

Implementing GAAS 2008/2009



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A practical guide to
auditing and reporting

Peter Chidgey
Sarah Nendick
BDO Stoy Hayward LLP

STRATEGIC PARTNER



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS

IN ENGLAND AND WALES

IMPLEMENTING

GAAS

2008/2009

**A Practical Guide
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PREFACE

We are now in the lull before the storm. Last year we remarked that the focus of UK GAAS is now on the International Audit and Assurance Standards Board (IAASB) whose Auditing Standards are adopted almost in their entirety in the UK. We reported on their work in progress to complete their Clarity Project, the anticipated date for which was towards the end of 2008.

They are still on course to do this, and to date some 14 clarified standards out of a potential 33 have been finalised with most of the rest in their final stages. During 2007 the IAASB pushed back the effective dates from which the standards must be applied to periods beginning on or after 15 December 2009 – so they will not take effect until December 2010 year end for most audits rather than December 2009 as previously anticipated.

From a UK perspective a confusing factor is the European Statutory Audit Directive issued in June 2006, which enables ISAs to be adopted throughout Europe. The EU want to see the full suite of standards before they adopt them and, inevitably, the adoption process will not be a quick one. The APB has not yet made up its mind whether it will adopt the standards in the UK before the European decision. If they wait, adoption may not be until December 2011 or 2012 audits. The lull may therefore continue.

Whatever the outcome, the new standards based on the revised ISAs will result in some major changes and we have described the effects on the main standards in the relevant chapters.

All has not stood completely still and we have recently had a number of changes as a result of the UK Companies Act 2006. ISA 600 has been revised to require documentation by the principal auditor of reviews carried out of other group auditors for the purpose of the group audit. This is a direct consequence of the Act. In addition, a number of Bulletins (see below) have been issued to bring the old Practice Note 8, which dealt with reports under UK company legislation for the Companies Act 1985, in line with the 2006 Act.

The APB has also been involved in a process of reviewing the Ethical Standards which were initially issued in 2004. As a result of the review, which showed that they were working satisfactorily, the Board have issued revised standards but the revision has only consisted of a tidying up to make them consistent with UK and European Law and to clarify some areas of confusion.

The other main developments in the UK for which we have updated the book are:

- PN26 – *Guidance for smaller entity audit documentation*
- Updates to PN12 (Revised) – *Money Laundering – Interim Guidance for Auditors in the United Kingdom*; PN 21 (Revised) – *The audit of investment business in the United Kingdom*; and PN 16 (Revised) – *Bank reports for audit purposes*
- Bulletin 2008/1 – *Audit issues when financial market conditions are difficult and credit facilities may be restricted*
- Bulletin 2008/2 – *The auditor's association with preliminary announcements made in accordance with the requirements of the UK and Irish Listing Rules*
- Bulletin 2008/3 – *The Auditor's Statement on the Summary Financial Statement in the United Kingdom* (For Companies Act 2006 see above)
- Bulletin 2008/4 – *The Special Auditor's Report on Abbreviated Accounts in the United Kingdom* (For Companies Act 2006 see above)
- Bulletin 2008/5 – *Auditor's Reports on Revised Accounts and Reports in the United Kingdom* (For Companies Act 2006 see above)
- Bulletin 2008/6 – *The 'Senior Statutory Auditor' under the United Kingdom Companies Act* (For Companies Act 2006 see above)
- ISRE (UK and Ireland) 2410 – *Review of interim financial information performed by the independent auditor of the entity*
- SIR 5000 – *Investment reporting standards applicable to public reporting engagements on financial information reconciliations under the Listing Rules*
- The ICAEW Audit and Assurance Faculty's release Tech 07/07 on *Money Laundering*

As with earlier editions, we have kept to our conventions of:

- where there is an existing guideline in an area and a proposed Standard or Practice Note, we have, unless indicated in the text, examined the subject from the point of view of the proposal on the basis that it is a more authoritative and up-to-date indication of GAAS;
- international standards and other overseas guidance are discussed in detail when they have been exposed by the APB in a national context although we indicate the main effects of significant proposals, and
- where new Standards have been issued but in a number of cases the old guidelines have not been withdrawn, we have ignored the old guidelines except where they have provided helpful insights.

Finally, we would like to acknowledge the contributions of Chris Kirton, Don Bawtree, Philip Rego, Nick Carter-Pegg and Fiona Raistrick who have helped in the drafting of various chapters. Their help has been invaluable.

Peter Chidgey

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April 2008

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