Letter from the Chairman

Hello and welcome to the sixth edition of our Newsletter.

I continue to have a wonderful experience as the Chairman of the Auditing Special Interest Group of the British Accounting Association. It has been a great pleasure to communicate with so many of the members of our Special Interest Group and the broader auditing profession community.

As you know by now, one of the exciting activities of our Special Interest Group is the production of this Newsletter. I want to encourage you to help us help you by keeping us informed of relevant developments affecting our profession. Please see the Editor’s Column on page 5 for more details on the objectives of The Newsletter and the call for contributions. We will strive to keep you informed through our website, and through our Newsletter. We will also periodically keep you informed of upcoming events and important information through email.

To be environmentally friendly and to keep the costs down, this and the forthcoming editions of our Newsletter would only be available via our website and be sent to our academic members as an attachment to an email. We would still continue to print a very limited number of the Newsletter. The printed version of the Newsletter would be sent to our non-academic members and also be used for publicity reasons.

We took some very important decisions during the last Executive Committee meeting that was held before the start of our conference in April 2010. Apart from the decision to reduce the printed copies of the Newsletter, as explained in the preceding...
Chairperson’s Letter

paragraph, we have decided to change the name of the conference to Audit & Assurance Conference (AAC). The previous name of the conference, the National Auditing Conference, was used for twenty years since 1991.

Another decision was to change the conference dates to Thursday and Friday (instead of Friday and Saturday that were used to be). As a committee we would very much like to establish close links with the institutes of chartered accountants in the UK and we hope that we would be able to tell you more in the near future.

During the last annual general meeting that took place in Aston during the 20th National Auditing Conference in April 2010, the membership of the Executive Committee of our Group has enlarged by one extra member overall. Eleanor Dart (University of the West of England, Bristol Business School) and Steve Leonard (Financial Reporting Council/Auditing Practices Board) have agreed to join the Executive Committee and we look forward to working with them on the Executive Committee. I would like to thank Eleanor and Steve and the rest of the Executive Committee for their willingness to work diligently on behalf of the Auditing Special Interest Group. Iain Gray tendered his resignation from the Executive Committee of ASIG. Iain has been involved with the National Auditing Conference and the ASIG Executive Committee since the outset in 1991 and has been the heart and soul of the Auditing Group since then. The Committee thanks Iain for his involvement and contributions all these years.

During the conference evening dinner at Aston, we organised short speeches by Brenda Porter, David Hatherly and Iain Gray about the 20th birthday of the conference. Brenda, David and I were also given the opportunity to give Iain a glowing vote of thanks and present him with a “thank you” card and a token of appreciation. See page 35 for Brenda’s poem that was read instead of a speech and page 24 for Iain’s speech.

The main present focus of interest for members of BAA’s Auditing SIG continues to be the annual conference (the Audit & Assurance Conference), and in 2010 we celebrated our twentieth conference. It took place in Birmingham, 16-17 April 2010 and was supported by Aston University Business School. The papers accepted for presentation were organised in plenary session. This way an excellent opportunity provided for members to interact and dialogue about important issues related to the audit profession. You can see the papers presented in the conference on the Research section of the Newsletter (on p. 14).

A distinctive characteristic of the Audit & Assurance Conference resides in its willingness to gather a unique mix of practitioner and academic audience and presentations. As a result, we are very pleased to see among others the ICAEW’s continuing support in terms of their willingness to talk about current auditing issues that occupy the accounting profession, and practitioners’ enthusiasm to participate in our conference.

The first keynote address of the 2010 National Auditing Conference was given by Hilary Lofthouse (Director, CA Education, ICAS). The subject of Hilary’s talk was about the ICAS approach to the teaching of ethics. See an article written by Hilary under the Features section of the Newsletter (page 23).

There were four research papers presented during the first day of the conference. These papers addressed a broad array of topics and research methods. The first day finished with the plenary panel session which considered the topic of The future of auditing after the crisis. Steve Leonard (Project Director, FRC/APB), Stuart Turley (Manchester Business School), Matthew Mullins (Audit Partner, PwC Birmingham), Martyn Jones (National Audit Partner, Deloitte UK), and Nigel Meredith (Audit Partner, E&Y Birmingham) presented their views on the topic of the session. The panel concluded with a Q&A session, and very interesting questions were raised and equally motivating answers were given. It was an extremely interesting session which lasted far more than the allocated time! The lively discussion ended because of ASIG’s annual general meeting, the evening dinner and célibité were on hold. Martyn and Steve have written their personal...
views on the topic of the panel session for our Newsletter, on p. 15. and p. 20 respectively.

The second day began with a keynote speaker, **Henry Irving** (Head of Audit & Assurance Faculty, ICAEW). Henry’s speech was on the new AQF programme and work on the external factors affecting audit quality and was very informative. See page 18 for the follow-up article. Four research papers were then presented on various auditing areas. All papers presented in the conference were particularly informative in providing information to help improve Auditing SIG’s members’ research.

The Organising Committee of the 2010 National Auditing Conference wish to thank our sponsors – the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS), and the Association of Chartered Certified Accountants (ACCA) who generously sponsored the 2010 National Auditing Conference at Aston Business School in Birmingham.

I am delighted to invite you to the 21st Audit & Assurance Conference (AAC) which will take place on 12 & 13 May 2011 in the ICAS CA House, in Edinburgh, Scotland! The planning of the conference is already underway, so make sure that you prepare your paper submission by the deadline (on January 10, 2011), and be sure to put the 21st AAC in 2011 on your spring calendar. For the call of papers and other information, see page 12, and page 28.

We are very pleased to announce the participation in the 21st AAC conference of Nathalie de Basaldúa (Head of Audit Policy Unit, EU Commission), Arnold Schilder (Chairman, International Auditing and Assurance Standards Board-IASB), Douglas Nisbet (past ICAS President, and an E&Y partner), James Gunn (Technical Director, International Federation of Accountants-IFAC), and Steve Maijoor (Netherlands Authority for the Financial Markets; and Chair of the International Forum of Independent Audit Regulators-IFIAR), among other distinguished speakers during the 21st Audit & Assurance Conference. Nathalie de Basaldúa will speak about the EU’s forthcoming Green Paper on the role and governance of auditors. Arnorld Schilder will talk about the need of regulation and harmonised auditing int’l standards to ensure high audit quality. James Nisbet will speak on the future of assurance. James Gunn, Steve Maijoor and others would be members of a panel session discussing the topic of whether the supervision and inspection of audit firms should be national or international.

Additionally, we would have a panel session on auditing teaching issues during the 2011 conference, and we would like to announce that Christine Helliar (University of Dundee), Emer Curtis (National University of Ireland, Galway), and Brenda Porter (University of Exeter) have agreed to participate and would debate ways of improving our teaching of auditing.

It is with profound regret that I announce the death of long-time contributor Jayne Smith. Jayne was one of the earliest members of the Auditing SIG and of its Executive Committee. Jayne really fought such a long hard battle for some time and I am sure we will miss her. Please see page 6 for an appreciation of Jayne’s life by Iain Gray. Also, please see page 7 for an appreciation of David Molyneaux’s life by Iain.

Closing this letter, I would share with you some rules for enjoying our jobs. These words of wisdom come from Dale Carnegie written in his book “How to Enjoy Your Life and Job” (published by Varmillion in 2007): 1. Do not try to imitate others. 2) Apply these four good working habits: (i) clear your desk of all papers except those relating to the immediate problem in hand, (ii) do things in the order of their importance, (iii) when you face a problem, solve it then and there if you the facts necessary to make a decision, and (iv) learn to organise, deputise and supervise. 3) Learn to relax at your work. 4) Put enthusiasm into your work. 5) Count your blessings – not your troubles. 6) Remember that unjust criticism is often a disguised compliment. 7) Do the very best you can!

If you would like to pass on any information or stories, then please email them to me, and I will make sure that they will be included in the next issue of the Newsletter.
Chairperson’s Letter

Finally, please feel free to contact me or other Auditing SIG Executive Committee members if you have comments or questions regarding Auditing SIG activities. Our contact information is on the Section’s website (http://static.aston.ac.uk/asig) and at the back page of this Newsletter.

Again, I would like to thank you for your support. I hope that the Auditing Special Interest Group has been successful in meeting your needs as a member. **Hope to see you in Edinburgh, Scotland in May 2011!**

ilias G Basioudis.

Chairman
BAA’s Auditing SIG
Aston Business School

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**AAC 2011 Annual Conference Announcement!**

The ASIG’s flagship event is its Annual Conference, now re-titled the *Audit and Assurance Conference*, which provides the opportunity for delegates to present their current research in auditing and assurance, meet and exchange ideas and experiences, develop their academic network, exchange best practice on educational objectives and teaching methodologies within auditing courses and an opportunity for the professional bodies and publishers to meet with academics and promote dialogue between them.

**The AAC 2011 conference will take place in Cardiff on the 12th and 13th May, 2011**  
*See Pages 12 and 35 for full details!*

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**Financial Accounting: a Practical Introduction**

by ilias G Basioudis

Financial Accounting: a Practical Introduction addresses what is a perceived lack of coverage in current texts: the shortage of a comprehensive number of practical examples and exercises together with fully worked answers to support and explain fundamental aspects of financial accounting. In addition, the book provides brief notes at the beginning of each charter which are designed to refresh students’ memory and understanding of the key points in each topic area of financial accounting.

You may use the book to introduce new accounting topics at overview level before delving into the detail typically included in a standard-size textbook; or, you may use the book as an efficient means to re-visit accounting topics towards the end of an accounting course; or, you may ask students to attempt a specific number of questions from this book at the end of each lecture/session.

If you have any suggestions and comments, please let me know at i.g.basioudis@aston.ac.uk
Letter from the Editor

Welcome to the sixth edition of The Newsletter for the Auditing Special Interest Group (ASIG) of the British Accounting Association (BAA).

The Newsletter provides a focus for supplying and receiving information on research and teaching in the auditing area, in the hope that new networks involving active contact and collaboration will arise. The aim at the moment is to publish the Newsletter once a year. The Newsletter will be produced in hard copy and will also be available on the ASIG’s website: http://static.aston.ac.uk/asig

The Newsletter relies heavily on members and non-members of the Auditing Special Interest Group to contribute views, ideas and any other relevant information. In the ‘Research’ section, information about relevant research being funded or in progress, working papers, articles ready for publication, etc, etc are of particular interest which we would like to include in The Newsletter. Also, if you have read a journal published article which you think it is of high quality and of particular interest to others, please let us know, as there will also be a dedicated section in The Newsletter on already published research.

