

Specialist Assignment Manual News



Welcome to the July 2010 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 forward this newsletter on to any colleagues at your firm who might also find it useful.

All change ahead!

Our July 2009 SAM newsletter was dominated by news of changing legislation - the Companies Act 2006, Charities Act 2006, the Housing and Regeneration Act 2008 and others! As we now look forward to the year to come, it is auditing guidance that will take precedence and dominate, with the latest 'clarified' ISAs becoming effective for accounting periods ending on or after 15 December 2010. Much of our work is already done as we have been very busy with this major updating project for several months. You'll find an update on our progress below, as well as news on other topics that will affect your manuals in the year ahead.

Clarified ISAs - What's changed?

Summary

As you may be aware, all of the existing ISAs have been rewritten as part of the 'clarity project'. Each ISA is now structured in a new way, with clear objectives, definitions and requirements, together with application and other explanatory material.

The structure of the new standards certainly makes it easier to understand what is required and what is purely guidance.

The International Standard on Quality Control (ISQC 1) has also been rewritten, with revised guidance on quality control procedures becoming effective at the same time as the clarified ISAs.

Whilst all of the ISAs have been rewritten, the main areas of audit work that are affected by the changes are:

- Groups - ISA 600
- Related parties - ISA 550
- Estimates (including fair values) - ISA 540
- Control deficiencies - ISA 265
- Evaluation of misstatements - ISA 450.

Our update timetable

As you can imagine, our audit technical team has already been hard at work mapping the existing UK and Ireland ISAs to their clarified counterparts, preparing first draft revised procedures and

documentation, then discussing these with our Audit Manual Committee, which comprises of users of our system. Whilst use of clarified ISA audit documentation is not mandatory until December 2010 year ends and onwards, early adoption of the new standards is allowed.

We will make our updated corporate audit manual available from the end of July 2010 to those who request it. You might, for example, request an early copy if you have to undertake relevant interim audit work before the start of 2011.

Clarified ISA versions of our Charities, Clubs, LLP, Pension Schemes and Registered Social Landlords SAMs (our 'true and fair' audit manuals) will also be made available on an opt in basis later in the summer. A full launch of the updated manuals on our website is scheduled for the beginning of November 2010, in plenty of time for the start of the mandatory implementation period.

We'll be in touch nearer the time with details of how to opt in to receiving early copies of the updated manuals.

If you have no desire to adopt early and would simply like to use the new clarified ISA versions when required, for your December 2010 year ends and onwards, we will of course let you know when they are available to download from our website in November.

Training

As a result of these significant updates to our 'true and fair' audit manuals we have extended our usual audit manual training programme by introducing new options for 2010 /11.

Our programme includes introduction to the audit manual courses, clarified ISA - practical implementation courses, webinars and SAM training courses for charities and pensions.

If you are now considering your clarified ISA training needs visit our website for further details of the options we have available at

www.mercia-group.co.uk/clarifiedisas/index.htm



Keeping up to date

Remember that you can check that you are using the latest versions of our manuals on our website at www.mercia-group.co.uk/technical_manuals/updates.htm



Charities

After the turmoil of 2008/09 that resulted from changes in several pieces of legislation affecting different jurisdictions across the UK, 2009/10 finally seemed to settle down for charities. The last update to the charities SAM (September 2009 (09/09), version 6.0) dealt with a small number of changes arising from APB Bulletin 2009/3 - Auditor's Reports - Supplementary guidance for auditors of charities with accounting periods commencing on, or after, 6 April 2008 and also incorporated corresponding changes from the last update to our corporate audit manual.

What's next?

In England & Wales, whilst one or two remaining provisions of the Charities Act 2006 may be implemented later this year, these should not have a significant effect on your manual. North of the border in Scotland, as and when later this year proposals are enacted amending the 2006 accounting regulations (for example, increasing the thresholds for receipts and payments accounts) we will of course

update the manual as necessary. It is currently expected that these changes will take effect for accounting periods starting on or after 1 April 2011.

In Northern Ireland, following the Charities Act (NI) 2008, the Charity Commission for Northern Ireland (CCNI) is currently developing plans to create a register of charities for Northern Ireland.

There are no plans for a new Charities SORP on the immediate horizon and the introduction of Charitable Incorporated Organisations (CIOs) either side of the border is not now expected before 2011. Therefore the changes arising from clarified ISAs will dominate the next update to your manual.

