November 2023

Audit News- Autumn/ Winter 2023

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Our changing regulatory landscape and why monitoring visits are getting tougher

ICAS Vice President Karen Scholes, who was previously the Convenor of the ICAS Authorisation Committee, has recently held breakfast briefings with a number of ICAS firms.

One of the key themes of the presentation by Robert Mudge, ICAS Executive Director of Regulation, at these briefings has been alerting firms to the changing regulatory landscape and hearing from firms on their regulatory visit experience. A number of firms have commented that the visits have become tougher, but they didn't understand why. It is therefore important that we explain the context and explain why these are being driven by external factors. There are similar challenges in other ICAS monitoring streams.

The role of the FRC as the Competent Authority and the expectations placed on ICAS

When the **EU Audit Regulation and revised Audit Directive**, and the resulting UK legislation **('SATCAR'**) came into place in 2016, the FRC took over responsibility for audit regulation and for deciding which areas it was willing to delegate to the Recognised Supervisory Bodies ('RSBs'). This was a marked shift from the previous regulatory regime, where each RSB held responsibility for its audit registered firms, and meant that RSBs were now fully accountable to the FRC. While this was brought about by European legislation, these requirements were retained post Brexit.

The FRC currently delegates the responsibility for licensing, monitoring and enforcement of non-Public Interest Entity (non-'PIE') audit firms to the RSBs, but that delegation can be withdrawn from any RSB at any time if the FRC is dissatisfied with how that RSB is conducting this work. From 2016 onwards the FRC, in order to be satisfied with its delegation to the RSBs, increased its oversight over the RSBs.

Further, following the high-profile corporate collapses of Carillion, BHS etc the audit profession, and specifically the FRC's role, was put under the spotlight and various wide-ranging reviews and subsequent reforms of the audit profession were proposed. One of these changes is now under way, and that is the transition of the FRC to a statutory authority, with statutory powers, called the Audit, Reporting and Governance Authority (ARGA). This has meant that the level of oversight that the FRC is exercising over the RSBs has been exponentially increasing over the last few years, even though uncertainty remains as to when (or even if) ARGA will come into being. The FRC has significantly increased its staffing and has expanded its oversight activities.

This oversight is continuous and, by way of illustration, at the time of writing, the FRC is oversighting ICAS's monitoring work through:

- Conducting live shadowing of various monitoring visits.
- Reviewing a number of completed monitoring visits (cold reviews).
- Conducting a review of our approach to CPD monitoring including live shadowed and cold reviews.
- Reviewing our audit monitoring manual.
- Shortly to review the training we conduct within the team.
- Shortly to issue their annual return where we will account for all our monitoring visits, where we account for how we have met the delegation requirements.
- Conducting quarterly meetings where we update the FRC on our monitoring activities.
- Issuing various other regulatory information requests during the year.

This is only one strand of the oversight exercised by the FRC. Similar reviews are conducted on the licensing and enforcement side of regulation, on ICAS' governance and financing, operational resilience etc. This experience is shared by other RSBs.

Given that we are a small monitoring team and have responsibility for other licensed areas (AML, practice monitoring, insolvency monitoring), where we also have other oversight regulators, it is a challenging time dealing with this continuous oversighting, but it is only likely to increase further in the future.

For each monitoring visit reviewed by the FRC there are often significant challenges, queries and then requirements raised. The result of these reviews is that the FRC now has greater influence over how we conduct our monitoring reviews. Examples of the impact of this on our monitoring approach in the last year include:

- Our monitoring reports used to contain positive points for balance, which included a note of each of the ISAs we considered that the firm complied with. The FRC now requires that positive points only include performance which goes beyond 'just meeting the standard'.
- The FRC are expecting ICAS AM to take a tougher approach to:
  - Challenging audit firms;
  - Reporting breaches in relation to issues identified; and
  - On our approach to follow up action.

The changing requirements of the standards

At the same time as the regulatory requirements have been increasing, the auditing standard requirements have also become more demanding.