Also, we are very interested in contributions to our ‘Features’ section in The Newsletter. This section includes short articles or commentaries of maximum 1,500 words. Examples of such submissions include critical reviews of literature, proposals for auditing innovations, case studies involving audit firms, or essays on professional or regulatory developments. In the current Newsletter an article on the future of auditing after the financial crisis by Martyn Jones of Deloitte UK is included under the ‘Features’ section. Also, please note Steven Leonard’s (APB/FRC) article on the auditing after the financial crisis. Hilary Lofthouse (ICAS) explains the teaching of ethics by the Institute. The nature of articles likely to be included in this Newsletter would more closely resemble the types of audit-focused pieces one might find in periodicals such as Accountancy or other similar practice outlets. Articles will be much shorter and unlikely to contain statistical analyses.

There is a dedicated ‘Teaching’ section in The Newsletter. This section also relies on your contributions, such as news of activities and developments related to teaching of auditing, teaching materials, case studies, etc. Also, vignettes or anecdotal accounts of challenging teaching-related incidents and how they were dealt with would be of high interest to our members.

The sixth edition of The Newsletter includes news about forthcoming conferences, one article by ICAEW’s Henry Irving on the new AQF programme and the factors affecting audit quality, our Newsletter poem, other important news that are highly relevant to our profession, and other relevant information from the professional institutes (such as ICAS and ACCA). So, make sure that you peruse this important information carefully.

In addition, please start collecting any items of news, teaching or research initiatives and events. Then send us these pieces which would be most appreciated, I can assure you!

Please send your letters and email messages to ilias G Basioudis, Aston Business School, Aston University, Birmingham, B4 7ET, UK. Email: i.g.basioudis@aston.ac.uk

We look forward to hearing from you in due course. Let’s develop The Newsletter of Auditing SIG into a worthwhile medium for news and information relating to our discipline..

Best wishes

Joanna Stevenson
Editor
Auditing SIG Newsletter
Audit Scotland
Appreciation of Jayne Smith

Appreciation of Jayne Smith

I am really sad that I have to report that Jayne Smith died in the early hours of 14 July 2010. Those of us who have been attending the National Auditing Conference over the years have much appreciated her presence and her contributions. All her friends recognized her as a very special person who showed great fortitude over the past five and a half years after she was diagnosed with ovarian cancer in late 2004. It is said that you cannot fight cancer and that you have to live with it. Jayne did though fight a good fight persuading the medical profession to give her treatment to keep the cancer at bay, and she fought too to maintain her family life when her financial position became critical.

As I record in another part of this newsletter, Jayne was a member of the early committee which created the ethos of the National Auditing Conference. She organized the third conference in Stoke-on-Trent and it was she who named it the National Auditing Conference to increase its status (As you know the conference has now been renamed as the Audit and Assurance Conference). She liked to think that the presence of women on the executive committee was one of the reasons why the conference was so friendly and supportive.

In the past day or so, I have been receiving letters from her friends and colleagues and without exception they say that she was always helpful and supportive of the people she knew whether in a personal or academic context.

Jayne was very proud of her Staffordshire background, maintaining that she was ‘a bit of rough from Staffordshire’. She introduced me to North Staffordshire Oatcakes. These are very different from the brittle Scottish variety, being large and floppy and delicious when eaten hot and rolled-up with bacon. The last conference that she attended was the nineteenth conference in Exeter and she and her husband put me up as I travelled down from Fife. We had Staffordshire oatcakes for breakfast and very good they were too.

Even when she was ill, Jayne insisted on attending the National Auditing Conferences in Dublin, in Cardiff and Exeter. She even asked me to book a room for her at the conference centre at Aston where the 20th conference was held this year, but was unable to attend as her illness finally took hold of her. I have very good memories of her as we spent a whole afternoon getting to know Exeter before the 19th conference; she even introduced me to the modern phenomenon of the Smoothie, insisting on buying me one at Exeter Quay.

The photograph shows Jayne talking in very typical fashion with Ursula Lucas at the 17th National Auditing Conference in Dublin in 2007.

We will miss her greatly.

Iain Gray
Appreciation of David Molyneaux

David Molyneaux – An Appreciation by Iain Gray

I first met David Molyneaux when he gave a paper at the BAA Scottish Group conference some years ago. The paper drew on stories in the New Testament which he believed pose essential questions about the nature of stewardship, accountability and fairness, which are themes at the heart of accountancy. I realised that I had met someone who, as a man of faith, was fully conversant with religious themes and who was able to use them to make them relevant to the concerns of today. His paper reminded me of the way in which Robert Burns made biblical texts relevant to struggling farmers in 18th century Ayrshire.

I have already mentioned that he was a man of faith, but he was no fundamentalist. The second time I met him was at a staff seminar in Stirling University when he lead a session on ethics, in which he discussed one of the scenarios which were later to be contained in his monograph, published by ICAS in 2008 - Ethical Issues Encountered by Chartered Accountants’. During the discussion after his presentation I asked him if, in his view, ethics had to have a religious dimension. “No!” he said, “It is perfectly possible to base ethics on philosophy. I realised then that I had met a really honest man, who did not allow his own faith to cloud his vision.

David was a really likeable man and one that I, personally, am very pleased to have known. It was with a great sense of shock when I heard that he was very ill as a result of a brain tumour which lead to his death on 22 April 2009. This was barely a year after he had taken part in a panel discussion at the National Auditing Conference in Cardiff in 2008. The panel session was on Professional Ethics and Corporate Governance and it was natural that we should have invited him to take part, as his background meant that his contribution would be of great value.

By all accounts David was not aggrieved that his life was to be cut short. It is those of us who are left who have the sense of loss of what could have been had his career been allowed to develop. I have selected a poem by Dylan Thomas to express the sense of loss in his poem – ‘Do not go gentle into that good night’ - although I am inclined to say that it is really we who ‘rage, rage against the dying of the light’, rather than a man like David Molyneaux who had given so much in his life, and whose words had indeed ‘forked lightning’.

DO NOT GO GENTLE INTO THAT GOOD NIGHT

Do not go gentle into that good night,
Old age should burn and rage at close of day;
Rage, rage against the dying of the light.

Though wise men at their end know dark is right,
Because their words had forked no lightning they
Do not go gentle into that good night.

Good men, the last wave by, crying how bright
Their frail deeds might have danced in a green bay,
Rage, rage against the dying of the light.

Wild men who caught and sang the sun in flight,
And learn, too late, they grieved it on its way,
Do not go gentle into that good night.

Grave men, near death, who see with blinding sight
Blind eyes could blaze like meteors and be gay,
Rage, rage against the dying of the light.

And you, my father, there on the sad height,
Curse, bless me now with your fierce tears, I pray.
Do not go gentle into that good night.
Rage, rage against the dying of the light.
Change of the National Auditing Conference (NAC) name

The Executive Committee of the Auditing Special Interest Group of the British Accounting Association would like to announce that the name of its main activity – the annual conference – has changed to Audit and Assurance Conference (AAC). The conference was held successfully in the last 20 years under the name of “National Auditing Conference”.

21st Audit and Assurance Conference (AAC)
May 12-13, 2011 – ICAS CA House, Edinburgh, Scotland

The 21st annual Audit and Assurance Conference of the Auditing Special Interest Group of the British Accounting Association – formerly known as the National Auditing Conference - will be held in the Institute of Chartered Accountants of Scotland (ICAS), CA House, in Edinburgh, Scotland on 12 & 13 May 2011.

Papers are invited in all areas of auditing and assurance, and auditing education. The call for papers and other details can be found on page 12, or on the following website: http://static.aston.ac.uk/asig

The organising committee is putting together an excellent programme. The Audit and Assurance Conference gathers a unique mix of international practitioner and academic audience and presentations.

The Sixth EARNet Symposium
16 & 17 September 2011 - Bergen, Norway

The European Auditing Research Network (EARNet) encourages submission of papers from a broad spectrum of auditing topics and research methodologies. There will be a best paper award. A Ph.D. Workshop will precede the symposium on Thursday 15 September 2011.

Deadline for submission of papers to the Symposium and Ph.D. Workshop is 15 April 2011. More information will be posted on symposium home site: http://www.ear-net.eu/

Look forward to AIU reports on the auditing firms for last year as they are due to be published very soon.

Ian Fraser, University of Stirling, is member of a working party on the future of assurance which is set up by ICAS. Ian is also due to participate in the 11th World Congress of Accounting Educators and Researchers, organised by IAAER. The congress is on November 4-6, 2010 in Singapore (for further details see p. 31 under ICAS News).
Change of British Accounting Association (BAA) name

For many years the British Accounting Association (BAA) has had many members in finance as well as accounting. To reflect the mix of disciplines in the BAA’s membership, the BAA will be changing its name from January 1st, 2011 to the **British Accounting and Finance Association** - or BAFA for short.

**BAA 2011 Annual Conference Announcement**

April 12-14, 2011 – Aston Business School, Birmingham, UK

The BAA’s flagship event is its Annual Conference which provides the opportunity for delegates to present their current research, develop their academic network, and an opportunity for the professional bodies and publishers to meet with academics and promote dialogue between them.

For further details: [http://www.baa.group.shef.ac.uk/events/conference/2011/index.htm](http://www.baa.group.shef.ac.uk/events/conference/2011/index.htm)

The 2011 conference will take place Tuesday 12 to Thursday 14 April 2011 at the Aston Business School conference centre, Birmingham, UK.

**BAA 2011 Doctoral Colloquium Announcement**

April 11-12, 2011 – Aston Business School, Birmingham, UK

The BAA’s Doctoral Colloquium is a national colloquium for students registered for a PhD/MPhil in Accounting and Finance at a UK or Irish University. The purpose is to bring together doctoral students to participate in plenary sessions lead by senior researchers, dedicated workshops presented by subject area specialists, and offer students the opportunity to present their own work and receive expert comment and advice from established faculty members. The Doctoral Colloquium also provides an opportunity for group networking.

The 2011 colloquium will take place Monday 11 April to Tuesday 12 April 2011 at the Aston Business School conference centre, Birmingham, UK.

**2011 Journal of Contemporary Accounting and Economics (JCAE) Symposium**

January 4-5, 2011 - The Hong Kong Polytechnic University


This symposium provides a platform for accounting, economics and corporate governance academics to present cutting-edge research findings and to exchange insightful perspectives. Papers are invited for the plenary paper sessions and concurrent paper sessions at the Symposium, to be held at the campus of The Hong Kong Polytechnic University on January 4-5, 2011.