In this respect, a draft revised Practice Note 11 is expected over the summer, dealing with clarified ISAs. The APB is also expected to publish revised guidance on audit reports for charities for December 2010 year ends onwards before the end of 2010.

Solicitors' Accounts Rules

Engagement letters

The latest version of the Solicitors Accounts Rules (SAR) became effective on 31 March 2009. These Rules were incorporated into the April 2009 (04/09) update to your manual. One aspect of this update was an amendment to the wording used in engagement terms, and in particular, the response from the solicitor in respect of a reporting accountant's whistle-blowing duties.

Experience from our SAR file reviews over the year has indicated that a number of firms have either not updated their engagement terms or have simply not obtained the appropriate response from the solicitor in respect of these whistle-blowing duties. We therefore recommend that you check your SAR client files. You will find both an engagement letter and a suggested response from the solicitor dealing with this matter in section B (example letters) of your manual.

The last update to the Solicitors' Accounts Rules SAM was issued in October 2009 (10/09) (version 5.1). This brief update formally incorporated the Microsoft Word version of the latest Accountant's Report Form into the manual and also introduced

an example representation letter for the first time, a practice recommended by the ICAEW Special Interest Group, although not required by the SAR.

What's next?

Looking ahead, the Solicitors Regulation Authority (SRA) has recently announced possible future changes to its regulatory approach. The current rules are very detailed and prescriptive and are not considered to make it easy to focus on higher risk areas. The aim is to enable the SRA's regulatory approach to be more targeted and risk based.

With this in mind, the SRA have announced a consultation on Outcome Focused Regulations (OFR). If you would like to see the full details visit www.sra.org.uk/consultations. We'll keep you up to date with SAR changes as they emerge.

Limited Liability Partnerships (LLP)

The significant September 2009 (09/09) (version 5.0) update to your LLP SAM dealt with the application of the Companies Act 2006, as well as the introduction of the improved audit methodology discussed in last year's newsletter. You will recall that the application of the new Act to LLPs did not,

in most cases, take effect until accounting periods beginning on or after 1 October 2008; that was September 2009 year ends and onwards for most.

Revised LLP SORP

The September 2009 update also referred to August 2009 exposure draft of the revised LLP SORP. The SORP had been revised last in 2006 and subsequently, FRS 25 'Financial Instruments: Presentation' had been amended to require certain amounts that would otherwise have been presented as liabilities to be reclassified, in limited circumstances, as equity.

The final version of the revised SORP was published earlier in 2010 and we sent an email alert out to all LLP SAM subscribers with this news in May. The email contained a link to our summary of the SORP's changes for those who wanted a heads up, in advance of the next update. The amendment to FRS 25 was highly technical and complex and the revision to the LLP SORP certainly reflected this! The revised SORP is effective for accounting periods beginning on or after 1st January 2010, that is December 2010 year ends and onwards for most.

The next update to your LLP SAM will formally deal with the revised SORP, as well as clarified ISAs.

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

November 2009 (11/09) saw updates to both the MGI and DIF SAMs issued bringing them into line with the latest changes to both the FSA Handbook, particularly in respect of CASS, and company law.

Looking ahead...

We're set for change! As expected, the coalition government announced in June its plans to abolish the FSA. In its place, a new Consumer Protection and Markets Authority (CPMA) will 'regulate the conduct of every authorised financial firm providing services to consumers' and will be 'responsible for ensuring good conduct of

business in the UK's retail and wholesale financial services'.

At this stage we can't be sure how your FSA SAMs will look in the future! The changeover to the new agency will take several months to implement and until new legislation is passed, the FSA will remain in place as regulator. We will of course keep you informed about the timetable for change, ensuring that you are prepared in good time to deal with CPMA regulation when it arrives.



Registered Social Landlords (RSL)

The May 2009 (05/09) (version 3.0) update to your RSL SAM dealt with a number of legislative changes arising from the Companies Act 2006, Charities Act 2006, as well as a new SORP from the National Housing Federation (NHF) and new guidance from the Housing Corporation, which has now been replaced by the Tenant Services Authority (TSA) following the introduction of the Housing and Regeneration Act 2008 (HRA 08). This update also incorporated our improved audit methodology.

The sector continues its transition through a period of change and earlier in May we sent out an email alert to all RSL SAM subscribers with a progress update. The first matter we referred to was the implementation of the audit and accounting requirements outlined in the HRA 08. Whilst the reporting details remain broadly similar to those of the 1996 Housing Act, reporting will, for accounting periods beginning on or after 1 April 2010, be under the new Act.

