

Invitation to Comment - Technical Proposals to: Make minor revisions to ISA (UK) 330 (Revised June 2016) The Auditor's Responses to Assessed Risks and ISA (UK) 505 External Confirmations; and Withdraw Practice Note 16 – Bank Reports for Audit Purposes in the United Kingdom

A public consultation issued by FRC

Comments from ACCA to FRC
26 May 2017
Ref: TECH-CDR-1567

ACCA is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 188,000 members and 480,000 students in 178 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 100 offices and centres and more than 7,400 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

In June 2016 ACCA formed a strategic alliance with Chartered Accountants Australia and New Zealand (CA ANZ). The alliance represents the voice of 788,000 members and future professional accountants around the world, who share the commitment to uphold the highest ethical, professional and technical standards.

The expertise of our senior members and in-house technical experts allows ACCA to provide informed opinion on a range of financial, regulatory, public sector and business areas, including: taxation (business and personal); small business; audit; pensions; education; and corporate governance and corporate social responsibility.

www.accaglobal.com

Further information about ACCA's comments on the matters discussed here can be requested from:

Antonis Diolas
Manager, Audit and Business Law
antonis.diolas@accaglobal.com
+ 44 20 7059 5778

Andrew Gambier
Head of Audit and Assurance
andrew.gambier@accaglobal.com
+ 44 20 7059 5558

ACCA welcomes the opportunity to comment on these proposals issued by FRC. The ACCA Global Forum for Audit and Assurance has considered the matters raised and their views are represented in the following.

AREAS FOR SPECIFIC COMMENT:

Answers to specific questions

1. Do you support the FRC's proposals to withdraw Practice Note 16, and replace it with the proposed minor revisions to ISAs (UK) 330 and 505? If not, please give your reasons and explain what action, if any, that you believe should be taken instead.

Response

Before it is possible to answer this question, it is important to understand how Practice Note 16 (PN16) is used by practitioners. Without this, it is impossible to know what the impact of withdrawing it will be. While ACCA is sympathetic to the FRC's view that PN16 may no longer conform to the FRC's framework, whether PN16 should be withdrawn depends on other factors.

With an emerging market for audit data analytics developing, external confirmations are an important aspect of ensuring the existence and accuracy of information provided by management. With the BBA seeking to encourage the use of its confirmation.com-based platform, it's important that the process for bank confirmations continues to be communicated effectively to practitioners. In this context, the FRC might share its knowledge on the current use of PN16, perhaps including statistics on website downloads, to support its contention that it can be withdrawn safely.

PN 16 may provide other benefits. For example, the existence of PN16 highlights to practitioners the importance of seeking external confirmations far better than the application material would. It can also be used to demonstrate to audit clients the rationale for seeking external confirmations. Without better information on how PN16 is currently used, ACCA does not feel it can support the FRC's proposal to withdraw Practice Note 16 (PN16) and replace it with the proposed changes to ISAs (UK) 330 and 505. In particular, the FRC has not explained adequately why PN16 cannot simply be retained alongside the proposed changes to ISAs (UK) 330 and 505.

Related to this, the FRC should be mindful of its policy in respect of 'pluses' to IAASB standards. Prior to the EU Audit Regulation and Directive, the policy was to amend IAASB standards ('pluses') only sparingly. The decision to implement the changes required by the EU Audit Regulation and Directive via amendments to ISAs has increased the complexity of those standards for auditors of non-PIE companies. Implementing the guidance previously provided in PN16 via amendments to application material increases this complexity further and may reduce their utility.

2. Is the proposed effective date, which aligns with the FRC's revision of ISA (UK) 250 appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate.

No comment.