Manuscripts should be submitted in MS-Word format to [j.cae@polyu.edu.hk](mailto:j.cae@polyu.edu.hk) by September 1, 2010. For further information, please click on [http://www.af.polyu.edu.hk/jcae.htm](http://www.af.polyu.edu.hk/jcae.htm)
News

Third International EIASM-BOCCONI Workshop on Audit Quality
Bellagio, Lake Como, Italy, October 1-2, 2010

The above workshop, the third in a biannual series, aims at promoting discussion among academics by sharing recent research on the major topics related to audit quality. For further details, please refer to the following link (regularly updated) for details concerning papers submission and administrative contacts:

http://www.eiasm.org/frontoffice/event_announcement.asp?event_id=731

O'CONNOR TAKES HELM AT CHARTERED ACCOUNTANTS IRELAND AND ANNOUNCES SET OF FUTURE OF AUDIT FORUM

Addressing the AGM Mr O'Connor discussed the relevance of the current financial reporting model and announced two initiatives in relation to audit – the establishment of an audit working group to consider possible future changes to the scope of the statutory audit in advance of publication of the European Commission’s Green Paper on Auditing and that the Institute would convene a Future of Audit forum bringing together stakeholders to discuss these issues. For further details please click on the following website:

http://accountingeducation.com/index.cfm?page=newsdetails&id=151103

Source: AccountingEducation.com’s “Double Entries” email newswire

FRC report on promoting Choice in the UK Audit Market

The Financial Reporting Council has recently published its Fifth Progress Report on the implementation of the Recommendations of the Market Participants Group (MPG) and other relevant developments. Progress made in implementing the MPG Recommendations includes:

• The release by the Audit Firm Governance Working Party of its best practice code on the governance of audit firms; and
• Improved transparency reporting by the majority of relevant audit firms.

International developments include the announcement by the European Commission of a Green Paper on auditing and the expected passage of the Restoring American Financial Stability Bill, which should allow for easier co-operation between US and European regulators.

For more information and to download the report, please click on:
http://www.frc.org.uk/publications/pub2289.html

34th EAA Annual Congress
Rome-Sienna, Italy, April 19-21, 2011
For more details, click on the website: http://www.eaa-online.org/
New edition of the UK’s Corporate Governance Code

The new edition of the UK’s Corporate Governance Code – formerly known as the Combined Code – will help company boards become more effective and more accountable to their shareholders. It applies to financial years beginning on or after 28th May 2010. All companies with a premium listing of equity shares in the UK are required under the listing rules to report on how they have applied the Code in their annual report and accounts.


2010-11 Funding/Sponsorship Opportunities

Ernst & Young bursary

Ernst & Young are offering a Bursary of £1,500 for a UK academic to take a paper to the American Accounting Association International Accounting Section Mid-year Conference, January 27-29, 2011, in Tampa, Florida. The Bursary is open to academics at all stages of their careers. Submission of papers should be made electronically to Tony.hines@port.ac.uk by 30 September 2010. UK academics are encouraged to submit papers in financial reporting, auditing or corporate governance areas.

ICAS RESEARCH FUNDING

ICAS is committed to supporting high quality research which is timely and relevant to the accountancy profession or business. Applications are encouraged from researchers and institutions anywhere in the world and are welcome at any point in time. Successful applicants benefit from a close working relationship with a world class professional body that has close links with national and international policy makers and regulators. Research results are widely distributed and discussion events may be held to launch reports and encourage debate.

For further details of the application process and to download an application form please go to www.icas.org.uk/researchfunding. For an informal chat about a research proposal please contact the ICAS Research Centre on 0131 347 0237 or research@icas.org.uk.

Bank auditing

FSA/FRC have jointly published a paper on bank auditing. It is called “Enhancing the auditor’s approach to prudential regulation”. The discussion paper can be downloaded from the following site:

http://www.fsa.gov.uk/pages/Library/Policy/DP/2010/10_03.shtml

It’s a very interesting reading. Comments should be submitted by 29 September 2010.
CONFERENCE ANNOUNCEMENT and CALL FOR PAPERS

Auditing Special Interest Group,

British Accounting Association

21st Audit & Assurance Conference
(formerly National Auditing Conference)

12th & 13th May 2011,
in ICAS CA House, Edinburgh, Scotland

The 21st Audit & Assurance Conference (formerly known as the National Auditing Conference), organised by the Auditing Special Interest Group (ASIG) of the British Accounting Association (BAA), will be held at the Institute of Chartered Accountants of Scotland (ICAS), CA House, in Edinburgh, Scotland on Thursday 12 and Friday 13 May 2011. The conference organisation is supported by Aston University Business School.

The conference aims to provide a forum which: i) allows faculty from higher education establishments to meet and exchange ideas and experiences, ii) encourages the discussion of educational objectives and teaching methodologies within auditing courses, and iii) promotes the dissemination of current research and professional practice in auditing and assurance, and auditing education.

This conference has been successfully held at venues around the UK or Ireland for the past 20 years and attracts a mix of international academic and professional speakers. An important feature of the conference is that it is held in plenary session with papers presented serially rather than in parallel. Approximately 40 minutes is allowed for the delivery of each paper including an allowance of 10-15 minutes for discussion and questions. The conference organising committee invites papers in any area of auditing.

Email or post submissions to Ilias G Basioudis (Aston Business School, Aston University, Finance Accounting & Law Group, Birmingham, UK, email: i.g.basioudis@aston.ac.uk). Please indicate clearly in the subject line of the email the reason of your submission, for example “AAC 2011 submission”. To preserve anonymity, e-mail the cover page and the remainder of the manuscript as separate files. Submissions (abstracts or full papers) must be received by JANUARY 10, 2011 to be considered for the program. Full paper submissions will be given priority. Submissions are not eligible for consideration if they will have been published or accepted for publication by January 10, 2011. Final version of accepted papers will be required for binding into the conference proceedings by 1 April 2011 at the latest.

Early submission is highly encouraged. Any questions should be addressed to the Auditing SIG’s Chairman, Ilias G. Basioudis (email: i.g.basioudis@aston.ac.uk).

The Institute of Chartered Accountants of Scotland (ICAS) (http://www.icas.org.uk) is the world's first professional body of accountants, receiving its Royal Charter in 1854. It was the first to adopt the designation "Chartered Accountant" and the designatory letters "CA". The CA qualification is known around the world for consistency and high standards and ICAS enjoys a widely recognised reputation for providing the 'gold standard' in accountancy education. Edinburgh, the capital of Scotland, is situated on Scotland's East Coast on the south side of the Firth of Forth. Home of the Scottish parliament, Edinburgh is enriched with culture, fine architecture and hosts three museums and one of the most prestigious universities in the United Kingdom, The University of Edinburgh. The most well known attractions are Edinburgh Castle, the Royal Mile, the Holyrood Palace and The National Gallery of Scotland. The cities popularity grows each year and is now the most popular destination of tourists visiting Scotland and second only to London of tourists visiting the United Kingdom.

The conference has been sponsored since its inception by accounting bodies, our current sponsors being The Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants in England and Wales (ICAEW), and the Institute of Chartered Accountants of Scotland (ICAS). Their support has been invaluable through the years.

Auditing SIG’s website:
http://static.aston.ac.uk/asis
Research

Have You Read This?...

Agency problems and audit fees: further tests of the free cash flow hypothesis - Paul A. Griffin, David H. Lont, Yuan Sun
Accounting and Finance Vol 50 Issue 2, June 2010

External auditors’ reliance on internal audit: the impact of sourcing arrangements and consulting activities - Lois Munro, Jenny Stewart
Accounting and Finance Vol 50 Issue 2, June 2010

A previous version of this paper was presented in the 18th National Auditing Conference in Cardiff, UK

What it means to be an accounting professor: a concise career guide for doctoral students in accounting - Brooke Beyer, Don Herrmann, Gary K. Meek, and Eric T. Rapley
Issues in Accounting Education Vol 25 Issue 2, May 2010

What governance benefits of new assurance reports - Martyn Jones, Jo Iwasaki
International Journal of Disclosure & Governance, forthcoming

Big five audits and accounting fraud - Jeffrey Pittman and Clive Lennox
Contemporary Accounting Research, Vol 27 Issue 1, Spring 2010

National and office-specific measures of auditor industry expertise and effects on audit quality – Kenneth J. Reichelt, Dechun Wang
Journal of Accounting Research, Vol 48 Issue 3, June 2010

An Empirical Analysis of Auditor Independence in the Banking Industry – Kiridaran Kanagaretnam, Gopal V. Krishnan, and Gerald J. Lobo
Accounting Review, November 2010

Investor Reaction to Going Concern Audit Reports – Krishnagopal Menon and David D. Williams
Accounting Review, November 2010

Short-Term Accruals and the Pricing and Production of Audit Services - Caren Schellemann and W. Robert Knechel
Auditing: A Journal of Practice & Theory Vol 29 Issue 1, 2010

Please let us have any interesting papers you have read and would like others to read too.
Working Papers

These working papers were presented in the ASIG’s 20th National Auditing Conference in Aston Business School, April 17 & 18, 2010

“Testing the CPA Reliability Framework: The Effects of Engagement Type and Provision of Non-attest Services on Lenders’ Judgments”
F. Todd DeZoort, The University of Alabama, Mark H. Taylor, Case Western Reserve University, and Travis Holt, University of Tennessee at Chattanooga

“An exploration of the adoption of IFAC standards on ethical education by the accounting profession”
Jan Loughran, Newcastle Business School, Northumbria University

"Post-crisis...Where next for the External Auditing Function?"
Christopher Humphrey, Manchester Business School, and Margaret Woods, University of Nottingham

“The Impact of Audit Automation on Audit Expectations-Performance Gap: Evidence from the UK”
Kamil Omoteso, Leicester Business School, De Montfort University

“Audit Quality Demand in a Differentiated Market and Auditor Switching”
Xiao Xiao & Yi Zhou, both from China Center for Economic Research, Peking University

Other Working papers:

Big Four Audit Market Concentration and Client Earnings Quality Around the World
Jere R. Francis, University of Missouri-Columbia
Paul Michas, University of Missouri-Columbia
Scott Seavey, University of Missouri-Columbia

Strategic Pricing by Big 4 Audit Firms in Private Client Segments
Wouter Dutilliux, Katholieke Universiteit Leuven
Donald Stokes, Monash University
Marleen Willekens, Katholieke Universiteit Leuven

