



AUDIT NEWS

Introduction

Welcome to Audit News 54, your regulatory update containing the latest technical guidance and best practice advice. Please share this issue with colleagues involved in audit work.

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Reminders from the Audit Registration Committee

Annual compliance review

Audit regulation 3.20 requires a firm to:

- monitor, at least once a year, how effectively it is complying with the audit regulations; and
- deal with any issues found on a prompt basis.

The audit compliance review (ACR) comprises two parts: a review of a firm's obligations under the audit regulations (a whole-firm review) and cold reviews of completed audit work.

ICAEW's annual return asks firms to confirm:

- that they have completed an ACR in the year;
- the date when the review was done;
- whether it included a whole-firm review and cold file reviews; and
- whether a record of the ACR has been kept.

Following a monitoring visit, the QAD regularly reports firms to the ARC because, despite making positive confirmations on the annual return that they've completed an ACR and kept a record, no such reviews were in fact carried out.

In some cases, firms have confirmed on successive years' annual returns that they've completed an ACR and kept a record; nevertheless, the monitoring visit reveals that reviews have not been carried out for some time.

In these circumstances, not only is the firm in breach of the requirement to carry out an ACR, it has also misled ICAEW by inaccurately completing the annual return.

Annual returns that are not completed correctly can have a serious impact on ICAEW's regulatory function and are likely to lead to regulatory or disciplinary action against the firm.

When the committee decides the level of regulatory penalty to offer a firm, it will use ICAEW's **Guidance on Sentencing**. The starting point for inadvertent errors and inaccurate statements in a firm's annual return is £3,450. Since 2013 the ARC has offered 14 firms regulatory penalties, averaging £4,250 each, for errors made on their annual returns.

The ARC refers more serious cases of deliberate or false statements made on the annual return for disciplinary action.

Regulations 7.02, 7.03 and 7.06 have been modified to accommodate FRC findings, and to indicate how the transition between regulatory regimes might be handled. This could arise, for example, if a firm ceases handling major audits during a sanction period.

As ICAEW is charged with implementing the sanctions, it follows that the enforcement regulations of the Audit Regulations continue to apply; so, for example, 7.03f has been amended and 7.03j added to enable the Audit Registration Committee to apply its own sanctions for non-compliance with sanctions levied under the ARSP. Interestingly, these particular sanctions can be appealed against using ICAEW's appeals procedure, provided they are not challenging the underlying FRC decision where the ARSP would apply.

We have also taken the opportunity to amend the names of bodies that have changed and to add a clarifying paragraph around continuing professional development.

- The Professional Oversight Board has been changed to the Financial Reporting Council.
- The Audit Inspection Unit is now the Audit Quality Review team.
- The Financial Services Authority is now the Financial Conduct Authority.

In the case of CPD, guidance has been added to regulation 3.17 to the effect that where individuals are registered themselves with one regulatory body, but their firms with another, then the most demanding CPD regulations of either body apply. This is mainly to address the impact of the Professional Qualifications Directive 2013 where overseas CPD requirements may be less comprehensive than those of the UK.

Notification of major audit appointments

The Audit Regulations define a 'major audit' as an audit conducted under UK law in respect of:

- a public interest entity; or
- any other person in whose financial condition there is a major public interest.

Under audit regulation 3.15, if a firm is appointed to a major audit client, or becomes aware that an existing audit client becomes a major audit client, the firm must notify the Audit Registration Committee (ARC) in writing as soon as practicable, but no later than 21 business days after the event.

This applies to all firms except those where the Audit Quality Review team of the Financial Reporting Council (FRC) undertakes a full-scope inspection. This waiver currently applies to nine audit-registered firms.

The FRC publishes an annual **list of major audits** for the purposes of audit inspection and notification of major audit appointments to the ARC.

The 2014/15 list includes:

- all UK incorporated companies with equity and/or debt securities admitted to the official list;
- AIM-listed companies with a large market capitalisation;
- very large private companies;
- large pension funds and charities; and
- all UK banks and building societies.

We have found a number of instances on recent monitoring visits where firms have failed to notify the ARC within 21 business days that they act for a major audit client. To date, the ARC has not taken regulatory action for such a breach. Nevertheless, this obligation has been in place for some time and the ARC expects that, by now, firms should be familiar with the requirements.

You should therefore ensure that:

- audit teams are aware of the nature and type of audit clients included on FRC's annual list of major audits; and
- you make appropriate notifications to the ARC within the required timescale.

You should keep this under review each year as changes to your clients and/or to FRC's list may mean existing clients that aren't currently 'major audits' subsequently fall within the definition.

In future, firms that fail to notify the ARC within 21 business days may be reported to the committee for it to consider whether regulatory action is necessary.

When you notify the ARC of the appointment, you should confirm the financial year-end of the first audit that the firm will undertake.

Please send your notification in writing to the ARC Secretary, Professional Conduct Department, ICAEW, 321 Avebury Boulevard, Milton Keynes, MK9 2FZ.