The international spotlight on the audit profession has driven the international auditing standards to become more risk-focussed. Audit firms will be familiar with the more demanding requirements in recently revised standards such as **ISA 315 (Revised)** and **ISA 540 (Revised)**, with more demanding risk assessment requirements, requirements to evidence the auditor challenge and exercise of professional scepticism, stand-back requirements etc.

Additionally, there has been the recent more onerous requirements of **ISQM (UK)1** compared to its predecessor **ISQC (UK)1**.

The recent reforms within the UK audit profession, have also resulted in the FRC, over time, having to tighten the Ethical Standard requirements. An example of this is set out below in our Long Association articles, where the FRC tightened various requirements in the 2019 Ethical Standard and is about to revise the standard again.

Inevitably, these tougher requirements translate to audits becoming more demanding and where firms have failed to keep up to speed with these changes, it inevitably results in more monitoring findings being raised.

The implications for our audit firms

All of this adds up to a tougher monitoring visit experience for our audit firms. The visits are more demanding and are taking longer for the reasons set out above. We understand that this is made all the more difficult, due to the fall out from COVID, the significant resourcing challenges many audit firms are currently facing and the impact that these changes have on the commerciality of audit.

Firms are reminded of the support that can be provided by the ICAS Practice Support team, which is responsible for supporting our practitioners.

We maintain open and transparent communication with the FRC on all these challenges and the implications of these changes on our audit firms. The FRC has recently commissioned a survey, which also gave all ICAS firms an opportunity to provide their feedback on their concerns in relation to the audit profession. The results and outcomes from the survey are not yet known.

The implications for the monitoring team

While we appreciate the impact that these changes have on our audit firms, these similarly have created significant challenges to the monitoring team, at a time when there have also been significant changes in the audit monitoring team personnel.

As a result, our current limited staff resource has had to be focussed on meeting our statutory responsibilities to the FRC. We have therefore had less time to devote to areas such Audit News and the mandatory audit course, but we hope to address this in 2024.

Internal oversight

A final important point is that everything that the monitoring team does is also subject to significant internal oversight as well as FRC's external oversight. This should give firms comfort that they are treated consistently and that we are accountable for what we do.

Every audit monitoring visit is subject to an independent quality control review to make sure it is being conducted consistently in accordance with our monitoring approach and to ensure that there is no unfair bias to any firm.

The Authorisation Committee, made up of both practitioners, audit professionals and public interest members reviews every report where follow up action is being proposed. The decision taken is the Committee's and not the monitoring team's. The Committee will also review a sample of visits where no follow up action is proposed to ensure that it is satisfied with the monitoring team's conclusions.

Finally, the monitoring team and the Authorisation Committee is subject to oversight by our Regulation Board.

Both the Committee and the Board regularly engage with the FRC and keep an open channel of communication in relation to the challenges in the audit profession, and particularly the challenges facing audit firms.

Conclusion

We hope that this article provides more context to the changing nature of the audit monitoring visits.

Any feedback on the audit monitoring visit process should be sent to Lesley Byrne in the first instance **(lbyrne@icas.com).**

Author: Lesley Byrne, Director, Regulatory Monitoring

Our mandatory audit course modules to be released in 2024

There have been a number of enquiries from our audit firms in relation to the availability of the mandatory audit course. As indicated in our previous article above our focus during 2023 has been on our statutory monitoring responsibilities, given the changing regulatory landscape and staffing challenges.

We intend to release mandatory training modules during the course of 2024, starting with the most prevalent issues we are identifying on visits and then building out more modules over time.

Two of the first modules we will be releasing will be on how to conduct an effective root cause analysis and on ethical issues, given that they are hot monitoring topics at the moment.

In the meantime, firms are expected to obtain sufficient audit-related continual professional development (CPD) to meet their CPD and competence requirements from other sources. The range of audit courses available from ICAS are available **here**.

Author: Lesley Byrne, Director, Regulatory Monitoring

ISQM (UK1) monitoring and remediation

The results of our 2023 monitoring of firm's implementation of **ISQM (UK)1** have been more positive than originally anticipated.