Materiality and the Relative Efficiency of Audit Engagements: A Distinction Between Managerial and Environmental Audit (in)efficiency
Ann Gaeremynck, Katholieke Universiteit Leuven
W. Robert Knechel, University of Florida
Marleen Willekens, Katholieke Universiteit Leuven

The Limited Liability Partnership Structure: An Empirical Analysis of the Audit Firm’s Decision to Change its Organizational Form
Bing Li, Nanyang Technological University
Clive Lennox, Nanyang Technological University

Voluntary Audits versus Mandatory Audits
Clive Lennox, Nanyang Technological University
Jeffrey Pittman, Memorial University of Newfoundland

The Impact of Cross-Listing on Audit Fees: Disentangling the Effects of Litigation Risk and Audit Effort
Jean Bédard, Université Laval
Elizabeth Carson, University of New South Wales
Roger Simnett, University of New South Wales

Agency Conflicts and Auditing in Private Firms
Ole-Kristian Hope, University of Toronto
John Christian Langli, Norwegian School of Management
Wayne B. Thomas, University of Oklahoma

Have you got any work-in-progress papers that you would like our members to know about? Send us your contributions to:
ig.basioudis@aston.ac.uk
The future of auditing after the crisis

This article is based on a presentation made by Mr Martyn Jones, National Auditing Technical Partner of Deloitte UK to the BAA Auditing Special Interest Group 20th National Auditing Conference at Aston Business School in April 2010

The UK and much of the developed world has experienced a major economic crisis. Indeed the recovery we are experiencing remains fragile and there still remains much economic and political uncertainty. At such a point in the cycle questions tend to be asked about the role of auditors but there are a number of matters that are relevant this time around.

The auditing firms were taking action before the crisis hit and indeed at the time were criticised in many quarters for being too robust in their auditing of bank assets that were required to be marked to market. Volatility in earnings, both up and down, through fair valuation of financial instruments meant bank earnings were inextricably tied to the fortunes of capital markets. The market data available at the time of audit report sign offs did not predict the subsequent total failure of global banking liquidity and the scale of the credit crunch. This was unforeseen by all concerned. However, some key disclosure developments and dialogue by auditors with regulators and government did take place and the firms obtained additional evidence to support the going concern status of the major UK banks – with hindsight, this judgement was proved right.

The development of capital markets and financial innovation has led to further complexity in the types of products and transactions financial institutions enter into. In turn, this has made accounting and auditing more complex. The Big audit firms have strength in depth in the area of accounting and valuing financial instruments as evidenced by the development and recruitment of people in this area. It is also notable that the steps taken by the firms to respond to the crisis were favourably commented on in the public reports of independent regulators on firms.

It is notable that perhaps a major part of the expectations gap this time around is actually an accounting expectations gap, less so an auditing expectations gap. The accounting profession do not set the accounting standards. We now operate in a relatively new regime where international accounting standards are applied globally and preparers, investors and auditors have had to acclimatise to a genuinely independent global accounting standard setter that has introduced many new accounting standards. The accounting standards are not perfect, they never have been, and it is true that IAS 39 has been subject to much criticism. In hindsight, criticisms have been made that IAS 39 required the recognition of incurred losses, rather than expected losses, in determining
impairment of financial assets such as loans. Differences of opinion in the accounting principles are now emerging and there is an ongoing healthy debate about which model is the most appropriate to apply going forward. Yet, looking back, irrespective of your particular preference of accounting principles, what is clear is that the application of accounting standards has been transparent and uniform before the crisis, during the crisis, and I expect will continue after the crisis.

Much has been made about the earnings and balance sheet volatility arising from measuring assets and liabilities at fair value. However, it needs to be borne in mind that fair value tells it as it is and by its very nature it is more volatile than cost since, by design, it reflects any volatility in the underlying markets. The auditor’s responsibility is to help ensure transparency, not to dampen cyclicalities. The value of investments can go up and down, and the accounting reflected that prices rose in the upswing and then went down in the downswing. The importance of financial information in wider business decisions, like distributions and bonuses, and in the wider economy, like the extent of capitalisation of our key financial institutions is an important debate. Yet the outcome of this debate should not be to use accounting as a tool to dampen cyclicalities because to do so would limit transparency and push any underlying problems under the carpet.

The so-called ‘repo 105’ transactions recently publicised by the investigation into the collapse of Lehman Brothers would not have been accounted for under IFRS and UK GAAP as they were under US GAAP. Under IFRS and UK GAAP the transactions would have been recognised on the balance sheet as collateralised lendings and borrowings, not off it. Furthermore, UK GAAP and IFRS GAAP have never been, and unlikely to ever be, soft on period end repos, other financial engineering or on a lack of consolidation of special purpose vehicles – also, FRS 29 and IFRS 7 require extensive disclosure of off-balance commitments and liquidity risk.

But the Treasury Select Committee has brought forward some recommendations on auditing. Although it has identified little or no evidence of audit failure, it has called for a public consultation on an outright prohibition on non audit services. It has also questioned whether the role of the auditor is too narrow. The Auditing Practices Board has received 149 letters of comment on non audit services indicating that an overwhelming majority of audit stakeholders are against outright prohibition and would prefer better disclosure of non audit services which would make directors more accountable and assist the shareholders in their voting decisions.

The most lively area of debate may be over whether auditors should continue to provide restructuring services to distressed companies. No evidence of audit failure from providing such services has been identified but a significant risk arises that, if auditors cannot provide rapid assistance, UK companies and jobs will be put at greater risk. Care should therefore be taken to ensure that there is not a regulatory over-reaction to a perception issue which has already been the subject of review by the APB in the recent past. Furthermore this is a subject of potential macro-economic significance which requires a full regulatory impact assessment which is yet to take place.

There is also a need to recognise that the whole economy should not be saddled with extra regulation. This appears to be the premise for the measured response being taken by the Financial Reporting Council to the financial crisis in the area of corporate governance, and it needs to be borne in mind that the underlying principle of proportionality is also of relevance to auditing.

So what is the way forward? Much depends on effective dialogue with all stakeholders including the corporate sector and investors. This is an area where the profession has been active. There has been useful debate by the Audit Quality Forum which draws together a wide range of audit stakeholders. ICAS has developed some well received guidance on non audit service disclosures by arranging for a report by a working group on non audit services led by a director of a fund management company and with wide stakeholder representation. ICAEW has also been seeking views from stakeholders of bank audits. Investors expressed the strongest opinions. The feedback seems to be that although the audit process is highly valued because of the discipline that it imposes on accounting and financial reporting processes the audit reports required under auditing standards are seen as merely compliance statements with accounting standards and lacking in information.
content. Work is therefore taking place under the auspices of the APB and the international standard setters to develop a more meaningful form of auditor reporting. Other key insights from stakeholders were that:

- communication by regulators with auditors could be improved;
- with the growth in the size of annual reports, it has been increasingly difficult for users to identify the key areas of risk;
- skilled person reporting by auditors is under-used by regulators.

The FSA’s Business Plan includes a strong commitment to engage effectively with external auditors including more skilled person review, supervisory meetings with auditors, and possibly additional assurance on regulatory returns. A report setting out relevant recommendation for changing the role of auditors of banks is expected from the ICAEW. All of this is to be welcomed.

Timely guidance was also issued by the APB and the global auditing and assurance standard setter on the audit of going concern and of fair value. Also, after more than five years work and input from key regulators and other audit stakeholders, much is already happening to enhance audits through the adoption by the APB of the new Clarified and Revised International Standards on Auditing for periods ending on or after 15 December 2010.

Many other key developments are taking place to respond to public concerns including the new UK Governance Code for major audit firms (leading to the appointment of independent non executives), transparency reporting by firms, public reporting by the Audit Inspection Unit on firms and the AIU sharing the key points of their individual reports with clients and a proactive approach by the new chairman of the international auditing and assurance standard setter in seeking stakeholder views.

So what else is needed? I would suggest that we need to have global rather than local auditing, ethical and accounting standards. Given the growing level of foreign investment and the extent of audit work referred internationally, more focus is needed on global solutions. This would be in line with the G20 output and the call by Lord Turner for more global architecture for the regulation of the Big Audit Firms. More focus could be applied to the stewardship needs of investors globally. Users also need to be involved more in the standard setting processes which should be more evidence-based. Academia can also have an increased role in gathering evidence. There could also be additional assurance reporting for targeted aspects of financial institutions and those aspects of the Stewardship Code that are capable of being objectively verified.

All in all much is already happening and what needs to be done going forward needs to be weighed up carefully.

Martyn Jones is the National Auditing Technical Partner of Deloitte and a member of The Advisory Board to Swansea University School of Business and Economics.

We thank Martyn Jones for the above article
The New AQF Programme and Work on the External Factors Affecting Audit Quality

This article is based on a presentation made by Mr Henry Irving, Head of the ICAEW Audit and Assurance Faculty, to the BAA Auditing Special Interest Group 20th National Auditing Conference at Aston Business School in April 2010

The new programme of the Audit Quality Forum (AQF) seeks to influence the agenda for audit research and public debate.

So where we are now? The Treasury Select Committee (TSC) in the UK has raised questions about the value and relevance of audit in the wake of the financial crisis. Audit quality and independence were at the centre of the financial scandals at the turn of the century. Auditing and independence standards, regulation and audit risk management have developed in response. But, as a result, as the expectation gap has been managed is the relevance of audit now in question? How can we get to a sustainable position for audit balancing expectations with value? To do so there will be choices, tradeoffs and risks.

It seems like little progress has been made in addressing the expectations gap despite a significant increase in regulation over the last 20 years. Further regulation, such as banning non-audit services, is being considered. But will such a strategy ever address the expectation gap?

Professional Responsibility for Quality

We believe that auditing is a bit like brain surgery – you can’t write it all down! Practitioners not regulators are responsible for delivering quality so the profession should be responsible for quality and bridging the expectations gap.

A responsible profession should:

- have respect for regulation and its limitations;
- be innovative and listen to its stakeholders; and
- employ an evidence-based learning model and act on feedback from regulatory monitoring.

Such an approach is not unique to auditing and we would like to hear the input of a wide range of academics. There is much that is relevant to financial statement audit, for example from the disciplines of quality, safety and risk. Social science, psychology and political science approaches are as relevant as the more traditional economic, mathematical and regulatory disciplines.

ICAEW’s Role

So what is ICAEW doing to achieve this idea?

