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Mr Keith Billing
Auditing Practices Board
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Via e-mail k.billing@frc-apb.org.uk

9th January 2006

Direct Line: 020 7213 0715
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Dear Mr Billing,

**Response on Auditors responsibilities re Directors' Reports and the OFR –
International Standard on Auditing ED720 (revised)**

We note ED 720 (revised) and APB PN 24 setting out consequences of the Chancellor's announcement of 28 November. In general we are supportive of the sections of the Draft which remain operational.

We note the remaining requirements in respect of the Directors' Report, including the Business Review, in Section A of the ED.

We also note the remaining requirements in respect of "Other information in documents containing audited financial statements", in Section C of the ED.

For companies which publish an operating and financial review (however called), which may be in accordance with the ASB's 2003 statement of best practice on the OFR or, in future may be influenced by the FRC's RS1, such matter will be subject to the requirements of Section C.

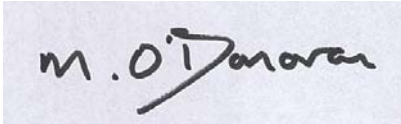
The deleted Section B of the ED addressed the previous requirement in relation to the statutory OFR under the Regulations in SI 2005/1011. In particular auditors had to have attention to "any matters which have come to their attention, in the performance of their functions as auditors of the company, which in their opinion are inconsistent with the information given in the operating and financial review."

However, Section C requires a reading of "other information to identify material inconsistencies with the audited financial statements" (2). And, under 4-1 "When the auditor reads the other information the auditor does so in the light of the knowledge the auditor has acquired during the audit.....with a view to identifying significant misstatements therein or matters which are inconsistent with the financial statements."

It would appear to us that the scope of Section C's wording is to all intents and purposes similar to the "matters that have come to the auditor's attention" language elaborated in 11 ff of Section B, and therefore although Section B will be removed the standards of audit around a voluntary OFR will be broadly the same as around what would have been a mandatory OFR. However since different wordings were used in each section we wonder whether the intent was to imply a different level of knowledge. However, if it was your intention that the Section C wording should be narrower than that of the deleted Section B, we urge that this be rectified. In other word we support the need for any voluntary OFR to have been through a broad reasonableness verification by the auditors

These comments in this letter are on the record and may be freely quoted.

Yours sincerely,

A rectangular box containing a handwritten signature in black ink. The signature reads "M. O'Donovan" in a cursive, slightly slanted script.

Martin O'Donovan
Technical Officer

The Association of Corporate Treasurers (ACT)

Established in the UK in 1979, The Association of Corporate Treasurers is a centre of excellence for professionals in treasury, including risk and corporate finance, operating in the international marketplace. It has over 3,500 members from both the corporate and financial sectors, mainly in the UK, its membership working in companies of all sizes.

The ACT has 1,500 students in more than 40 countries. Its examinations are recognised by both practitioners and bankers as the global standard setters for treasury education and it is the leading provider of professional treasury education. The ACT promotes study and best practice in finance and treasury management. It represents the interests of non-financial sector corporations in financial markets to governments, regulators, standards setters and trade bodies.

Contact details are provided below.

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