



AUDIT &
ASSURANCE
FACULTY

TECHNICAL RELEASE

September 2011

REPORTING TO THE AUDIT BUREAU OF
CIRCULATIONS LIMITED (ABC)

Technical Release AAF 01/11

This revised guidance is issued by the Audit and Assurance Faculty of ICAEW in September 2011 to update and replace the Technical Release on the topic originally issued in April 2004 (Audit 01/04). It outlines reporting arrangements established with ABC that will become effective for periods ending on or after 1 July 2011. The guidance does not constitute an auditing or assurance standard. Professional judgement should be used in its application and, where appropriate, professional legal assistance should be sought.

This Technical Release does not constitute an audit or other form of professional standard, but provides best practice guidance. No responsibility for any persons acting or refraining to act as a result of any material in this guidance can be accepted by ICAEW or the Audit and Assurance Faculty. Professional judgement should be used in its application.

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INTRODUCTION

1. Arrangements have been agreed between ICAEW and ABC for reports provided by accountants in respect of returns made to ABC by ABC members (publishers).
2. This Technical Release explains the main elements of these arrangements which were first established in 2004. The new arrangements will become effective for periods ending on or after 1 July 2011.

EXPLANATION OF THE REPORTING ARRANGEMENTS

3. The reporting arrangements are based on the reporting framework and principles outlined in Technical Releases Audit 01/01, *Reporting to Third Parties* and AAF 04/06 *Assurance Engagements: Management of Risk and Liability*.
4. ABC has agreed that accountants' reports on ABC returns be provided in accordance with a tripartite agreement between (1) the accountants, (2) ABC and (3) the ABC member (publisher). ABC has agreed a model tripartite agreement for this purpose.
5. This Technical Release provides guidance on the following: -
 - (a) the model tripartite agreement; and
 - (b) reports to ABC.

(a) The model tripartite agreement

6. The model tripartite agreement, reproduced in Appendix I, follows the principles of Audit 1/01 referred to in paragraph 3 above. ABC has agreed that it will contract with accountants on these terms. Once the letter is signed by all relevant parties (ie, the accountants, ABC and the publisher), the necessary contract is formed.
7. The contract will apply to all reports made by the accountants for the publisher in respect of all of that publisher's publications covered by the engagement. From time to time the list of publications (attached as an appendix to the tripartite agreement) may need updating, and the tripartite agreement contains provisions for such updating. Once the tripartite agreement is in place, it will continue until either it is terminated or amended by written agreement between the parties to it.
8. The model tripartite agreement highlights the responsibilities of the publisher. These include responsibility for:
 - producing circulation data and maintaining proper records for that purpose;
 - preventing and detecting fraud and irregularities;
 - preparing the ABC returns for which the member owes a duty of care to ABC; and
 - cooperating with the accountants in providing information, documentation and letters of representation to enable the accountants to perform their work.
9. The model tripartite agreement sets out the scope of the work that accountants are required to perform and clarifies the limitations on that work. Accountants interpret the ABC Reporting Standards as necessary for the purpose of their work. ABC recognises that accountants will report on the basis of their (the accountants') understanding of the ABC Reporting Standards, but that accountants are not giving legal advice to ABC or the publisher on that interpretation. If accountants are uncertain as to the interpretation of the ABC Reporting Standards, they should consider either seeking clarification from ABC, or requesting that the publisher reaches agreement with ABC as to the interpretation. The work performed by accountants is often described as a 'circulation audit' but is not an audit and is entirely separate from, and unrelated to, the accountants' statutory audit of the financial statements of the publisher (see paragraph 13 below). The scope of work is limited to that set out in the tripartite agreement.
10. The tripartite agreement clarifies that the accountants' working papers are the accountants' property and are not made available to ABC. However, communication between ABC and accountants on issues arising from the accountants' work is to be encouraged as this is likely to be helpful to ABC in its work on the circulation data provided by ABC members. This communication will be linked directly to circulation matters and could extend to issues concerning interpretation of the ABC Reporting Standards.
11. The model tripartite agreement includes provisions relating to accountants' liability to ABC and the publisher for the accountants' reports. ABC has agreed that accountants may cap their liability on an annual basis for all reports provided within each year (running from the date the tripartite agreement is signed). Accountants must agree the amount of any such liability cap with both ABC and the publisher.
12. Whereas the model tripartite agreement uses the word 'circulation', it is also used in connection with publications that are 'distributed' ie, given away free.