The AQF has brought together the stakeholders in audit (investors, preparers and regulators for example) to discuss audit quality. The latest project, how national infrastructures affect audit quality, is looking at regulation and its limits on a global scale.

The programmes on Shareholder Involvement, Fundamentals and Evolution provide a platform for the current and future work of the AQF. Information can be found on our website (www.auditqualityforum.com). The current Global Challenges programme concentrates on three areas:

- audit market needs;
- audit performance; and
- audited financial information.
Debates have been held on the needs of the audit market (the auditor’s potential role in managing systemic risk) and audit performance (the provision of non-audit services by auditors), and the first issues paper on audit performance is being developed to consider how national infrastructures affect audit quality.

All of these strands seek to improve the understanding and consensus between various stakeholders on how to sustain audit quality without necessarily resorting to more regulation.

Academic work sponsored by ICAEW charitable trusts such as Beattie et al Behind Closed Doors I and II (to be published late in 2010) has helped build consensus at the AqF but there is still a major agenda of issues connected with the globalisation of audit.

The AqF project on how national infrastructures affect audit quality seeks to address an elephant in the room: economic crime and corruption rates vary widely around the world. Should this be reflected in the number of qualified audit opinions?

Standard setters, regulators, investors and development agencies to name but a few are all interested and we would also like to shed some light on this question. This will be challenging for us as we do not wish to undermine confidence in audit quality or run down any countries.

There are many factors which affect audit quality; their classification and prioritisation are, however idiosyncratic. Both the World Bank and the UK’s FRC have published frameworks. To date standard-setters and regulators have sought to improve audit quality by concentrating on factors internal to the audit firm and audit process. However, external factors are also important in determining audit quality.

The AqF has questioned how effectively one could set standards to cover applying professional judgement. Examples, as one gets in accounting standards are helpful but further research into how quality is achieved, including the environment in which the audit is carried out is also a focus for the IAASB and one which, we hope, the AqF’s work will feed into.

It appears that there is little data and analysis for global comparison and, in our opinion, this should be a timely focus for research with the international standard setter, national regulators and international firms all concerned with the implementation of global standards.

So what else should be done?

Please look at the work we are doing on our auditing thought leadership programmes and consider how you can help or influence the direction of the programmes. Engage with our events, consultations and working groups.

Audit research, in our opinion, should help the profession deliver audit quality and answers in the following seven areas:

- **Global ISA implementation**: Mutual recognition of regulatory regimes remains problematic and some global firms have commented on the difficulties of implementing global standards in different cultures/ regimes.

- **Innovation** is key if financial statements are going to continue to add value in the audit society.

- **Technology**: Audit is still very much in the age of paper, as is the legal system in many countries. Therefore, obtaining and providing assurance in the internet age is a challenge for the relevance of audit.

- In many countries **SMEs** are unaudited. Confidence in financial information is vital to economic development and therefore finding a cost-effective way to achieve this, especially in developing nations is an important public policy priority.
Features

• Working with regulators on **systemic risk** also presents technical capability, legal and client relationship issues which need answers.

• Regulation, though vital to confidence in the profession, is also seen to be making audit more of a box-ticking exercise and less challenging and interesting for the best staff, affecting the **appeal of the profession**

• These challenges are all rich areas for research to help achieve a sustainable position for audit which balances **expectations with value**.

Your thoughts and input would be most welcome.

*Note:* You can download directly the AQF Global Challenges prospectus from the following link:

*Henry Irving is Head of the ICAEW Audit and Assurance Faculty.* He previously trained and worked in Big 4 firms, was the finance director of a London Market insurance company, led the insurance internal audit team at Norwich Union and was head of audit at the Civil Aviation Authority. Contact henry.irving@icaew.com or www.icaew.com/AQF for more information.

*We thank Henry Irving for the above article*

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**The auditor, an observer or a participant?**

*The future of auditing after the crisis.*

This article is based on a presentation made by *Mr Steve Leonard, Project Director Financial Reporting Council/Auditing Practices Board*, to the BAA Auditing Special Interest Group 20th National Auditing Conference at Aston Business School in April 2010.

This article addresses three issues I discussed as a panellist at the National Auditing Conference’s session on “the future of auditing after the crisis”. I seek to bring them together into a common theme of questioning whether the auditor’s role should be less as an observer and more as an active participant.

The three issues are:

• How active auditors should be in the development of accounting standards (The underlying quality of the financial reporting system);

• Whether the skill sets of auditors need to be upgraded to align with the demands of an increasingly complex financial reporting framework (The competency of auditors to operate effectively within the financial reporting system); and

• The need to communicate the auditor’s findings more effectively (The adequacy of the output into the financial reporting system from the auditor).
Features

The crisis has, I believe, brought these latent issues into the spotlight rather than contributing to their genesis. Major changes in both financial reporting frameworks and the role of auditors has often characterised the aftermath of similar crises in the past. For example, the Royal Mail case of 1931 (relating to the building up and drawing down of hidden reserves) gave rise to both requirements for the profit and loss account to be both published and audited and to change the audit report by replacing the “true and correct” opinion with the “true and fair” view.

**Role of auditors in the development of accounting standards**

An auditor is required to form an opinion as to whether accounts give a true and fair view. Accounting standards, although primarily aimed at preparers, define rules and principles which assist the auditor in forming its opinion. It seems rather strange, therefore, that until comparatively recently the accounting standard setting arena was not actively occupied by auditing standard setters. Auditors largely seem to have been content to be passive recipients of received wisdom set out in accounting standards. The divorce of accounting standard setting from auditing standard setting has always seemed to me to be an unnatural state of affairs and it is pleasing that recently there have been some developments that may move to rectify this.

IAASB is looking to establish more formal links with the IASB and is seeking to provide timely input on aspects of the IASB’s proposals which could pose difficulty in an auditing context. The aim of the IAASB is to ensure that relevant auditing considerations are part of the input to the development of IASB pronouncements. Although this is a laudable aim I expressed some concern to the conference that auditors should not be seen as being a dead hand inhibiting the setting of accounting standards.

I dislike the term “auditability” as it envisages far too narrow a role for the auditor in the sphere of accounting standard setting. Auditor input to accounting standards should involve consideration of whether the outcomes of particular accounting standards, and the standards taken together, are likely to give rise to a true and fair view. Auditing standard setters should work with accounting standard setters to actively test proposed accounting standards both in isolation and in the context of the corpus of accounting standards. Such testing could take the form of practical field testing or through financial modelling which would permit testing under different scenarios.

At the conference I also questioned whether there is a case for guidance for auditors to be developed with respect to individual accounting standards. I believe that such consideration should especially be given where the accounting standard prescribes a judgment process rather than a consistent outcome. As such standards contemplate a wide range of possible outcomes they provide considerable potential for management bias in reporting the financial position.

**Developing auditor skills to match the demands of the reporting framework**

Auditors increasingly need either to have, or to have access to, expertise in areas that lie outside of what, traditionally, has been included in an auditor’s training curriculum. For example:

- Understanding the client’s business model, its strengths and weaknesses and how it compares to the business models of its competitors. The skills required are likely to be similar to those that would be taught to an MBA student.

- Assessing a company’s quality of earnings. The auditor needs to understand sources of estimation uncertainty and how to evaluate the sensitivity of the results disclosed in the accounts to where within a range of reasonable outcomes the directors have decided to make their accounting estimates. The auditor needs much greater analytical skills and also to develop softer skills to facilitate challenging management’s judgments in an effective way.
• An ability to evaluate objectively client management’s valuation and impairment measurements so as to be able to converse with management on equal terms. The classic pyramidal structure of most audit firms results in many auditors in the field having little experience and who, as a result, may struggle to understand let alone challenge what management is doing.

Much has been written about whether a pyramidal organisation structure is appropriate for modern audits. No doubt the crisis will fuel debate over this hoary chestnut. One of the panellists responded to my third bullet by explaining that his firm has a large number of valuation and impairment experts engaged on audits. I was not questioning whether the firms are bringing adequate expertise to bear. My concern is the extent to which an auditor needs to have that expertise in his or her own right. If an engagement partner has to rely extensively on various “auditor experts” there is a risk that the auditor is not able to form its own opinion and becomes a collator of the opinions of others. In this circumstance the risk of the auditor experts not fully understanding the context within which they are working must be great.

Communicating the auditor’s findings

Auditors, company management and investors form part of a three way communication triangle. Many contend that the communication between management and investors and between management and auditors work very well but that the communication between auditors and investors is not working well. It is perhaps ironic (or illuminating) that it is the reporting between auditors and investors that is the most closely prescribed by law, which requires a terse opinion expressed in terms of the “true and fair view”. The other two sides of the triangle are either free form or governed by voluntary codes or less prescriptive law. As the debate over audit reporting progresses it seems increasingly apparent that massaging or extending the present audit report is unlikely to provide a solution. As discussed above the report is closely prescribed by law and there are potential liability, and other, issues for auditors were the report to be made more free form. To overcome these problems it seems that more informative audit reporting will need to develop outside of the traditional audit report perhaps on a voluntary basis and in a safe harbour environment. Such reporting may eventually be consolidated with the traditional audit report once its benefits can be demonstrated.

The consistent theme emerging from these three issues is that auditors should seek to be more actively involved in:

• The development of accounting standards;
• The skills necessary to fully participate (rather than engage experts) in audits where the determination of fair values and impairment assessments are critical;
• Reporting their findings to investors.

Steven Leonard Project Director: Auditing Practices Board.
(Any views expressed in this article are personal views of the author and should not be attributed as being views of either the Financial Reporting Council or of the Auditing Practices Board)

We thank Steve Leonard for the above article
The ICAS approach to teaching Business Ethics

This article is based on a presentation made by Ms Hilary Lofthouse, Director of ICAS’s CA Education Faculty to the BAA Auditing Special Interest Group 20th National Auditing Conference at Aston Business School in April 2010

In 2005 ICAS set itself the challenge of raising the bar and aiming to produce Chartered Accountants that are more ethically aware and more passionate about engaging with businesses pro-actively, in a way that promotes good business ethical conduct.

In common with other accountancy bodies ICAS has always taught and examined the contents of the ICAS Code of Ethics. However we wanted to do something more than that – ethical dilemmas by their nature are not readily resolved by reference to a rule book and many of the more unsatisfactory decisions made in business have been defended by “I was acting in accordance with the rules”.

