



AUDIT NEWS

Introduction

Welcome to Audit News 55, 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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Audit Essentials 2015

ICAEW audit monitoring reports highlight the areas for improvement and the support available for our audit firms. In this year's report, *Audit Essentials 2015*, we focus on two themes that are central to good auditing: setting the right audit strategy and doing a 'thinking audit'.

Apply to become an ATOL Reporting Accountant

From 1 April 2016, if you want to act for your ATOL licence holders and submit ATOL Accountants' Reports to the Civil Aviation Authority (CAA), you must be an ATOL Reporting Accountant.

CAA has developed the ATOL Reporting Accountants' scheme to help improve the standard of ATOL reporting and to provide assurance that any financial information submitted to them is accurate. They have designed the scheme to ensure accountants are sufficiently knowledgeable about the travel industry as well as the specific requirements of the ATOL scheme.

ICAEW's Licensed Practitioner scheme has been approved as a qualifying ARA scheme by CAA. We will open our application process as soon as CAA has finalised its arrangements with the other interested professional bodies. We hope this is imminent. You'll find further information and updates on our [website](#).

International Education Standard 8

On 1 July 2016 a new International Education Standard (IES) issued by IFAC's IAESB will come into force. IES 8 will set new professional competence requirements for audit engagement partners.

The new standard builds on the existing focus on:

- professional competence that is already a requirement of legislation;
- professional body licensing requirements; and
- registered auditors' internal due diligence.

IES 8 will therefore be complementary to firms' current procedures and practices. Nevertheless, it's important to be aware of the change and to take appropriate steps.

ICAEW will amend the application process for responsible individuals (RIs) in the coming months. It will become necessary for applicants and their firms to confirm that those proposed as RIs have achieved the competencies listed in IES 8 through their work experience and CPD. The application form will require examples. Similarly, in their review work from 1 July 2016, the Quality Assurance Department (QAD) will look to see that firms have appropriate procedures in place to meet the requirements of IES 8 and that selected engagement partners and other RIs are using a planned programme of CPD to ensure they are maintaining the competencies required by IES 8.

ICAEW will produce a guidance sheet on IES 8. You can download IES 8 [from IFAC's website](#).

Support with your audit CPD

Visit our website to [review the latest audit technical changes and developments](#)

Reference to QAD monitoring visits within transparency reports

Currently, firms that audit any UK companies with securities admitted to trading on a UK regulated market are required to publish a transparency report annually.

Over recent years, larger firms have started to include information in their transparency reports about the results of audit inspections by the FRC's Audit Quality Review team. A number of firms have extended this to refer to the QAD monitoring visit process, including the results of recent QAD visits.

If you would like to include information about your QAD visit in your transparency report, please contact the QAD to agree the wording before you publish the report.

The same applies if you wish to refer to your QAD visits elsewhere on your website or in other material you may have prepared, for example for marketing purposes.

From June 2016, the requirement to publish an annual transparency report will apply to firms that audit any entities falling within the definition of a Public Interest Entity (PIE) in the new EU Audit Regulation/Statutory Audit Directive. This includes credit institutions (including banks) and insurance undertakings as well as companies with listed securities.

Audit registration renewal notices

In November, ICAEW will send your firm's audit registration renewal notice by post. It will be addressed to the audit compliance principal.

Transition to FRS 102 – avoid the confusion

In this period of transition to FRS 102 and new UK GAAP more generally, one challenge for firms is to avoid confusion between GAAPs. Firms must ensure that they are clear about the financial reporting framework they are auditing. It is imperative that firms recognise the impact of the changes and prepare properly for forthcoming audits.

ICAEW's Audit and Assurance Faculty issued [TECH 13/14AAF](#) which provides guidance for auditors on the issues for auditors arising from the implementation of FRS 102. This includes guidance on:

- ethical matters, for example if audit clients ask them for assistance;
- what the auditor should expect management to be doing; and
- what the auditor needs to consider.

The Audit and Assurance Faculty continues to provide related guidance to members, for example through its magazine *Audit & Beyond* and its roadshows being held in various locations across the country.

ICAEW's Financial Reporting Faculty provides members with helpsheets on financial reporting, FAQs, and other resources, all available at icaew.com/newukgaap

How to sign Co-operative and Community Benefit Societies audit reports - advice from the Financial Conduct Authority (FCA)

The legislation does not prescribe the description to be used when signing off Co-operative and Community Benefit Societies' accounts. As a matter of course, the FCA no longer rejects accounts that fail to include the words 'Registered Auditor'.

Although the requirement is for eligibility as a statutory auditor, there's no legal requirement to use 'Statutory Auditor'. The FCA accepts accounts that say 'Registered Auditor' and accounts that say 'Statutory Auditor' but recommends using 'Registered Auditor'.

If the FCA were to receive information to suggest the accountants were not in fact eligible as statutory auditors, it would go back to the firm and challenge this.

The FCA has recently been receiving audited accounts that don't contain the auditor's signature. Although the Co-operative and Community Benefit Societies Act 2014 is silent on the matter, the FCA would prefer to see the auditor's signature on the accounts.