13. These reporting engagements to ABC are entirely separate from, and unrelated to, the accountants' audit of the financial statements of the ABC member for the purposes of the Companies Act 2006 and do not create any obligations or liabilities with respect to the statutory audit which would otherwise not exist. They are sometimes referred to as 'circulation audits', but it is important to avoid the term 'audit' in any public communication so as to avoid any lack of clarity regarding the separation of the engagement from the audit.
14. Accountants enter into separate agreements with the publisher regarding matters such as fees, timing of the work, and staffing arrangements. ABC is not a party to these separate agreements.

(b) Reports to ABC

15. Accountants provide their reports on the publisher's circulation return on standard forms that are completed by the publisher. Accountants provide an opinion that the details set out in the circulation return have been properly prepared in accordance with the ABC Reporting Standards. Accountants are required to complete an 'audit programme' and submit the completed programme to ABC, together with the forms. The ABC E-return system might be available for the submission of the return electronically. The form may be submitted on paper if necessary where E-returns are not available, and this, the 'audit programme' and any changes to the ABC Reporting Standards are available for the accountants and the publisher prior to the end date of each audit period. Additional copies of these documents are available from ABC (contact details on abc.org.uk).

THE ABC/ICAEW CIRCULATION AUDITS FORUM (ABC FORUM)

16. A joint ABC/ICAEW Circulation Audits Forum was set up in 2001 following meetings between senior representatives of ABC and ICAEW. Since its establishment, the ABC Forum has been a vehicle to resolve issues and improve communication between ABC and accountants. The ABC Forum encourages and champions the highest quality of 'circulation auditing'¹. Accountants performing these engagements should comply with the ICAEW Code of Ethics and should have appropriate skills and knowledge of the ABC Reporting Standards and apply sufficient rigour and consistency to their work in relation to ABC.
17. Accountants performing these engagements ensure that their staff receive appropriate training. Information about training offered by ABC is given in Appendix II.
18. Various communication channels exist between ABC and accountants. Further information is also provided in Appendix II.

¹ NB: this term is used here as these engagements are commonly referred to as 'circulation audits'. However, as explained in paragraph 13, they are entirely separate to the audit of financial statements and an audit opinion is not given.

APPENDIX I

AUDIT BUREAU OF CIRCULATIONS LIMITED (ABC) RETURNS – THE MODEL TRIPARTITE AGREEMENT

(NB: in this model tripartite agreement, the term 'Publisher' is used to refer to an ABC member)

The Board of Directors
[Name of Publisher]
[Address]

Audit Bureau of Circulations Limited
[Address]

Ref: [DD/MM/YY]

Dear Sirs

ABC Circulation Audits of Member Publications

1. Introduction

- 1.1 We are writing to confirm the terms on which you have engaged [Name of firm] to provide a report[s] on ABC certificates ('ABC Returns'), which [Name of Publisher] ('the Publisher') is required to submit to the Audit Bureau of Circulations Limited ('ABC') in respect of the publications listed in the attached appendix ('the Publications'). The Publisher may add or remove publications from this list from time to time by giving us and ABC notice in writing of the proposed changes at least 28 days before the ABC Returns are due.
- 1.2 These terms will apply to our report(s) to be supplied for the period ending [date] and for subsequent periods unless otherwise agreed in writing by all the parties hereto. We will write separately to the Publisher regarding practical matters such as the timing of our work, staffing and our charges. Our invoice will be addressed to the Publisher, who will be solely responsible for payment of the same in full.

2. The Publisher's responsibilities

- 2.1 The Publisher is responsible for producing the circulation data, maintaining proper records and completing the ABC Return in accordance with the Audit Bureau of Circulations Reporting Standards ('the ABC Reporting Standards'). The Publisher is further responsible for ensuring that the non-financial records are reconcilable to the financial records.
- 2.2 The Publisher will make available to us all records, correspondence, information and explanations that we consider necessary to enable us to perform our work.
- 2.3 The Publisher and ABC accept that any work performed by us under this letter cannot be accepted as being complete, unless we have been given full and free access to the financial and other records in connection with the distribution of the Publications under consideration, and the Publisher shall procure that any such records held by a third party are made available to us.
- 2.4 The Publisher will supply to ABC such information as ABC may reasonably require as relevant to the Publications under consideration and other Publications published by the Publisher.
- 2.5 The responsibility for the prevention and detection of fraud and irregularities rests with the management of the Publisher.
- 2.6 The Publisher owes a duty of care to ABC in relation to the Publisher's obligations to prepare the ABC Return.

