

## Corporate & Financial Weekly Digest

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### [UK Regulators Focus on Role of Auditors](#)

The UK Financial Services Authority (FSA) and the UK Financial Reporting Council (FRC) issued a discussion paper on June 24 which considers ways of enhancing auditors' contribution to regulation.

The paper FSA DP 10/3 is entitled "Enhancing the auditor's contribution to prudential regulation" and covers the following areas:

- questions aspects of the quality of audit work relevant to prudential regulation—in particular, whether the auditor has always been sufficiently skeptical and has paid sufficient attention to indicators of management bias when examining key areas of financial accounting and disclosure that depend critically on management judgement;
- outlines the FSA's concerns about auditors' work on client assets and how auditors fulfill their legal obligation to report to the FSA;
- explores a variety of ways in which changes are being made and further changes could be made by the FSA, FRC and auditors to increase the effectiveness with which auditors undertake their work; and
- examines the regulatory environment in which auditors operate more widely and suggests measures to enhance how auditors contribute to prudential supervision.

Paul Sharma, the FSA's Director of Prudential Policy, said, "Our experience has indicated that, at times, auditors have focused too much on gathering and accepting evidence to support firms' assertions rather than exercising sufficient professional skepticism in their approach—this falls far short of what the FSA—and society at large—expects from auditors."

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