We cannot guarantee that our future chartered accountants will always make the right choice but we have an opportunity to engage positively with them to encourage these individuals to maintain and elevate standards in both the accountancy profession and in businesses. When Ford were considering whether to recall the Pinto car due to the potential risk of a fuel tank explosion on impact, one of their accountants was asked to calculate the cost of injury/death versus the cost of recall. If that accountant had been more deeply concerned by the significance of that task, and with the consequence of not recalling faulty motor vehicles, or had perhaps felt more empowered to challenge the decisions of senior management, lives would have been saved.

Every business has an accountant working in it or advising it – we spread our tendrils far and wide and have a unique insight into what businesses do. If we are prepared to take the time and notice what is happening around us we can be a positive force on the conduct not only of our own accountancy profession, but on the businesses we advise.

We aim to help students to see that, although they may perceive themselves to be at the bottom of the food chain, they could make a big difference in any organisation they worked in by exerting pressure on others to make reasoned and more ethical decisions.

The more we delved into the topic, the more we were able to convince ourselves that we could usefully spend days, if not weeks, working with students to raise their awareness. We settled on two additional teaching days (one at the beginning of training and one at the end), and a compulsory essay based assignment.

Using personal dilemmas and case studies, we explore the consequential effects of unethical behaviour and whilst doing so cover matters such as honesty, bulling, fair play etc.

A considerable period of the class day is spent in discussion and debate and this is undoubtedly one of the most valuable components of the course. As students learn to listen more carefully to the views of others and adopt different perspectives, they move away from being judgmental to be more thoughtful and reflective, sceptical but open minded.

The course also includes a selection of dilemmas based on the experience of ICAS members and a wide range of scenarios arising in day to day modern society.

For the first day in class we use subject material that is accessible and does not require advance technical knowledge. The material is not necessarily accountancy based or even exclusively the domain of business – we happily extend to broader social issues such as euthanasia, childhood obesity etc.
The tutor’s role is very much facilitating, making sure that all views are heard, encouraging students to use the theoretical models introduced to challenge and develop their ideas, thinking about the practical impact of a proposed course of action from a variety of perspectives. There may be times when the tutor will guide students down a particular avenue of thought but it is very important to allow students to reach their own view rather than having ideas imposed by others.

By the second day of teaching (which occurs after 2 years of work experience) we expect the students to be much more worldly wise and have more experience of commercial pressures in the work environment. The activities we do on this day centre around the power wielded by large organisations, particularly those operating in global markets, and dealing with pressures on the individual to “comply” and to “succeed”, interaction with senior staff and work colleagues – when and how to take your concerns outside the organisation.

A clear message we convey is that it is the right, and in fact the duty, of every professional to understand and agree with the actions they take. We try to build the student’s confidence and help them to find the courage to take that action in an appropriate and professional manner.

_We thank Hilary Lofthouse from ICAS for the above article_

### Brief talk by Iain Gray at the NAC on Friday 16 April 2010.

_This is an edited version of Iain’s talk during the 20th National Auditing Conference dinner._

“Ilias has told me that I can say what I like and, in fact, what I have decided to do is to talk about

the three things that have been particularly important for me in my life:

This auditing conference;
My love of poetry, and
My love of the German language

So the structure of my remarks will be for me to talk first about the conference, but then to give you a poem in Scots and three poems by Rilke, all in the German language, but two of the latter in my own translation into English.

First the conference. It is really good to see so many wee kent faces and to see people here this evening who attended the first conference in 1991 – Stuart Turley (who gave a paper then on the Audit Expectations Gap) and David Hatherly who has attended 18 of the 20 conferences, all of which have been attended by me. But others here have attended many of the conferences – Brenda Porter, Allan Reid, Carol Masters, Ian Fraser and David Gwilliam who was always given a job to do – to encourage him to attend the conference. And others such as Joanna Stevenson, Jayne Smith, and Emer Curtis, who have been unable to attend this year.

The first committee established the ethos of the conference – we wanted it to be helpful to participants and above all we wanted it to be a friendly conference – and we certainly achieved these aims. Ursula Lucas and I organised the first two conferences on our own but by the fifth conference we had a good team – Ursula Lucas, Jayne Smith, Cath Gowthorpe, Mary Bowerman and
me. All women you will note apart from me. They made me feel I was in charge, but I rather imagine I was not. The conference would not have survived if it had not been for the people who organised it. We met once a year, dished out jobs to be done, we did what we had to do and a successful annual conference was the result. I have never enjoyed working with a group of people as much as I did with these four.

David Hatherly also played a key role, he and I used to meet in Edinburgh to come up with ideas for the conference. David provided more keynote speakers for the conference over the years than anyone else put together, he had such a wide range of contacts.

Why did Ursula and I start it off? A good question, but the answer to some extent lay in the fact that auditing academics at universities and polytechnics were a pretty isolated bunch - isolated in the sense that we tended to be the only person in a department who was teaching auditing (not in every case, but often). Not only isolated I might add but treated often with disdain by colleagues who had no idea how exciting auditing could be if taught properly.

We came up with a set of objectives – which still appear on the ASIG website today.

- To allow lecturers from higher education establishments to meet and exchange ideas and experiences.
- To promote the dissemination of current research.
- To discuss current professional methodology and techniques.
- To discuss educational issues

It took us 18 months to organise the first conference. Ursula persuaded a partner of KPMG to give a talk on the firm’s methodology (it was the first time I had heard of heightened risk at the boundary – very illuminating and fuel for a decent lecture.

I had read in Accountancy about a Price Waterhouse IT programme for teaching auditing to their staff, and of expert systems that had been developed by Ernst and Young – so down to London I went and persuaded the two firms to give a presentation. Over the years I can’t remember anyone saying NO! to us.

We had no idea that in 2010 the 20th conference would be held.

I must mention that the first five conferences were run independently of BAA, but BAA had announced that they were minded to establish special interest groups including one for auditing. When Ursula and I proposed that we take NAC into an Auditing Special Interest Group, all hell broke loose. The equivalent evening to this evening today was spent in furious argument as to the merits and demerits of going in with BAA. But we did eventually decide to form ASIG. I had some rare battles on the BAA executive to ensure that the ethos of the conference was maintained.

Personally I found the conference of the very greatest value. It encouraged me to wider reading and my teaching of auditing improved immensely as a result.

I could say a lot more about the conference, but two important final words about it – I started off with a lot of colleagues and I ended up with a lot of friends. I am more pleased about that than I can possibly tell you. And as far as the future is concerned, I have every confidence that ASIG and the conference will continue to develop under the guidance of ilias Basioudis and the present executive committee.

Now to the poetry. As I mentioned, this is very important for me and I am now on the planning committee of StAnza, the St Andrews International Poetry Festival
I will introduce the poems by telling a story about going to a party some years ago in Bremen in Northern Germany, held to launch my son’s (Clive’s) new recording studio. I was wearing the kilt at the behest of my Brazilian daughter in law. At one point I was talking to a group of about 6 or 7 people (all from Bremen apart for a New Zealander), when we were joined by Clive’s professor of music (an American), He said to me ‘I understand that people in Scotland use words like ‘laddie’ and ‘lassie’. I agreed with him that I had heard these words used and he then asked me to say something in Scottish I gave him and the group a poem by Hugh MacDiarmid – The Bonnie Broukit Bairn (The Beautiful Neglected Child).

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<thead>
<tr>
<th>The Bonnie Broukit Bairn</th>
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<tr>
<td>Mars is braw in crammasy,</td>
<td>a</td>
</tr>
<tr>
<td>Venus in a green silk goun,</td>
<td>b</td>
</tr>
<tr>
<td>The auld mune shak’s her gowden feathers</td>
<td>c</td>
</tr>
<tr>
<td>Their starry talk’s a wheen o’ blethers,</td>
<td>c</td>
</tr>
<tr>
<td>Nane for thee a thochtie sparin’</td>
<td>d</td>
</tr>
<tr>
<td>Earth, thou bonnie broukit bairn!</td>
<td>d</td>
</tr>
<tr>
<td>- But greet, an’ in your tears ye’l droun</td>
<td>b</td>
</tr>
<tr>
<td>The hail clanjamfrie!</td>
<td>a</td>
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He thought this was marvellous and said that it was very beautiful. He then said an enormously stupid thing: ‘What a pity that the German language is so ugly.’ I couldn’t believe my ears. I told him that German was one of the most powerful and beautiful languages in the world – and I asked him to listen to a poem by Rilke:

**Volksweise** [Folk song, in fact a poem about the folk song of Böhmen(Bohemia)]

| Mich rührt so sehr | a |
| böhmischen Volkes Weise | b |
| schleicht sie ins Herz sich leise | a |
| macht sie es schwer. | a |
| Wenn ein Kind sucht | c |
| singt beim Kartoffeljäten | d |
| klingt dir sein Lied im späten | d |
| Traum noch der Nacht | c |
| Magst du auch sein | e |
| Welt über Land gefahren, | f |
| fällt dir es doch nach Jahren | f |
| stets wieder ein. | e |

I said to him ‘IS THAT UGLY? and he retreated immediately, not daring to say anything other than that it was beautiful. The Germans present were amazed to see a man in a kilt defending the German language with such vehemence.

I will now give you two more poems by Rilke, but first I must tell you that Rilke had been living in the Artist’s Colony at Worpswede near Bremen, where he had met Klara Westhoff who became his wife. She was a sculptor and had been a pupil of Rodin, the great French sculptor, in Paris. Through her he became secretary to Rodin for about two years at the beginning of the 20th century. When he
arrived there he thought he was suffering from writer’s block and he told Rodin about this. Rodin had no time for this nonsense. He believed in travailler, travailler, travailler, and said to Rilke ‘Go into the Jardin du Luxembourg. You will see so many things there that you will soon write a lot of new poems.’ And 6 or 7 years later Rilke was to publish ‘Die neue Gedichte’ (the New Poems). This poem I am to give you is the first of the New Poems – Der Panther. In the garden Rilke saw this beautiful creature in a cage and he did something he was good at – putting himself into the position of that poor trapped creature. I will give you this poem first in my translation and then in Rilke’s original beautiful German. It is very difficult to translate poetry and you will notice that I have achieved meaning and rhythm, but have dispensed with rhyme.

**The Panther** by Reiner Maria Rilke, Paris, 1903, perhaps end of 1902, the first of the New Poems

His gaze from the passing of the bars
has become so tired that it holds nothing more.
For him it is as if a thousand bars were there
and behind the thousand bars no world at all.

The soft gait of lithe strong paces,
that turn in the very tiniest of circles,
Is like a dance of power around a centre,
in which benumbed a great will stands.

