



Specialist Assignment Manual News

Welcome to the July 2008 edition of our Specialist Assignment Manual (SAM) newsletter. Inside you will find a review of the updates that have been issued to your manuals over the past 12 months as well as news about the changes you can expect to see in the year to come.

Please pass this newsletter on to any colleagues at your firm who might find it useful. You can also find a PDF copy [here](#) on our website.

Coming up in 2008/09

We are currently working on two key technical projects that will dominate the updates to your manuals over the next 12 months. As you can imagine the introduction of the Companies Act 2006, particularly the parts that deal with reports and accounts and audits, bring about significant changes. Disclosure checklists are particularly affected but engagement letters, reports, proforma accounts and other documentation and procedures will also see change.

In addition to incorporating the provisions of the new Act we are also taking the opportunity to overhaul aspects of our standard audit documentation to further embrace the guidance contained in Practice Note 26. First to change will be our corporate audit manual, as this sets the standard approach for all of our 'true and fair' technical manuals, ensuring that you see consistent documentation whatever manual you are using. Changes to the documentation in this manual being made over the summer will therefore also be rolled out across the SAM range.

ISA+s - three audits on!

It was back in December 2004 that the APB issued the International

Standards on Auditing (UK and Ireland) (ISA+s) to apply to audits for accounting periods beginning on or after 15 December 2004. We all now have much more practical experience in how the ISA+s impact on auditing procedures.

We were already starting to plan for a review of our own standard audit documentation when Practice Note 26 'Guidance for smaller entity audit documentation' was issued in September last year. Our audit manual committee has since been looking at how we can improve the audit documentation and approach set out in our corporate audit manual. You will see the results of this review reflected in your SAMs later in 2008.

New SAMs

Inside you will also find details of two new SAMs issued this year. Going forward we continue to have plans to issue new specialist manuals dealing with service charge accounts and the administration of trusts. Details of these new manuals will appear in our monthly newswire over the next 12 months.

Charities

The 04.07 version of your Charities SAM included the provisions of the Charities Act 2006 (CA06) that had already been announced at the time of issue and also made preparations for future changes arising from the Act.

Following this update the Office of the Third Sector revised the implementation timetable for the Act and in the event, whilst there was a second Commencement Order as promised in the second half of 2007, it contained much less detail than was previously anticipated.

We contacted you by email with news of this delay, as the majority of the Act's provisions had been moved into 2008, and emailed you again following the subsequent issue of legislation in 2008.

Recent update

You should have recently received an update to your manual (06.08), reflecting the current situation as well as including new customer due diligence forms in accordance with the Money Laundering Regulations 2007 (for further details see inside right). There are further changes to come that affect charities, which originate from regulations issued in 2008 and the 6th Commencement Order of the Companies

Act 2006. These take effect for accounting periods starting on or after 1 April 2008 and 6 April 2008 respectively. The guidance notes in section A of your 06.08 manual include an explanation of these changes.

What's next?

The Auditing Practices Board has now issued a consultation draft of Practice Note (PN) 11 (Revised): The Audit of Charities in the UK. The consultation period runs to 10 July 2008 and a final version of the revised PN is expected later in 2008. Amongst other changes the draft PN covers the changes from the 2008 regulations and the Companies Act 2006 mentioned above and therefore will eventually apply for accounting periods starting on or after 1 April 2008. The next update to your manual will follow the release of the final version of the PN and the completion of our key projects for 2008/09 as discussed above.

Pension Schemes

Changes arising from a new Pensions SORP, which is mandatory for accounting periods beginning on or after 6 April 2007, were incorporated into the last update to your Pension Schemes SAM (02.08). This update also included changes to the documentation in respect of the Money Laundering Regulations 2007 (see inside right).

What's next?

The next update to the Pension Schemes SAM is scheduled to follow the completion of our review of the standard ISA+ audit documentation discussed above.



July 2008

FSA SAMS - Mortgage and General Insurance Intermediaries (MGI) and Designated Investment Firms (DIF)

NEW
SAM

Earlier this year we said goodbye to our Personal Investment Firms (PIF) and Securities and Futures Firms (SFF) SAMs and replaced them with a single Designated Investment Firms (DIF) SAM (04.08). As a subscriber to either of the PIF or SFF manuals you will have automatically received a complimentary copy of this new SAM.

We were able to introduce the new manual as a result of changes in the rules that govern the financial services sector, of which there have been too many to summarise in this newsletter! The good news is that the new manual can be used for a wider range of financial services clients, for example, investment management firms, as well as PIF and SFF clients.