The TSA has now begun to take on its full regulatory role and has published a new regulatory framework which also takes effect from 1 April 2010. The new framework is a principles based approach, dealing with required outcomes rather than prescribed procedures, thus providing much less direct guidance than the Housing Corporation's Circulars and Good Practice Notes.

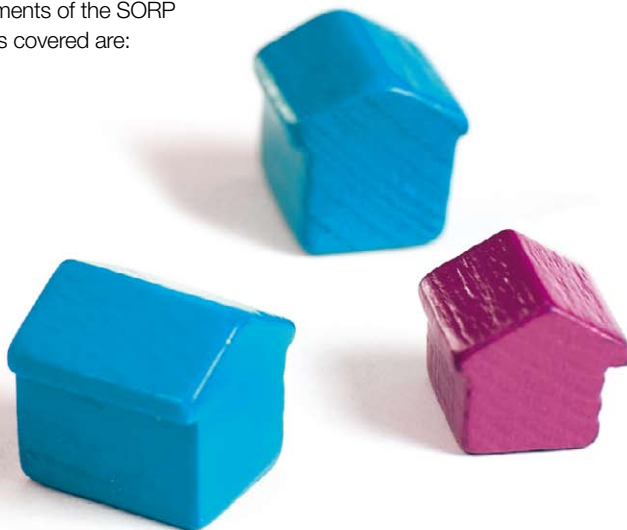
The next revision to your manual will deal with both of these developments, as well as clarified ISAs.

Revised RSL SORP

March 2010 saw the RSL SORP-making bodies publish an invitation to comment (ITC) and exposure draft (ED) of an update to the RSL SORP.

- The ED includes proposed changes to the requirements for negative goodwill and works to existing properties.
- The ITC seeks views on three draft Technical Notes that have been prepared as supplementary guidance to the SORP. These attempt to explain and illustrate the requirements of the SORP but do not form part of it. The areas covered are:
 - component accounting
 - impairment and
 - business combinations.

It is currently proposed that the updated SORP should apply to accounting periods commencing on or after 1 April 2011, that is March 2012 year ends and onwards for most. Early adoption will be encouraged. Once finalised, the changes arising from the revised SORP will also be incorporated into your manual.



Audit Exemption

With the Companies Act 2006 having been dealt with in the previous update to the Audit Exemption SAM, the last update June 2009 (06/09) (version 8.0) mainly clarified a small number of matters arising from that update. The next 12 months will see the SAM updated for routine matters and we will also remove the now expired Companies Act 1985 guidance and documentation from the manual.

The Provision of Services Regulations 2009

Going forward, one subject that will affect the engagement letters in all of our SAMs is the Provision of Services Regulations 2009. You may recall that earlier this year we alerted you by email to the new Regulations, which require you to make a certain amount of prescribed information available. We set out our plans to include optional paragraphs in our example engagement letters covering:

- Professional rules and practice guidelines / ethical requirements
- Conflicts of interest
- Authorisation and registration (mainly for audit engagement letters) and
- Professional indemnity insurance.

These paragraphs will be optional, as your firm may decide to make the required information available by other means. If you would like to find out more about the requirements of the Regulations **click here** for our summary.

Estate Agents

The last update to the Estate Agents SAM, issued in November 2009 (11/09) (version 2.0), dealt with recent developments in the sector and also with the Companies Act 2006. The next update to the manual will consider how ongoing regulatory developments may affect your clients.

- In the last quarter of 2009 the first estate agents to receive a ban and a substantial fine for failing to join a redress scheme, for example through The Property Ombudsman's Service, as required by The Consumers, Estate Agents and Redress Act 2007 (CEARA), were made public. We are still waiting for the statutory backing to the additional record keeping requirements under CEARA which, according to the Department for Business Innovation and Skills will now be enacted in 2011.

- NFoPP began a new disciplinary scheme in April 2010, which will apply to all its members, including members of NAEA, ARLA, ICBA and NAVA.
- Regulation has been eased by the suspension of the Home Information Pack from 21 May 2010, although homeowners, and by extension their agents, must still commission an Energy Performance Certificate before they can begin marketing a property.
- The National Approved Letting Scheme (NALS) has upgraded its membership to a licensed scheme. It was hoped that this would provide a framework for a future statutory scheme. Plans to regulate letting and management agents have, however, been abandoned for the present by the new coalition government.
- NFoPP and RICS members have been issued with further guidance on money laundering in the form of a consultation

draft which was issued jointly by the two organisations for comment in January 2010.