Many firms have made a good attempt at implementing **ISQM (UK)1**. Most firms reviewed had purchased tools and then adapted the content to their requirements, but a number of firms also 'did their own thing'.

Only a small number of firms have failed to implement the requirements so far and those have mainly been firms which have already taken a decision to exit the audit market. Please note that if you are intending to give up audit registration, you are still required to have complied with this standard in the period you are still conducting audits and your firm is at risk of being subject to regulatory action if you don't. Firms failing to have conducted any **ISQM (UK) 1** implementation are being referred to the Authorisation Committee to determine what follow up or regulatory action requires to be taken.

The jury is still out on whether this new System of Quality Management ('SOQM') will help to drive improved audit quality within audit firms, as it is only really when firms bring in their monitoring and remediation activities, if implemented effectively, that the SOQM comes to life.

The real test is about to start…

Why monitoring and remediation is important

Figure 2 – **Key Components of a System of Quality Management**

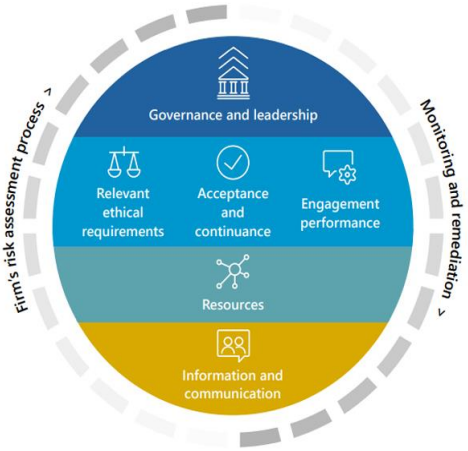


Diagram extracted from FRC 'What Makes a Good Audit'

Monitoring and remediation are core to the effective operation of the firm's SOQM – it is those parts of the SOQM that enable the firm to constantly improve.

Where an audit firm can conduct effective monitoring and remediation of its SOQM i.e. can effectively:

- Identify the shortfalls in its SOQM.
- Identify the causes (root cause analysis) of these shortfalls.
- Has an effective remediation plan to tackle these shortfalls.

This gives regulators comfort that the firm is conducting effective quality management i.e. that it can identify and sort out its own problems, without the need for regulatory intervention.

Firms must have conducted monitoring and started their remediation of any findings before the first full year of **ISQM (UK)1** comes to a close on 14 December 2023.

Monitoring

Monitoring is central to the SOQM because it is the 'health-check' to check whether everything is operating effectively.

Firms are familiar with conducting their Annual Compliance Review ('ACR') process and so monitoring' should be familiar.

One core aspect of the ACR process is an effective cold file review process. If previous ICAS AM visits have identified that the firm's ACR process has not been effective, the firm may wish to consider obtaining external reviews. Sole practitioners are also reminded that an external cold file review requires to be obtained at least once every three years according to Audit Regulation 3.20. ICAS PQA and the various checklists provided by training providers have been updated for the new monitoring and remediation requirements.

The new requirement envisages that the ACR process is not necessarily a 'one and done' process during the year and that firms should give careful consideration to the nature, timing and extent of monitoring required by the firm. We will cover this later in our article in the section called 'Monitoring again'.

For now, we start with an example which we will progress through this article:

A worked example: Monitoring

Firm A conducts monitoring and identifies during cold file reviews that all of the audit files have not addressed all the requirements of ISA (UK) 315 (Revised). A deficiency is therefore identified that a 'quality response' is missing.

What does the firm need to do next?

The firm needs to conduct a root cause analysis to understand why this happened.

Root cause analysis

Once the firm has completed monitoring it is required to conduct root cause analysis ('RCA') over the more serious findings identified called 'deficiencies'. This is to ensure that it's not just the symptom of the deficiency that is being addressed but the causes of each issue, so that they don't recur.