Support with your audit CPD

Review the latest audit technical changes and developments – [read more](#)

Audit arrangements for the Crown Dependencies

The audit arrangements in the Crown Dependencies of Jersey, Guernsey and the Isle of Man have been updated. The Crown Dependencies' Recognised Auditor regimes have 'equivalent' status under the European Union's Statutory Audit Directive. As their regimes are based on the UK model, in order to ensure parity, the relevant authorities in each of the dependencies agreed in June 2013 to mirror the FRC's UK Auditors Regulatory Sanctions Procedure and implement a parallel regulatory process through the Crown Dependencies' Recognised Auditor Regulatory Sanctions Procedure (CD RARSP). This step was advised to relevant firms in July 2014 and the CD RARSP was finally approved as a document in December 2014.

In order for the FRC sanctions process to fit with ICAEW regulatory processes, it was necessary to amend a number of the audit rules. The amended rules came into effect on 1 February 2015. [Find out more](#)

ICAEW is seeking candidates to join the new ICAEW Regulatory Board (IRB)

The new IRB will be responsible for overseeing the professional standards activities and statutory regulatory role of ICAEW including the development of policies, actions and the regulatory plan.

12 members - 6 ICAEW members and 6 lay ie non-accountant members - will work with the chair to ensure the IRB fulfils ICAEW's role as a cogent and independent regulator protecting the

ultimate consumers of ICAEW's services. For further details please visit icaew.com/committeevacancies

Develop the next generation of audit talent

Our mission is to ensure more talented individuals achieve the ICAEW chartered accountancy qualification, the ACA, because it opens doors to a great career and life opportunities. There are five main routes to the ACA qualification and many are available from school leaver age. While the variety of entry points ensures talented people can choose how they start their journey, the quality of the route remains consistent for everyone. Here is an overview of the many ways to chartered accountancy and the audit profession.

Routes to the audit profession

ICAEW Certificate in Finance, Accounting and Business (ICAEW CFAB)

ICAEW CFAB is a certificate-level qualification consisting of the first six modules of the ACA qualification. It provides fundamental knowledge and practical skills in finance, accounting and business. Suitable for school leavers, undergraduates, graduates and employees working (or wanting to work) in business and finance, it is achievable within 12 months. ICAEW CFAB is a standalone qualification and is as a route towards chartered accountancy.

Higher Apprenticeship in Assurance/Audit or Taxation

Higher Apprenticeships from ICAEW offer two distinct pathways of the Professional Services Higher Apprenticeship: the Higher Apprenticeship in Assurance/Audit, and the Higher Apprenticeship in Tax. Apprentices complete the ICAEW CFAB as part of the apprenticeship, which can then lead to the ACA qualification. Government funding is available in England and Wales to cover up to 100% of training costs.

AAT-ACA Fast Track

AAT-ACA Fast Track is a progression route designed by ICAEW in partnership with the AAT. It recognises the knowledge, skills and experience gained through the AAT, and enables some of this to count towards the ACA qualification. This route is suitable for AAT Level 4 students and AAT members.

Graduate

Recruit ambitious graduates from any degree discipline straight onto a career path as an ICAEW Chartered Accountant to join a three year ACA training programme. Recruiting graduates is the most commonly known path to chartered accountancy. The majority of graduate intakes start in September/October of each year; however, graduates can be recruited on to training agreements all year round.

Strategic degrees

We work closely with a number of Higher Educational Institutions to provide unique options to students focused on pursuing a professional accountancy qualification. Students have the opportunity to fast track towards ICAEW CFAB or the ACA qualification while completing their degree or postgraduate course. These strategic degree programmes provide excellent benefits for both students and employers, and are highly desirable for ambitious individuals.

Support to recruit the best

If you have audit training vacancies to fill, we can help you to meet potential students and promote your organisation at schools, colleges and universities, through a range of on and off-campus activities. From presentations and networking, to commercial awareness and employability skills sessions, our activities aim to help support you to recruit highly motivated and well informed individuals.

ICAEW Training Vacancies can also help you to reach individuals of all ages. Quick and simple to use and free to all of our authorised training employers, Training Vacancies is heavily promoted to our potential student audience and enables you to advertise roles ranging from school leaver and

graduate vacancies to internship and work experience placements.

Our national **Business, Accounting and Skills Education competition (BASE)** is also fundamental in helping authorised employers to develop connections with local schools and colleges. It's a great way for employers to talent spot individuals for their school leaver programmes. A wide range of employers choose to support BASE by offering ACA students or ICAEW members from their organisations to act as mentors for student teams. Many also take advantage of exhibition opportunities at the regional heats or national final to raise awareness of their organisation.

Train ICAEW Chartered Accountants

More than 3,300 organisations around the world, in a variety of sectors and sizes, already benefit by training ICAEW Chartered Accountants. To train ICAEW Chartered Accountants, you or your organisation will need to be authorised. It's straightforward, fast and free. Find out more at icaew.com/trainACA

For more information on how you can benefit from training ICAEW Chartered Accountants, contact Darren Marshall, Client Relationship Executive.

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