3. Scope of our Work

- 3.1 We will prepare a report in respect of the ABC Return for each of the Publications (each a 'Report' and together 'our Reports') which will be addressed to ABC. In order to prepare each Report we will perform the following procedures. We will:
 - 3.1.1 perform the work set out in the Audit Programme as laid down by ABC in accordance with the instructions contained in the ABC Reporting Standards, as updated and in force at the time our work is conducted;

- 3.1.2 subject to the prior consent of the Publisher, answer ABC's reasonable questions arising from our work that relate directly to circulation matters and which could extend to issues concerning interpretation of the ABC Reporting Standards. However, all working papers and documentation generated by us as accountants are our property and are not made available to ABC;
- 3.1.3 report to ABC if there have been any limitations or restrictions to the scope of our work and/or the completed ABC Return does not comply with the ABC Reporting Standards and instructions prepared by ABC.
- 3.2 We will not subject the circulation data or related systems including those systems used by the Publisher for compiling the circulation data and complying with the ABC Reporting Standards to checking or verification procedures, except to the extent expressly stated.
- 3.3 The nature of the work we will undertake is not designed to detect significant weaknesses in any of the Publisher's systems, including circulation systems, and consequently we (i) may not detect such weaknesses; and (ii) do not accept any liability whatsoever for not detecting any such weaknesses. The responsibility for the Publisher's circulation and other systems rests entirely with the Publisher. However, in the event that we do detect any such weaknesses, we will bring these to the attention of the Publisher.
- 3.4 The Publisher and ABC accept that our work will be based on internal management information and will be carried out on the assumption that information provided to us by the management of the Publisher is reliable and, in all material respects, accurate and complete. We shall seek written representations from management in relation to matters for which independent corroboration is not available. We shall also seek confirmation that any significant matters of which we should be aware have been brought to our attention.
- 3.5 This is normal practice when carrying out work of this type, but contrasts significantly with, for example, a statutory audit. Even statutory audit work, with a significant level of detailed testing of transactions and balances, provides no guarantee that fraud will be detected. You will therefore understand that the work we undertake is not designed to and is not likely to reveal fraud or misrepresentation by the Publisher or the Publisher's management. Accordingly, we cannot accept responsibility for detecting fraud (whether by management or by external parties) or for misrepresentation by the Publisher or the Publisher's management. The responsibility for the prevention and detection of fraud, irregularity, error and/or non-compliance with law or regulation therefore rests with the management of the Publisher.
- 3.6 Our work will be based on our understanding of the ABC Reporting Standards. We will not give legal advice to the Publisher or ABC on the interpretation of the ABC Reporting Standards and, to the fullest extent permitted by law, we do not accept any liability in contract, tort (including negligence) or otherwise for any loss suffered by the Publisher or ABC or any other person as a result of incorrect interpretation of the ABC Reporting Standards by us or any other person.

4. Form and use of Report

- 4.1 Our Report will be addressed and issued to ABC and, subject to any adverse findings, will be in the form determined from time to time by ABC following consultation with ICAEW. The report will include an opinion from us as to whether the details set out in the circulation return have been properly prepared in accordance with the ABC Reporting Standards. So that the Publisher is aware of the contents of our Report, we will deliver copies to the Publisher at the same time. However, our Report is delivered to the Publisher for the Publisher's information only and the Publisher should not use our Report for any other purpose. This letter will be identified in our Reports as the 'tripartite agreement' under which our Reports have been issued. Our Reports will be issued to ABC and delivered to the Publisher on the basis that they are not to be copied, referred to or disclosed in whole or in part, to any other person without our prior written consent, which may be conditional.
- 4.2 Neither the Publisher nor ABC may rely on any oral or draft reports we provide. We accept responsibility to the Publisher and ABC for our final, signed Reports only.

- 4.3 During the engagement we may wish to communicate electronically with each other and ABC may request that we report in electronic form. However, the electronic transmission of information cannot be guaranteed to be secure or virus or error free and consequently such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. We each recognise that systems and procedures cannot be a guarantee that transmissions will be unaffected by such hazards, but we each agree to use commercially reasonable procedures to check for the then most commonly known viruses before sending information electronically.
- 4.4 We confirm that we each accept these risks and authorise electronic communications between us. We will each be responsible for protecting our own systems and interests in relation to electronic communications and, to the fullest extent permitted by law, neither we, the Publisher, nor ABC (in each case including our respective members, partners, employees, sub-contractors or agents) will have any liability to each other on any basis, whether in contract, tort (including negligence) or otherwise in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information.