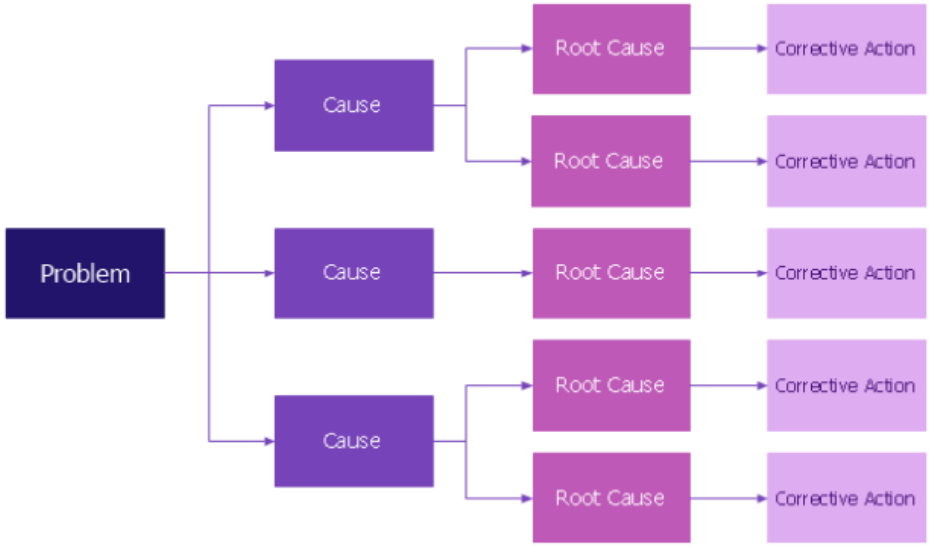
Deficiencies are where something in the SOQM is not operating effectively ie:

- The firm did not establish a quality objective when it should have.
- The firm failed to identify a quality risk, or combination of quality risks, or having identified a quality risk did not assess the risk appropriately (eg assessed a risk as low when it was high for example).
- The firm's quality response (ie their policies and procedures), or combination of quality responses, did not mitigate the quality risk appropriately.
- Another aspect of the system of quality management is absent, or not properly designed.

We will be issuing an RCA training module during 2024. It is a difficult process to give sufficient justice to in a written article, such as this, but we have highlighted below a number of areas for your consideration.

Firstly, the firm should identify the person in the firm who will be in charge of the RCA process. This person should be someone who is able to get key partners and staff to 'open up' and cooperate with the process. It is important that there is no blame culture in place. For an RCA to work, it needs to be seen as a team effort, on a 'no blame' basis, with the aim of achieving continuous improvement.

One of the most popular ways of conducting an RCA is conducting a 'five whys' approach, although there are other methods and there is a lot of material on the internet to help you. A 'five whys' approach means essentially asking 'why' at least five times for each issue identified, in order to get to the bottom of the issue. Many issues will be root caused well before the five 'whys' are asked. The 'five whys' process looks like a root and branch diagram with each issue being root-caused to identify one or more causes, with each cause then creating more 'whys', which are then root caused again to identify more causes etc until all the questions or 'whys' are used up:



Some firms have been using RCA tools developed by training providers, other firms have started with a 'blank sheet of paper'. Either way, it is beneficial to have some structure surrounding how you conduct the RCA and some key considerations are included below:

First why:

- Stage 1: Define the issue: ie identify the first why.
- Stage 2: Define what evidence needs to be considered to get an answer to the 'why'. For example, evidence to consider may be for example:
    - Interviewing staff
    - Reviewing working papers
    - Extending the sample of file reviews beyond the audit file where the issue was found
    - Conducting a survey
    - Conducting a group feedback session
    - Reviewing training materials
    - Reviewing methodology etc
- Stage 3: Conduct the work.
- Stage 4: Analyse the conclusions reached and the 'causes' identified.
- Stage 5: For each cause, ask why again.

Repeat again for the second why, third why etc until there are no more questions ie no more 'whys' left.

