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## Reliance on other auditors – United States practice

Raymond Perry

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The United States delegation to the International Study Group works on its paper at a September meeting in New York's University Club. The members are (clockwise): Robert M. Trueblood of Touche Ross; Robert L. May of Arthur Andersen & Co.; R. Kirk Batzer of Lybrand, Ross Bros. & Montgomery; Louis M. Kessler of Alexander Grant & Co.; Leonard M. Savoie, executive vice president of the AICPA and ISG staff consultant; Theodore L. Wilkinson of Price Waterhouse; Joseph R. Fritzemeyer, assistant to Mr. Savoie.

# The ACCOUNTANTS INTERNATIONAL STUDY GROUP

Slightly more than two years ago the presidents of the American, Canadian and English accounting institutes saw a pressing need in international accounting circles - there was no forum for a formal exchange of ideas.

Acting quickly to set up that forum, the three presidents met in August 1966 at the invitation of Sir Henry Benson, President of the English Institute, and established the Accountants International Study Group.

The members of the original group were: from Canada C. W. Leach and J. R. M. Wilson; from the United Kingdom R. G. Leach, D. S. Morpeth and Sir William Slimmings; from the United States Louis M. Kessler, Robert M. Trueblood and Theodore L. Wilkinson. Mr. Trueblood was the first chairman; R. G. Leach now succeeds him.

The purpose of the group as spelled out at that time is: "To institute comparative studies as to accounting thought and practice in participating countries, to make reports from time to time, which, subject to the prior approval of the sponsoring Institutes, would be issued to members of those Institutes."

Another objective of the study group was to exchange all information available in each of the particular countries on a number of currently important subjects, such as legal liabilities.

The group hoped that the reports would bring about needed changes through the exchange of ideas among the member nations.

The members did not intend their reports to be formally adopted by their respective institutes, nor were they to be the official pronouncements of the institutes. Rather they were to be the opinion of the group members-based on their experience and arrived at after study and discussion.

The reports were also to bring together in one document the accounting and auditing practices of the three nations in the subject areas selected for study.

Now only two years old, the International Study Group has produced its first paper - "Accounting and Auditing Approaches to Inventories in Three Nations" - and is well into work on its second and third.

The completed paper was written under the chairmanship of the Institutes of Chartered Accountants in England and Wales, Scotland and Ireland.

It was prepared, as will be all the group's papers, under the chairmanship of one of the participating delegations, with each contributing a paper on practice in its country.

The next two papers to be published will be "The Independent Auditor's Reporting Standards" and "Reliance on Other Auditors." Other subjects scheduled for study in the future are "Diverse Activities (Conglomerates)" and "The Problems of the Small Audit."

The paper that follows is the United States' contribution to the third project, which is chaired by the Canadian Institute. It was written by Touche Ross partner Raymond E. Perry for AISG member Robert M. Trueblood. This paper, which has the approval of the other United States representatives to the study group, is probably the most definitive piece on the subject of reliance extant in the literature of the profession.