Only now and then does the curtain before the pupils open
without sound. - Then a picture enters,
goes through the tensed stillness of the body -
and closes in his heart

**Der Panther** von Rainer Maria Rilke, Paris, 1903, vielleicht schon Ende 1902, das erste der Neuen Gedichte.

Sein Blick ist von Vorübergehn der Stäbe
so mud geworden, daß er nichts mehr hält.
Ihm ist als ob es tausend Stäbe gäbe
und hinter tausend Stäben keine Welt

Der weiche Gang geschmeidig starker Schritte,
der sich im allerkleinsten Kreise dreht,
is wie ein Tanz von Kraft um eine Mitte,
in der betäubt ein großer Wille steht.

Nur manchmal schiebt der Vorhang der Pupille
sich lautlos auf -. Dann geht ein Bild hinein,
geht durch der Glieder angespannte Stille –
und hört im Herzen auf zu sein

And I will finish with a poem that Rilke wrote in 1899 when he was 24 (he was born in 1875) He is standing in the 19th century and he is looking towards the 20th with some trepidation – we know with hindsight that he was right to be filled with trepidation. As we were when, in 1999, we looked towards the 21st century.
Century Change by Rainer Maria Rilke 1899
I live at the time of Century-Change,
And feel the wind of an enormous folio
that God and you and I have created
and that turns itself high in alien hands.

One senses the brightness of a brand-new page
on which all possible futures can unfold.

The silent powers flex their muscles
and observe each other with sombre gaze.

Jahrhundertwende von Rainer Maria Rilke 1899
Ich lebe grad, da das Jahrhundert geht,
Man fühlt den Wind von einem grossen Blatt,
das Gott und du und ich beschrieben hat
und das sich hoch in fremden Händen dreht.
Man fühlt den Glanz von einer neuen Seite,
auf der noch Alles werden kann.
Die stillen Kräfte prüfen ihre Breite
und seh einander dunkel an.

Thank you!

The Auditing Special Interest Group of the British Accounting Association is pleased to announce the participation of the following distinguished speakers, among others:

- **Nathalie de Basaldúa** (Head of the Audit Policy Unit, EU Commission)
- **Arnorld Schilder** (Chairman, IAASB)
- **Douglas Nisbet** (past ICAS President and E&Y Partner)
- **James Gunn** (Technical Director, IFAC)
- **Steve Maijoor** (Chairman, IFIAR)

Nathalie de Basaldúa will speak about the EU’s Green Paper on the role and governance of auditors in Europe. Arnold Schilder will talk about the need of regulation and harmonised auditing int’l standards to ensure high audit quality. James Nisbet will speak on the future of assurance. James Gunn and Steve Maijoor would participate as members of the panel session during the conference.
The British Accounting Association, which was established in 1947, is a UK organisation which brings together those interested in teaching and research in accounting and finance. Please note that the Association is not a qualifying body for the purposes of practising accounting and finance, and members are not allowed to use or advertise their membership for business purposes. The Association currently has about 800 members, many of whom are employed in UK Higher Educational institutions. Other members include representatives from leading firms of accountants as well as a significant number of private individuals and people based outside the UK. The benefits of membership include:

- free subscription to the quarterly refereed journal The British Accounting Review;
- a free copy (in the year of publication) of the biennial The British Accounting Review Register - the authoritative reference work on UK accounting and finance departments and the lecturing/research interests and publications of 1,500 academic staff members across over 100 UK institutions;
- eligibility to:
  - join the eight Special Interest Groups of the BAA (see below for details);
  - join the four Regional Groups of the BAA;
  - attend the conferences, seminars, research workshops, and doctoral colloquium organised by the BAA and its sub-groups;
- reduced personal subscription rates for other journals, including Critical Perspectives on Accounting and Accounting Education.

During 2010 the Association’s Officers and Representatives are:

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<th>Role</th>
<th>Name and Institution</th>
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<tr>
<td>Chairperson</td>
<td>Christine Helliar, University of Dundee</td>
</tr>
<tr>
<td>Vice Chairperson</td>
<td>Neil Marriott, University of Winchester</td>
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<tr>
<td>General Secretary</td>
<td>Jeffrey Unerman, University of Manchester</td>
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<tr>
<td>Treasurer</td>
<td>John Wilson, University of St Andrews</td>
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<tr>
<td>Administrator</td>
<td>Kathryn Hewitt, University of Sheffield</td>
</tr>
<tr>
<td>Editors, British Accounting Review</td>
<td>Mike Jones/Howard Mellett, University of Bristol and Cardiff Business School</td>
</tr>
<tr>
<td>Editors, British Accounting Review Research Register</td>
<td>Christine Helliar/Lissa Monk, University of Dundee</td>
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<tr>
<td>BAA Newsletter Editor</td>
<td>Bruce Burton, University of Dundee</td>
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<td>Chair, CPAF</td>
<td>Keith Hoskin, University of Warwick</td>
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<td>Chair, CDAF</td>
<td>John Cullen, University of Sheffield</td>
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<td>Regional Groups:</td>
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<td>Scottish</td>
<td>David Power, University of Dundee</td>
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<tr>
<td>Northern</td>
<td>David Oldroyd, University of Newcastle upon Tyne</td>
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<tr>
<td>South Eastern</td>
<td>Jane Fletcher, University of Hertfordshire</td>
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<tr>
<td>South Western</td>
<td>Mark Clatworthy, Cardiff Business School</td>
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<td>Special Interest Groups:</td>
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<td>Accounting Education</td>
<td>Neil Marriott, University of Winchester</td>
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<tr>
<td>Accounting in Emerging Economies</td>
<td>Shahzad Uddin, Essex University</td>
</tr>
<tr>
<td>Auditing</td>
<td>Ilias Basioudis, Aston University</td>
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<tr>
<td>Corporate Governance</td>
<td>Jill Solomon, King’s College London</td>
</tr>
<tr>
<td>Financial Accounting and Reporting</td>
<td>Mike Jones, University of Bristol</td>
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<td>Financial Markets and Institutions</td>
<td>John Wilson, University of St Andrews</td>
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<td>Interdisciplinary Perspectives</td>
<td>Jim Haslam, University of Dundee</td>
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<tr>
<td>Public Services</td>
<td>Sheila Ellwood, University of Bristol</td>
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If you would like to join the Association, or if you require further information, please contact:

Kathryn Hewitt, BAA Administrator, British Accounting Association, c/o Management School, The University of Sheffield, 9 Mappin Street, Sheffield S1 4DT, UK.

Tel: 0114 222 3462; fax 00 44 114 222 3494; Email: baa@shef.ac.uk Web: www.shef.ac.uk/~baa

Registered Charity Number 299527

2) The economic, political and environmental climate has exposed shortcomings in the way public policy and regulation have developed in areas such as financial regulation, financial reporting, corporate transparency, climate change and assurance provision. In response to the challenges presented to the accountancy profession by this new business environment, ACCA’s Accountancy Futures programme has four areas of focus - access to finance, audit and society, carbon accounting, and narrative reporting. Through research, comment and events ACCA will contribute to the forward agenda of the international profession, business and society at large.

The role of audit is currently under heightened scrutiny. The global financial upheaval of the past three years has seen commentators questioning the value of large company audit. In a separate agenda, some governments have sought to minimise audit and other reporting requirements for many small businesses by inexorable lifting of the audit exemption threshold. They have equated audit to ‘red tape’, portraying the audit as a burden on small businesses from which those businesses need to be freed.

ACCA believes it's vital that the accountancy profession re-examines the role of audit and considers whether a sufficiently strong case is being put forward, of the benefits audit can provide businesses, the economy and society. There is little published research which demonstrates the value of audit in promoting business confidence. ACCA believes this value needs to be evidence-based and constantly tested against the demands and needs of users and beneficiaries of audit and assurance.

Further information can be found at: http://www.accaglobal.com/af/audit

3) Setting high quality standards dealing with auditing, reviewing, other assurance, quality control and related services, and facilitating the convergence of national and international standards of audit is the role of the IAASB (International Auditing and Assurance Standards Board). To aid the Board, the IAAER (International Association for Accounting Education and Research) has commissioned several research projects, funded by the ACCA (Association of Chartered Certified Accountants).

One of the projects looks into the Nature of Professional Judgement in Auditing, carried out by Ian Dennis from Oxford Brookes University: This research investigates the concept of professional judgement in the auditing context. The importance of professional judgement has long been recognised in auditing. ISA 200 requires that the auditor shall exercise professional judgement in planning and performing an audit of financial statements. Exercising judgement in following standards is a hallmark of a ‘principles-based’ system of standards. The project investigates the meaning of ‘professional judgement’ in the professional and academic literature relating to auditing. It also considers the use of the expression in International Standards on Auditing, in the IAESB’s Code of Ethics for Professional Accountants and in the IAASB’s Framework for International Education Pronouncements. The professional auditor’s understanding of the nature of professional judgement will be explored through interviews with practitioners. Understanding the nature of professional judgement is important to the IAASB in setting auditing standards that allow for its exercise, to auditors who are supposed to exercise such judgement in following ISAs and meeting the requirements of the Code of Ethics and to educators who teach practitioners how to apply them.
The final output will be a jointly-published (ACCA, IAASB and IAAER), practice-focused briefing report summarising the primary research findings of the programme. The project will be presented in its various stages in the following regions around the world:

- Singapore in June 2010 during the ISAR (International Symposium of Audit Research): research designs and preliminary results
- US, alongside a meeting of the standard setter in Spring 2011: interim research findings
- Europe, Autumn 2011: final report

ICAS Research News

IAAER 11th World Congress of Accounting Educators and Researchers
4-6th November 2010 – Singapore

ICAS is pleased to announce that it is a gold sponsor of The International Association for Accounting Education and Research (IAAER) 11th World Congress of Accounting Educators and Researchers in Singapore on 4-6th November 2010. The conference is a two day event comprising plenary sessions and concurrent paper sessions which include refereed paper presentations, panel sessions and a paper forum. ICAS will be sponsoring a symposium on “The Future of Assurance” – The symposium will be chaired by David Wood, Executive Director, Technical Policy, ICAS and speakers will include Professor Ian Fraser from the University of Stirling.

For further details see the IAAER congress website at: www.congress.iaaer.org

Register of Statutory Auditors
The Register of Statutory Auditors, covering all auditors registered in the UK by ICAS, ICAEW, ICAI, ACCA and AAPA, is now publicly available at wwwauditregister.org.uk. The website lists registered audit firms, registered individuals and details of the five supervisory bodies and has a number of search facilities and should be a useful source to researchers. The site is administered by ICAS on behalf of the five professional accounting bodies.