Worked example continued: Root cause analysis

Root cause analysis:

The firm conducts a root cause analysis to identify the cause of the ISA (UK) 315 (Revised) issue – via a meeting of the audit team, staff and RI interviews, review of training materials, review of firm's methodology, and a review of audit staffing schedule.

The firm identifies the following underlying causes:

- The firm had failed to identify the implementation of this new standard as a potential quality risk.
- This was because the ACP had rushed the establishment of the SOQM, because the ACP was under pressure.
- The ACP had rushed the SOQM because they hadn't realised its importance, as they had not obtained sufficient CPD on the new ISQM (UK)1 requirements.

- The ACP was under pressure because there aren't sufficient audit personnel in the firm for the firm's current audit client base and the ACP had to become heavily involved in day-to-day operational audit work.
- Having failed to identify the risk, the firm failed to recognise that an updated methodology needed to be purchased that reflected the new requirements.
- No-one was tasked with keeping the audit methodology up to date.
- The firm also failed to provide training to the RIs and staff on the new requirements, which was also why no RIs or staff identified the issue.

Remediation action

Having identified the causes, the firm should pull together an action plan to remedy both the issue identified and the causes. Action plans ideally should allocate responsibility, set deadlines and firms should then track progress and the success or otherwise of the actions taken.

Worked example continued: Action plan

Having identified the causes, the firm has decided on the following actions:

Worked example continued: Action plan

Cause identified	How addressed on action plan
• The firm had failed to identify the implementation of this new standard as a potential quality risk.	• The SOQM will be revised in full
• This was because the ACP had rushed the establishment of the SOQM. • ACP has not obtained sufficient training on SOQM requirements.	• ACP to attend ISQM (UK)1 training
• This was because the ACP was under pressure.	• The ACP's role is to be re-defined, by removing non-audit client work from their portfolio. The ACP will be given more time to devote to audit.
• The ACP was under pressure because there aren't enough audit personnel in the firm (one senior audit person short) and the ACP had to become heavily involved in audit work.	• The firm will either recruit a new audit staff member or recruit a non-auditor, and reduce the non-audit workload of the existing audit senior managers.
• Having failed to identify the risk, the firm therefore failed to recognise that an updated methodology needed to be purchased that reflected the new requirements.	• An updated ISA (UK) 315 (Revised) audit methodology will be purchased.
• No-one was tasked with keeping the audit methodology up to date.	• A senior manager, reporting to the ACP, has been tasked with keeping the audit methodology up to date.
• The firm therefore failed to provide training to the RIs and staff on the new requirements, which was also	• ISA (UK) 315 (Revised) training is planned.

why no RIs or staff identified the issue.	• Another RI will be put in charge of audit training and will liaise closely with the ACP on emerging issues to direct the training.

Monitoring again

Given the SOQM is meant to be iterative, ie a 'living and breathing thing', it is envisaged that firms are more agile in relation to their monitoring process under the new standard and that the timing and nature of monitoring is responsive to the nature and circumstances in the firm, including changes in the firm and the SOQM; monitoring results; regulatory inspection results; PII claims and notifications; client complaints; emerging standards etc as can be seen from an extract of the standard (ISQM (UK) 1) below:

In determining the nature, timing and extent of the monitoring activities, the firm shall take into account: (Ref: Para. A139–A142)

(a) The reasons for the assessments given to the quality risks.

(b) The design of the responses.

(c) The design of the firm's risk assessment process and monitoring and remediation process; (Ref: Para. A143–A144).

(d) Changes in the system of quality management; (Ref: Para. A145).

(e) The results of previous monitoring activities, whether previous monitoring activities continue to be relevant in evaluating the firm's system of quality management and whether remedial actions to address previously identified deficiencies were effective; and (Ref: Para. A146–A147).

(f) Other relevant information, including complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or non- compliance with the firm's policies or procedures established in accordance with this ISQM (UK), information from external inspections and information from service providers. (Ref: Para. A148– A150).

It is important that the firm's remediation action plan is actively monitored (discussed further below) and the success of actions taken should be considered on a timely basis.