The new manual includes documentation that deals with the variety of assignments that you could complete for your FSA clients:

- an FSA investment client money / assets audit;
- supplementary documentation to deal with the legal and regulatory aspects of:
 - a solely statutory audit; or
 - an audit exempt assignment.

What's next?

We are currently finalising an update to the MGI SAM which will adopt the same structure as that used in the DIF manual, therefore making it easier to select the right programmes for your client.

Solicitors

The legal profession is currently undergoing a period of change and as we mentioned in our July 2007 SAM newsletter, the Solicitors Regulation Authority (SRA) has now taken over responsibility for the regulation of solicitors from the Law Society. To date there have been some changes to the Rules and it looks likely that further changes are on their way.

In the last update to your manual (02.08) we dealt with some very minor changes to the Rules and also incorporated a Cold File Review Checklist into the manual for the first time.

What's next?

You will shortly receive another technical update to your manual that will incorporate changes to the Rules as a result of the Solicitors' Accounts (Residual Client Account Balances) Amendment Rules which take effect from 14 July. In brief, these amendments introduce specific obligations for the prompt return of surplus client funds and reporting to clients if funds are retained. They also permit solicitors to deal with the withdrawal of smaller residual client balances themselves, without recourse to the SRA.

Limited Liability Partnerships

As well as being very important news for companies, the introduction of the Companies Act 2006 also has a significant effect on limited liability partnerships (LLPs). The government consulted in November 2007 on the application of the Act to LLPs and in May 2008 published for comment draft regulations applying the accounts and audit provisions of the 2006 Act to LLPs.

At the time of going to print the regulations were still in draft form but are due to come into effect for LLPs in Great Britain and Northern Ireland on 1st October 2008, for financial years beginning on or after that date. This date is of course a different application date than that for the changes to apply to limited companies, where the changes came into effect for accounting periods beginning on or after 6 April 2008.

The next update to the LLP SAM will incorporate the changes arising from the new Act, along with the changes to the audit documentation resulting from our review of the ISA+ regime. The timing of the update will depend upon the finalisation of the legislation in this area - the application of the new Act to LLPs cannot be introduced early.

Audit Exemption

There have been two updates to the Audit Exemption SAM over the last 12 months. The first (08.07) significantly extended the scope of the manual for those who did not subscribe to our corporate audit manual by introducing guidance notes, an engagement letter, example reports and work programmes for unincorporated assignments. Changes as a result of the FRSSSE (effective January 2007) and FRS 29 (Financial Instruments: Disclosures) were also incorporated.

The second update earlier in 2008 (02.08) took account of the MLR 2007 (see right) and certain other changes to disclosure checklists as a result of amendments to FRS 17. We were also able to update the guidance notes in section A of the manual to reflect the changes to the audit threshold and small company / group criteria, introduced by SI 2008/393, The Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008. The new limits took effect for accounting periods starting on or after 6 April 2008.

What's next?

The next update to the manual will be dominated by changes arising from the Companies Act 2006. It will also include the new FRSSSE (effective April 2008).

The new FRSSSE

Issued in June 2008, the new FRSSSE reflects changes in company law arising from the Companies Act 2006. The good news is that no changes have been made to the requirements that are based upon Generally Accepted Accounting Practice!

FRSSSE (effective April 2008) only applies to accounting periods beginning on or after 6 April 2008 and cannot be adopted early. FRSSSE (effective January 2007) should continue to be used for accounting periods prior to this.

Look out on the '[latest updates](#)' page of our website for news of the issue date of this update.

Registered Social Landlords (RSLs)

In our July 2007 SAM newsletter we referred to the National Housing Federation announcement that the new 'Accounting by Registered Social Landlords' SORP would be delayed "due to clear differences of opinion within the sector regarding the issue of accounting for Shared Ownership and Mixed Development".

Further consultation took place and the new SORP was eventually issued in January 2008. It applies to accounting periods commencing on or after 1 April 2008, therefore will need to be used by most for March 2009 year ends and onwards, although early adoption is allowed.

We will incorporate the requirements of the new SORP into the next update to the manual later in 2008. The update will also include the changes resulting from our key projects for 2008/09 as discussed above.

Clubs and Friendly and Industrial and Provident Societies

Updates to both of these manuals are currently being finalised and are scheduled for issue in August.



