

VIEWSMercury Asset Mgt.

Better corporate governance through stronger boards, stricter a/c standards, improved communications between mgt & s/hldrs, last resort intervention by s/hldrs.

Accountancy Age

Two pronged attack : AFB pinning responsibility on directors
: Cttee making directors acble for their actions.

Cttee will lay down 'best practice' for directors
strengthen indepdnt. element on boards \leftarrow ^{needed} audit cttees.
guardian s/hldrs' interests. (also ensure wider interests taken into a/c)

Auditors posn. not strong enough. appt'd & paid by those they audit
+ Commercial pressures. How strengthen? a) audit cttees b) clear
definition what's expected of s/dirs \leftarrow then on to strengthening & quality

Avoid board split i.e. not just needs responsible for hiring firing
& suptg auditors.

How can audit be made both cost-effective & rigorous & ensure both
boards & auditors do their job properly. Australian code?

U.K. regard legally binding statements as restrictions to be met rather than helpful
to users.

But provided concepts central to integrity of running the co. rather than
political gestures, then shld receive support. Time is ripe.

International Cost.

Problem over increasing detail applying to UK, (European) based ops. ^{only}

Is all this a function of recession? Increasing awareness of options - Japan, Germany

EXPANDED AUDITORS' REPORT.

Include respective responsibilities for prep. of fin. statements by directors & auditors + description key features of audit.

Diffe. between "apparent public perceptions" of auditors' resp. (a assurances that go with that) & legal/professional reality.

Views on purposes of fin. statements, needs of users & role of audit in meeting those needs changing. (Gap is dynamic) (Expectations have increased)

Legislators, std. setters (ASB), regulators, directors of co's, preparers/users fin. statements all have part to play.

How far has increasing regul'n, resulted in attitude that if not illegal it's O.K.?

Issues addressed by proposals - misunderstands of nature of audited fin. states, as to type/extent work undertaken by auditors.

Not all gap issues can be dealt with in auditors' rept. ∴ guidance on o/pl matters + public booklet.

Existing practice brief, coded language, deviations visible ← signal.

Proposed — obligations on preparers of fin. states. ← Communication
— a/cg. concepts underlying them
— duties of auditors in rel'n to fin. states.

Language "whose meaning to the auditor & in normal usage is identical"
True & fair.

Caparo — value of audited statements unaffected. Def'n legal relationship auditors/users not for report.

Reports on other matters not referred to. Proposal does not require legisln.

Have changes occurred, if so why?

Coopers' reaction

Future prospects, "pressure will continue in bus." expectations are about future

Proposals Directors satisfied w. can continue, auditors shld. justify (as Directors/auditors report on adequacy of fin. info. systems ^{listing particulars} (done in fin. sector / bldg soes)).

Audit not just cheaper but cheapened.

Need to raise stds. & ethics to meet expectations.

Graham Searjeant

Reduce expectations too far, what is left? Pay better for better service.

Alcy Age. Intro of audit monitoring a watershed. Audit regulation will be made to work or it will be taken out of hands of profession.

Tweedie on pressures on auditors at CIMA Conference.

IMACE, Julian Osborne large L. in no. & seriousness ethical cases.

Roger Lawson (3i) deplore alcy professionals being put under ^{pressure} so much.

Sir Ron. (FRC) Caparo says auditors are able to s/hlds in Gen. Mtg. Individual s/hlds cannot be involved in corp. govt. so their posn. is irrelevant.

Shld. be concerned with best expression of what auditors are doing, if that is unsatisfactory, ∴ with what they shld. be doing?

FRC C/m's Statement Interim reports, what shld. be in them & shld. they be audited?

CIMA Reviewing & reporting performance. Management Discussion & Analysis? Interim reports. Survey. Audit Commission. Audit reporting practice to concentrate on plc's. Internal audit role.

Summary statements. FRC. c/m's statements.

ICAS. 1) Listed companies & substantial economic entities

2) All cos to which the public has been invited to subscribe.

IFAC 3) Public interest entities.

Obstacles to objectivity ; dominant personalities, ~~perfe~~ related pay.

Auditors shld. only express opinions on statements by directors, otherwise they might appear to be taking responsibility for what is the resp. of the dirs.

P.35. " Audit Ctee which demonstrates the presence of specific skills & independent advice"

36. Mgt. letters shld. be addressed to a properly constituted audit ctee.