ICAS Technical News

Making corporate reports readable
It is a view that few, if any, would argue with. The annual reports of listed companies have become too complex and focused on compliance, rather than providing useful information on the business to investors. A potential solution is Making corporate reports readable. This ICAS publication demonstrates that it is possible to produce a corporate report in less than 30 pages which tells management’s story of what is important – eliminating the boilerplate narrative and providing decision-useful information. The example of Model Bank plc in Making corporate reports readable is a demonstration of how this might look in practice.

Download the publication at: www.icas.org.uk/mcr

Directors - Their role and responsibilities in a private company
ICAS has extended its range of practical guides for company directors with a new publication outlining the roles and responsibilities that face directors of private companies. The new guide is designed to help identify the duties and responsibilities of individual directors, other expectations of a director from the board and shareholders, and the potential risks to each director. It also outlines a number of practical measures that should help a director fulfill his or her role and to manage the risks effectively.
The provision of non-audit services - by audit firms to their listed audit clients
A Working Group established by ICAS to examine the issue of the provision of non-audit services by external auditors, after it was raised by the Treasury Select Committee in their report into the Financial Crisis, has issued its report.

The Working Group, which comprised representatives from the investment community, the FTSE 100, audit firms and academia, concluded that there is no benefit to be gained from a complete prohibition on auditors providing non-audit services to their listed clients. An overview of the debate, research and communication findings is included in the report.

Download the report at: www.icas.org.uk/nonauditservices

Shades of grey - Ethical dilemmas for CAs
In May 2008, ICAS published a research monograph by the late David Molyneaux, entitled What do you do now? Ethical Issues Encountered by Chartered Accountants, which featured a series of 28 ethical dilemmas faced by chartered accountants.

As reported in our last edition of this newsletter, in recognition of the work done by David Molyneaux, the ICAS Ethics Committee decided to undertake a follow-on project to produce a further series of case studies to try and illustrate the practical application of the principles contained in the ICAS Code of Ethics. These additional dilemmas have now been published in Shades of Grey which is available at: www.icas.org.uk/ethics

ICAS annual Aileen Beattie memorial event - Should statutory audit be dropped and assurance needs left to the market?
The annual ICAS Aileen Beattie memorial event was held on Wednesday 28th April 2010 in London. The following panellists contributed their perspectives and participated in the discussion:

- Guy Jubb, Investment Director and Head of Corporate Governance, Standard Life Investments
- Stephen Haddrell, Chief Executive, Financial Reporting Council
- Ian Powell, Chairman, PricewaterhouseCoopers LLP
- James Smith, Chairman, Shell UK Limited

A transcript from the event is available on the ICAS website at: www.icas.org.uk/aileenbeattie

Transcripts of earlier events can also be downloaded from this part of the website.

The Global Accounting Alliance pushes for more simplicity and usefulness in financial reporting
The Global Accounting Alliance (GAA), of which ICAS is a founding member, has issued a report summarising its New York, Beijing and London roundtables discussing financial reporting, entitled Making financial reporting simpler and more useful.

The report concluded that a single set of globally accepted and principles-based accounting standards focusing on transparency and capital market needs would be ideal for all stakeholders. The roundtables, held in 2009, were held with world-renowned accounting and financial reporting authorities, such as Sir David Tweedie, chairman of the International Accounting Standards Board and Dr. Liu Yuting, director general of the accounting regulatory department of the Chinese Ministry of Finance.

The report is available at: www.globalaccountingalliance.com

ICAS Research Publications

The Research Committee of ICAS published six new research reports in 2009 and, to date, six new reports in 2010. All of these reports are available to download free of charge from the ICAS website www.icas.org.uk/research

Noted below are details of our recently published 2010 reports:
The good, the bad and the ugly: A discussion of the impact of regulatory reform on the UK credit union sector
Donal McKillop and Ann Marie Ward, Queen’s University Belfast, John Wilson, St. Andrews University
Available to download at www.icas.org.uk/mckillop

Intellectual Capital Reporting: Academic Utopia or Corporate Reality in a Brave New World?
Vivien Beattie, Glasgow University and Sarah Thomson, Stirling University
Available to download at www.icas.org.uk/beattie-thomson

Meeting the needs? User views on external assurance and management commentary
Ian Fraser, Bill Collins and Jacqueline Pierpoint, University of Stirling and William Henry, Glasgow Caledonian University
Available to download at www.icas.org.uk/fraser-users

Measuring and assessing tone at the top using annual report CEO letters
Joel Amernic, University of Toronto, Russell Craig, Rhodes College USA, and Dennis Tourish, Robert Gordon University
Available to download at www.icas.org.uk/amernic

Recognising workforce health as a key organisational asset: A study of current thinking and practice
Robin Roslender, Howard Kahn, Heriot-Watt University and Joanna Stevenson, Audit Scotland
Available to download at www.icas.org.uk/roslender
If you would like to subscribe to receive email notification of ICAS’s new publications, research opportunities and ICAS’s Newsletter, please contact the Research Centre - research@icas.org.uk

ICAS has recently awarded the following grants:

The future of the accounting academic discipline in the UK: Where is the next generation of academics coming from?
Sarah Thomson, University of Stirling and Vivien Beattie, University of Glasgow

An analysis of the impact of IFRS8 compliance on the published financial statements of UK companies: An analysis of disclosures and an investigation of user, preparer and auditor perceptions
Louise Crawford, Christine Helliar and Dave Power, University of Dundee

Surviving the economic downturn: Exploring older people’s experiences of the impact of the current financial crisis and ways in which they can be supported during these times of crisis
Sarah Hearn, Stella Fearnley, Steven Ersser, and Lee Ann Fenge, Bournemouth University

The limits of translatability of IFRS - A study of textbook authors and translators
Rachel Baskerville, University of Exeter and Lisa Evans, Stirling University

The effectiveness of the processes for redress by institutional shareholders when board explanations of non-compliance with the Code of Practice for Corporate Governance are deemed unacceptable
Stuart Ogden, Sheffield University
For a full list of research projects in progress visit www.icas.org.uk/projectsinprogress
Poem as a thank you to Iain Gray

Newsletter Poem

In my appreciation of David Molyneaux in another part of this Newsletter I used a poem by Dylan Thomas to give a sense of loss, although I preferred to see the raging against the dying of the light as being expressed by David’s friends and colleagues, rather than himself. The poem that I have selected for this spot has a link to Dylan Thomas as it was read by him on one of his many readings for BBC radio. When I read this poem by W H Auden I can hear Dylan’s insistent voice.

-Iain Gray

As I Walked Out One Evening by W H Auden

As I walked out one evening,    'Into many a green valley
Walking down Bristol Street,    Drifts the appalling snow;
The crowds upon the pavement    Time breaks the threaded dances
Were fields of harvest wheat.    And the diver’s brilliant bow.

And down by the brimming river    'O plunge your hands in water,
I heard a lover sing    Plunge them in up to the wrist;
Under an arch of the railway:    Stare, stare in the basin
'Love has no ending.    And wonder what you’ve missed.

'I'll love you, dear, I'll love you    'The glacier knocks in the cupboard,
Till China and Africa meet,    The desert sighs in the bed,
And the river jumps over the mountain    And the crack in the tea-cup opens
And the salmon sing in the street,    A lane to the land of the dead.

'I'll love you till the ocean    'Where the beggars raffle the banknotes
Is folded and hung up to dry    And the Giant is enchanting to Jack,
And the seven stars go squawking    And the Lily-white Boy is a Roarer,
Like geese about the sky.    And Jill goes down on her back.

'The years shall run like rabbits,    'O look, look in the mirror?
For in my arms I hold    O look in your distress:
The Flower of the Ages,    Life remains a blessing
And the first love of the world.'    Although you cannot bless.

But all the clocks in the city    'O stand, stand at the window
Began to whirr and chime:    As the tears scald and start;
'O let not Time deceive you,    You shall love your crooked neighbour
You cannot conquer Time.    With your crooked heart.'

'In the burrows of the Nightmare    It was late, late in the evening,
Where Justice naked is,    The lovers they were gone;
Time watches from the shadow    The clocks had ceased their chiming,
And coughs when you would kiss.    And the deep river ran on.

'In headaches and in worry    '
THANKS TO IAIN GRAY

A poem that was written by Brenda Porter for marking Iain Gray’s resignation from the Executive Committee of the Auditing Special Interest Group of the BAA

Poem as a thank you to Iain Gray

T’was on a bright and sunny morn The audit conference was born Iain and his colleague fair Thought t’would be a grand affair

Others are more reflective in nature Delivered by folk not lacking stature They’ve prompted deep thought and heated debates But opposing factions are really best mates

Sheffield marked the first event, But Urshula said – not in a tent A posh hotel is just the ticket Where folk can get in just a minute

The conference dinner has a key role Followed by dances which may take their toll Great fun is enjoyed and good jokes are told Plus tales of adventure – some very bold!

Members came from far and near Some by train – or plane or car, They came from Britain and ‘down under’ The States and Ireland but not the Tundra

The conference has an extraordinary tone It’s characterised by never a moan The key is the friendships made and retained Despite long distance they are often sustained

For twenty years we’ve arrived and departed But leaving left us broken hearted We’ve been to north, south, east and west To towns and cities which promised the best

To whom do we owe our thanks and affection? The person who chaired it – without an election? Who used his initiative and very great drive To ensure that our audit meetings survive

We’ve come to conference with spirits up high To hear good papers – and ideas in the sky To share in informative panel discussions With wide ranging views that resemble percussions

Now Iain retires after 20 long years But surely his going won’t be without tears We certainly owe him a very big debt For ideas that we’ve shared and friends that we’ve met

Over the years we’ve heard many papers - Some of the research involved wild capers The papers have varied widely in form Some with numerics that took us by storm

Let’s join together to thank our great leader To Iain our friend, the poet and reader Put hands together for our near perfect gent So gentle in nature but with determined intent.

Brenda Porter.
The National Auditing Conference
The Previous Years:

The first National Auditing Conference took place in March 1991 and since then conferences have been arranged on an annual basis. Past conferences have been supported by the following institutions:

1991 Sheffield Hallam University, Sheffield
1992 University of the West of England
1993 University of Staffordshire
1994 University of Central Lancashire
1995 Sheffield Hallam University, Sheffield

The programme and papers presented in all National Auditing Conferences can be found in our website:
http://static.aston.ac.uk/asis

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Flashback, Executive Committee