5. Liability Provisions

- 5.1 We will perform the services set out in this letter with reasonable skill and care.
- 5.2 We shall accept liability to ABC and the Publisher to pay damages for losses caused by breach of contract or negligence on our part in respect of services provided in connection with or arising out of the engagement set out in this letter (or any variation or addition thereto agreed between the parties in writing) but, to the fullest extent permitted by law, our liability to ABC, the Publisher or any other party (whether in contract, negligence or otherwise) shall in no circumstances exceed [amount] in the aggregate per year (running from the date of this letter and from each anniversary thereafter) in respect of all such services provided in that year.
- 5.3 This engagement is completely separate from and unrelated to the audit of the Publisher's financial statements for the purposes of the Companies Act 2006 and performed in accordance with separate engagement terms. We do not, and will not, by virtue of providing a report under this letter or otherwise, assume any responsibility whether in contract, negligence or otherwise in relation to the audits of the Publisher's financial statements; we and our partners and employees shall have no liability whether in contract, negligence or otherwise to any other party, including ABC, in relation to the audits of the Publisher's financial statements.
- 5.4 We do not owe nor accept any duty to any person other than you for the services set out in this letter. We shall not be liable for any losses suffered by any other person caused by that or any other person's use of or reliance on our Reports/confirmations or our advice. You agree that none of our partners or employees will have any liability to you and you will not bring any claim or proceedings of any nature whatsoever arising (whether in contract, tort, breach of statutory duty or otherwise and including, but not limited to, a claim for negligence) in respect of or in connection with this engagement against any of our partners, employees or any subcontractors that we may use to provide the services.
- 5.5 The foregoing exclusions do not apply to any liability for fraud or other liability that cannot lawfully be excluded under the laws of England and Wales.
- 5.6 No person who is not a party to this agreement other than us and our subcontractors, if any, shall have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms. This agreement can be varied without any third party's consent.

6. Safeguarding Service

It is our desire to provide you at all times with a professional service to meet your needs. If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the engagement leader responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than the engagement leader, please contact [name]. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to ICAEW or other relevant professional body. You may obtain an explanation of the ICAEW complaints process at [icaew.com/index.cfm/route/139178](https://www.icaew.com/index.cfm/route/139178)

7. Other matters

- 7.1 Any party may terminate this engagement letter by giving the other parties hereto 30 days notice in writing.
- 7.2 We may agree additional terms with the Publisher in a separate letter.
- 7.3 This agreement shall be governed by English law and all disputes arising from or under it shall be subject to the exclusive jurisdiction of the English courts.

8. Acceptance of Terms

Please confirm that you agree to the terms of this letter [including the attached terms of business]² by signing and returning to us the enclosed copy of this letter.

Yours faithfully

[Name of firm]

Countersigned on behalf of the Publisher

.....

PRINT NAME

.....

Countersigned on behalf of ABC

.....

PRINT NAME

.....

Attachment:
Appendix – member publications

[publications to be listed]

² Firms may consider whether there are additional terms which would be appropriate to incorporate with the engagement letter by agreement between the three parties. It will be important to ensure that any such additional terms are consistent with those in the model tripartite agreement.

APPENDIX II



TRAINING AND COMMUNICATIONS

About ABC:

ABC has two roles:

- To manage and uphold standards which reflect media industry needs. These standards determine best practice in how media industry data is prepared and reported.
- To offer audit and compliance services to provide an independent check that data and processes meet these industry agreed standards.

ABC was founded in 1931 in response to advertisers' requests for an independent source of circulation data. Today ABC offers a variety of services for media owners to report their brand performance across print, digital, events and evolving platforms.

ABC is governed by the media industry, for the industry. The ABC Board comprises members from advertisers, media agencies, media owners and trade bodies who make strategic decisions as to how ABC is run. Each media sector has its own Reporting Standards Group drawn from media owners and agencies who work together to agree standards for the sector. Digital media standards are set by JICWEBS (Joint Industry Committee for Web Standards).

ABC has played a leading role in the International Federation of ABCs (IFABC) since its formation in 1967. This group forms a global network of audit bureaux from 36 countries to share knowledge and experience.

For further information, visit abc.org.uk. This website provides access to the latest ABC Reporting Standards.

Training:

ABC offers training for external accountancy firms to encourage best practice when carrying out 'circulation audits'³ and to ensure compliance with ABC Reporting Standards. Details of the training are available from ABC, email abcpost@abc.org.uk

Communications:

The ABC Forum facilitates two-way communication between ABC and accountants and meets two or three times a year. ICAEW, ABC and accounting firms are represented on the ABC Forum. A list of Forum members can be obtained from the Forum secretary Chris Cantwell, email chris.cantwell@icaew.com. From time to time ABC issues an External Auditor newsletter which covers issues discussed by the Forum. Further information regarding this is available from the ABC website (address above), in the 'Newsletters' section.

³ This term is used here as these engagements are commonly referred to as 'circulation audits'. However, as explained in paragraph 13, they are entirely separate to the audit of financial statements and an audit opinion is not given.

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