



12 April 2011

Our ref: ICAEW Rep 43/11

Your ref:

Steven Leonard
Project Director
The Auditing Practices Board
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Dear Steve

Consultation Draft Practice Note 24 (Revised) 'The Audit of Friendly Societies in the United Kingdom'

ICAEW is pleased to respond to your request for comments on the Consultation Draft of Practice Note 24 (Revised), *The Audit of Friendly Societies in the United Kingdom*.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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ICAEW REPRESENTATION

CONSULTATION DRAFT PRACTICE NOTE 24 (REVISED) 'THE AUDIT OF FRIENDLY SOCIETIES IN THE UNITED KINGDOM

Memorandum of comment submitted in April 2011 by ICAEW, in response to the APB Consultation Draft of Practice Note 24 (Revised), *The Audit of Friendly Societies in the United Kingdom* published in January 2011

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INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the Consultation Draft of Practice Note 24 (Revised), *The Audit of Friendly Societies in the United Kingdom*, published by the APB in January 2011.

WHO WE ARE

2. ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, we provide leadership and practical support to over 136,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. We are a founding member of the Global Accounting Alliance with over 775,000 members worldwide.
3. Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. We ensure these skills are constantly developed, recognised and valued.

MAJOR POINTS

Support for the revision of the Practice Note

4. We note that the revision of Practice Note 24 is part of the APB's programme to update the Practice Notes to take account of the clarified ISAs (UK and Ireland) and various legal and regulatory changes, as outlined in your 'invitation to comment' section. This is a programme that is strongly supported by ICAEW as the Practice Notes provide important guidance to auditors in specialist areas.

Overlap with Practice Note 20

5. The APB issued Practice Note 20 (Revised) *The Audit of Insurers in the United Kingdom* in January 2011 to reflect the provisions of the clarified ISAs (UK and Ireland) and changes in the legislative and regulatory framework. We note that the proposed changes to Practice Note 24 are consistent with those already made to Practice Note 20 and we consider that this is appropriate. However, we do not consider there is a need to maintain two separate Practice Notes and we would support the APB combining the two Practice Notes going forward.

OTHER POINTS

Illustrative example report wordings

6. With respect to the wordings of the illustrative examples of auditor's reports in Appendix 1, we note the following:
 - The title of all three reports in Appendices 1.1, 1.2 and 1.3 should commence "Independent auditor's report to the Committee of Management.....". This would ensure consistency with Practice Note 20.
 - In the report in Appendix 1.1, in the first sentence under the 'Respective responsibilities of the society and its auditor' heading, there is a close bracket missing. The sentence should read: "The society is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report[s]), under the provisions of the Rules."
 - In the second paragraph of this section, "the insurer" should read "the society".
 - In the final paragraph of this section, there is a reference to "our opinions" which ought to be "our opinion". The same point also applies to the example in Appendix 1.2.

- In the first paragraph of the 'Basis of opinion' heading in the Appendix 1.1 example, "the Statement" should read "the statement". In the same sentence, "the valuation report (and the realistic valuation report)" should read "the valuation report[s]".
- In the report in Appendix 1.2, it is not necessary to include the words "(the directors' certificate)". Deleting this would make it consistent with the Appendix 1.1 report and Practice Note 20.
- In the second bullet of the 'Respective responsibilities of the society and its auditor' section in the Appendix 1.2 example, we consider that the reference should just be to "the Forms and the statements", without reference to the valuation report[s]. We accept that the current wording is consistent with the examples in Practice Note 20 but do not believe it is correct to make this valuation report[s] reference in respect of a Directive society undertaking only general insurance business.

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