This may, therefore, involve more frequent reviews (eg rolling cold file reviews throughout the year rather than all done at the one time), or may involve some restricted file reviews as well as full file reviews.

From an ICAS AM perspective we do not expect firms to have conducted monitoring activities more than once in the first year of implementation, but we do expect that the first year's monitoring is conducted over the SOQM before 14 December 2023.

There may be particular value in conducting more frequent monitoring once this first implementation year is over, and the firm has a live action plan in place – more frequent monitoring of the effectiveness of the remediation actions taken would make more sense, if the firm has the resources to do so, as this will allow more real-time feedback and enables the firm to make any amendments or changes in a more timely manner.

A worked example: Monitoring again

Following the development of the action plan, Firm A conducts a programme of restricted reviews over a sample of planning sections to make sure that the firm is now complying with ISA (UK) 315 (Revised) – this is done before the usual date of the annual ACR process.

ICAS Audit Monitoring recognises that it will not be possible for many small firms, such as sole practices, to conduct more regular monitoring and if only annual monitoring is feasible, it should ensure that it monitors all the changes that have taken place since the previous year's monitoring.

Annual evaluation

The last step in the process is the requirement for 'those with ultimate responsibility' of the SOQM to conduct an annual evaluation of the full SOQM ie the SOQM itself, and the monitoring and remediation to conclude whether the SOQM is effective or not. Again, this is required before 14 December 2023 and annually thereafter.

The firm must make one of three conclusions:

- The system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved; or
- Except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the system of quality management, the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved; or
- The system of quality management does not provide the firm with reasonable assurance that the objectives of the system of quality management are being achieved.

Where issues are identified by those ultimately responsible the firm should take a similar approach, as outlined previously, in relation to remediating those issues. The cycle begins again…

Conclusion

The monitoring and remediation activities are core to the effectiveness of the firm's SOQM and firms should ensure that sufficient time and effort is given to monitoring and remediation before the 14 December 2023 deadline.

Author: Lesley Byrne, Director, Regulatory Monitoring

IFAC guides for SMEs on ISQM

The International Federation of Accountants (IFAC) has published two instalments of a three-part publication series to help small- and medium-sized practices implement the IAASB's quality management standards.

The series includes discussions and illustrative examples in "small firms" and focuses on the following possible scenarios:

- Sole practitioner with no staff
- Sole practitioner with staff, and
- Firm with 2-5 partners and staff

Instalment one addresses the mindset change the quality management standards require and the shift in focus from quality control (ISQC 1) to quality management (ISQM 1). With the quality management standards, the focus moves from a more static set of documents to the process of managing quality which is an ongoing process. It also includes developing a project implementation plan, an introduction to quality objectives, the risk assessment process, and assigning roles and responsibilities. Helpful meeting agenda templates practitioners can use with their colleagues are also included.

Instalment two covers developing a detailed implementation plan. This involves identifying quality objectives; completing the quality risk assessment process; identifying existing, or creating new, responses to those quality risks; and implementing, documenting, and communicating the system of quality management. It also

- Addresses the eight components of ISQM 1, which are (a) The firm's risk assessment process; (b) Governance and leadership; (c) Relevant ethical requirements; (d) Acceptance and continuance of client relationships and specific engagements; (e) Engagement performance; (f) Resources; (g) Information and communication; and (h) The monitoring and remediation process.
- Contains an example case study to illustrate the transition from ISQC 1 to ISQM 1.
- Includes multiple documentation aids covering independence, acceptance and continuance of clients and engagements, resources, and outside consultation, as well as a sample checklist for engagement quality reviews.

Instalment three will cover monitoring and remediation and is expected to be available later this year.

Reference should also be made to the recent **article** by Lesley Byrne, Director of Regulatory Monitoring that provides an update on what the quality management standards means for ICAS audit monitoring visits.