Estate Agents

Those of you with estate agent clients will no doubt recall last year's news that the Royal Institution of Chartered Surveyors (RICS) would no longer be routinely requesting Members Accounts Certificates to be submitted by an external accountant. This change of approach, including new principles-based RICS Rules of Conduct, clearly had a significant impact on the Estate Agents and RICs SAM.

The outcome was the issue of an extended scope Estate Agents SAM earlier this year (04.08). As a subscriber to the Estate Agents and RICS SAM you will have automatically received a copy of the new manual.

The extended scope of the new manual

Your new manual now includes programmes that cover accounting records, receipts and payments, balances, fees and disbursements and branch offices for each of the following:

- Estate Agents Act 1979 (EAA) and the Estate Agents (Accounts) Regulations 1981 (EAAR);
- Royal Institution of Chartered Surveyors (RICS) Rules of Conduct;
- National Association of Estate Agents (NAEA) Rules of Conduct;
- Association of Residential Letting Agents (ARLA) Byelaws; and
- National Approved Letting Scheme (NALS) Accounting Standards.

Clearly with this many programme options to choose from it is especially important to select the right programmes for your client! The rules of the various associations are similar but are not identical and your clients may often be members of more than one of the associations dealt with by the manual.

Choosing the right programmes for your clients will be made easier if you generate your programmes using the 'Creator' option in the manual. The getting started guidance also provides some basic rules to help you get this right.

**NEW
SAM**

Specialist Training

We hold a number of courses over the year that provide specific training on the use of our Specialist Assignment Manuals. The courses currently cover charities and pensions together and there is a separate course for our FSA SAMs.

These courses are particularly useful for those who do not subscribe to our corporate audit manual and have not therefore benefited from training on how to make the best use of the Mercia system.

Details of venues and prices can be found on our [website](#).

We also run a number of courses that cover specialist sectors through our specialist course programme. Details of the current programme can be found on our [website](#)

Are we in touch with the right people at your firm?

We continue to make use of email alerts to keep you up to date with news and other technical changes that affect your manuals.

To do this we need to keep our database up to date with the contact details of the person at your firm who deals with your subscriptions. This will become increasingly important in the future as we move towards electronic delivery of your manuals. If the personal contact details for your firm's subscription change, please let us know by emailing Sarah Moore at sarah.moore@merciam-group.co.uk with the details of the change.

If you receive a technical news email alert from us please can we ask that you pass the relevant information on to the rest of your team! Finally, remember that you can check that you are using the latest version of our manuals [here](#) on our website.



Money Laundering Regulations 2007

One area that features in all of our technical manuals is the anti-money laundering legislation. You are no doubt already aware that the Money Laundering Regulations 2007 (MLR 2007) replaced the previous 2003 Regulations at the end of 2007. As a result of these new regulations we have introduced new customer due diligence (CDD) forms and prompts to the documentation included in your manuals as updates are completed. The prompts are to consider the update of CDD in the current planning and completion documentation and we have also updated the new client and identity checklists. In addition, we have put together a new money laundering specific risk assessment form, of which there is an alternative version (along with the identity checklists) that is more suitable for existing clients.

Tailored versions of the full range of these forms are due to be included in all of the SAMs that include 'true and fair' audit documentation and the audit exemption SAM.

Technical Support and Contact Details

We offer a free support service on making the best use of our Specialist Assignment Manuals. Additionally, if you are registered for technical support with us we also offer subject-related technical support. You can find out more about our technical support services and how to register on our [website](#) at

If you have any technical queries regarding your manuals please contact the relevant person by email or call us on 0116 258 1200.

Specialist Assignment Manual	Contact
Audit Exemption	Belinda Auchimowicz belinda.auchimowicz@merciam-group.co.uk
Charities	David Gallagher david.gallagher@merciam-group.co.uk
Clubs	Andrew Paul andrew.paul@merciam-group.co.uk
Estate Agents	Kris Taylor kris.taylor@merciam-group.co.uk
Friendly & Industrial & Provident Societies	Andrew Paul andrew.paul@merciam-group.co.uk
FSA-related	Jeremy Williams or David Southern jeremy.williams@merciam-group.co.uk david.southern@merciam-group.co.uk
Limited Liability Partnerships	Belinda Auchimowicz belinda.auchimowicz@merciam-group.co.uk
Pension Schemes	David Gallagher david.gallagher@merciam-group.co.uk
Registered Social Landlords	Belinda Auchimowicz belinda.auchimowicz@merciam-group.co.uk
Solicitors	Sally Hutchings or Andrew Paul sally.hutchings@merciam-group.co.uk andrew.paul@merciam-group.co.uk