about the forum and other IFAC initiatives to support small business can be found at www.ifac.org.

New Institute Code of Ethics

There was an error in the above article in the last issue of *Audit & Beyond*. The reference to the APB's ethical standards applying to audits for periods commencing after 15 December 2005 should have been 15 December 2004.

Internal Audit Lecture Series

Corporate Governance – a view from the top

Monday 11 September 2006, Richard Bowker, Group Chief Executive, National Express Group plc (from Sept 2006).

The lecture will start at 6pm and will be followed by wine and a finger buffet. The lecture will be held at Moorgate Place, London EC2P 2BJ. The cost of

this lecture is £34.04 + VAT.

For more information please call Louise Thornton on 020 7920 8493 or visit www.icaew.co.uk/aaf for a booking form.

APB consultation

The APB has published a second consultation of a revision of PN20 *The audit of Insurers in the United Kingdom*. The consultation can be found on the FRC website with a closing date of 15 September.

CCH professional development events

Audit and Assurance – emerging issues

This half-day event is being held in various locations around the country between September and December giving clear, practical and authoritative guidance on dealing with current audit problems. Fees per person: £125 + VAT (1–5 delegates) and £45 + VAT (for 6 or more).

For more details go to www.cchseminars.co.uk or call 01635 588898.

Audit & Beyond editorial information

Comments should be addressed to the Audit and Assurance Faculty, ICAEW, PO Box 433, Chartered Accountants' Hall, Moorgate Place, London, EC2P 2BJ
Tel: 020 7920 8493; Fax: 020 7920 8754;
E-mail: Tracy.Gray@icaew.co.uk
Website: www.icaew.co.uk/aaf

Audit & Beyond is produced by Wolters Kluwer (UK) Limited on behalf of the Audit and Assurance Faculty
Tel: 0870 777 2906
E-mail: customerservices@cch.co.uk
ISSN 1748-5789

If you have enjoyed reading *Audit & Beyond*, please pass this copy to one of your colleagues or associates who may be interested in joining the Audit and Assurance Faculty. All enquiries should be directed to the Faculty address above.

© ICAEW 2006. All rights reserved. No part of this work covered by copyright may be reproduced or copied in any form or by any means (including graphic, electronic or mechanical, photocopying, recording, taping or information retrieval systems) without written permission of the copyright holder.

This publication is intended to provide a summary of, and opinion on, developments relating to auditing and financial reporting. The information contained within it should not form the basis of any decision; nor should it be relied upon as legal or professional guidance regarded as a substitute for specific advice. Therefore no responsibility for any person acting as a result of any material in this publication can be accepted by the Institute, the Audit and Assurance Faculty, the publishers or authors.