- The Assured Tenancies (Amendment) (England) Order 2010 has amended Schedule 1 to the Housing Act 1988, extending the limit below which tenancies will qualify as assured shorthold tenancies from £25,000 to £100,000. The practical effect of this for estate agents is that from 1 October 2010 deposits held for rentals up to this figure will need to be protected under the Tenancy Deposit Protection Scheme.

Pension Schemes

The last 12 months have been a fairly quiet time for occupational pension schemes regulation. The next update to your pension schemes SAM will deal with both our improved audit methodology and clarified ISAs.

Clubs and Friendly and Industrial and Provident Societies (FIPS)

Updates to the clubs and FIPS SAMs were last issued in December 2009 (12/09), dealing with the Companies Act 2006 and our improved audit methodology and Practice Note 27 (Credit Unions) and FSA Handbook changes respectively.

Looking ahead, updates in the current year will deal with any requirements from the Co-operative and Community Benefit Societies and Credit Unions Act 2010, which became law in the year. This Act was itself passed earlier in 2010. Your clubs SAM will also be updated for clarified ISAs.

Specialist Training

We hold certain courses over the year that provide specific training on the use of our Charities and Pension Schemes 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 at www.mercia-group.co.uk/technical_manuals/specialist_assignments_training.htm

We also run a number of courses that cover specialist sectors through our specialist course programme as well as specific conferences. Details of the current programme can be found on our website at www.mercia-group.co.uk/training/specialist.htm

This year, with the advent of clarified ISAs, we have extended our usual audit manual training programme. 'True and fair' SAM subscribers would also benefit from these courses, in particular our 'Clarified ISA Update' course. For further details visit our website at www.mercia-group.co.uk/clarifiedisas/index.htm

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 www.mercia-group.co.uk/technical_support/options.htm

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@mercia-group.co.uk
Charities	David Gallagher david.gallagher@mercia-group.co.uk
Clubs	Helen James helen.james@mercia-group.co.uk
Estate Agents	Kris Taylor kris.taylor@mercia-group.co.uk
Friendly & Industrial & Provident Societies	Helen James helen.james@mercia-group.co.uk
FSA-related	Jeremy Williams jeremy.williams@mercia-group.co.uk
Limited Liability Partnerships	Belinda Auchimowicz belinda.auchimowicz@mercia-group.co.uk
Pension Schemes	Hannah Howe hannah.howe@mercia-group.co.uk
Registered Social Landlords	Kris Taylor kris.taylor@mercia-group.co.uk
Solicitors	Sally Hutchings sally.hutchings@mercia-group.co.uk



SAM pricing

You may notice some changes to SAM pricing, effective from 1 August 2010. The pricing structure will change to become consistent with our corporate audit manual and will therefore be based on the number of Responsible Individuals (RIs) at a firm. The new structure will apply to both initial fees and to update fees, with the latter changes taking effect from 1 July 2011.

The new prices will be available on our website from 1 August 2010 and we'll be in touch early in 2011 with further details of the new update fees which will apply in 12 months time.

More SAMs ...

Finally, you may recall from last year's newsletter that we had plans to extend our SAM range. We referred to two new SAMs that were being considered - service charge accounts and the administration of trusts.

Unfortunately key regulations affecting service charge accounts did not emerge during the year and it seems unlikely that they will now be introduced before accounting periods beginning on or after 1 October 2010. We will let you have more news on this and therefore our plans as soon as we see the new regulations. We will therefore now be working on a specialist assignment manual covering the administration of trusts in advance of this.

Keeping in touch

Updates to your technical manuals over the last 12 months have either been issued by email alert or have contained news of a move to this system and away from CD updates. The development of our online services website means that you have 24/7 access to the latest versions of your manuals and that there are no more CDs that are lost in the post!

Email alerts announcing the release of an update will be sent to the email contact supplied to us either through your initial order or by subsequent instruction from you.

Clearly going forward it is essential that you keep us up to date with your contact details and should these change, please let Karina Mikolajczyk know in writing by email at karina@mercia-group.co.uk, by fax on 0116 258 1250 or at the address overleaf.

In order to download your updated manuals you will need to login to our online services website - email alerts announcing update news will contain a note of your username and how you can be reminded of your password if necessary.