A reminder of key resources

Firms are reminded of the **ISQM (UK) 1** resources available as follows:

Links to ICAS guidance and videos

- **ISQM(UK)1 implementation guidance**: Highlights certain key elements of ISQM (UK) 1 and provides tips on how to implement the standard, including useful examples – read it **here**.
- Video: **'ISQM (UK) 1 unwrapped'**: A short summary of the main changes from ISQC (UK) 1 and the main requirements in the new standard - watch it **here**.
- Video '**ISQM (UK) 1: How to get started'** shares practical tips on setting up a system of quality management and can be accessed – watch it **here**.

Further videos and implementation guidance can be found on the quality management page of icas.com **here** and an ICAS webinar sharing the tips from two ICAS firms on how to go about implementing ISQM (UK) 1 is available **here**.

We will be issuing a video later in 2024 on the root cause analysis requirements of the standard.

Links to the new and revised UK quality management standards:

ISQM (UK) 1
ISQM (UK) 2
ISA (UK) 220 (Revised July 2021)
Conforming amendments to other ISAs and related materials (as introduced by the IAASB)
FRC Feedback Statement and Impact Assessment

The International Auditing and Assurance Standards Board (IAASB) resources

The IAASB has created a suite of resources and material to support audit firms in the transition to the new quality management approach.

IFAC First time implementation guides:

ISQM 1
ISQM 2
ISA 220 (revised)

Webinar series

Article by IAASB Chair, Tom Seidenstein

Quality management videos
This series joins IFAC's collection of available resources that support quality management implementation, including webinars, articles and videos, as well as the IAASB first-time implementation guides, all of which are available at ifac.org/quality management.

IFAC Guides
Instalment One
Instalment Two

Author: James Barbour, Director- Policy Leadership

Avoiding long association ethics breaches

We are concerned that there has been a prevalence of ethics issues found on 2023 audit monitoring visits. These are viewed seriously by the Authorisation Committee and it is therefore important that we flag these up to you early, rather than wait to share them in our year-end results.

For this edition we will focus on the most common breach, currently, which is long association, with three related articles that all audit firms should read. In this article, we cover what we are finding on 2023 audit monitoring visits so far. In the following article we remind firms of the key technical requirements in relation to long association. In the final article we answer some frequently asked questions. In the next edition of Audit News we will address the issue of non-audit services.

Please note that the articles focus on non-public interest entity (non-'PIE') (requirements and that there are far more stringent requirements in place for PIE clients.

Not identifying there is an issue

The most serious breach is where firms have failed to identify that there is a long association threat to auditor independence and have therefore not communicated this to those charged with governance ('TCWG') or applied the appropriate safeguards. As explained below, where an RI has acted for a client for ten or more years the firm must consider the long association with the client, given the associated self-review, self-interest and familiarity threats that may arise.

On a number of 2023 visits, the firms reviewed had no long association considerations and no safeguards recorded at all. This is one of the most serious issues noted, and would result in the firm not complying with the **Revised Ethical Standard 2019** ('ES 2019') Part B, Section 3 requirement and failing to comply with **Audit Regulation** 3.02 - Independence.

Not reporting to TCWG and not applying appropriate safeguards

A number of firms have either:

- Not applied an appropriate safeguard; and/or
- Have not discussed the matter with TCWG.

In relation to the failure to apply an appropriate safeguard, there appears to be a number of reasons for this, from our discussions with firms:

1.Not realising that the requirements changed in the Revised Ethical Standard 2019

As explained in the next article, the previous version of the standard allowed an 'and/or' approach whereby firms could either discuss and agree the matter with TCWG or apply appropriate safeguards. ES 2019 changed 'and/or' to 'and' meaning that audit firms have to now do both. Some firms had only

reported the matter to TCWG. This is likely to be viewed seriously by the Authorisation Committee given the standard has now been in place for a number of years.

2.Misinterpreting what qualifies as an appropriate safeguard

Another common finding is that firms, having identified the issue, are applying an independent cold file review safeguard, which does not meet the requirements of the standard.

The wording of the 'appropriate safeguards' paragraph 3.6, with the paragraph not being in bold (and therefore appearing non-mandatory), and the wording 'safeguards may include' has led a number of firms to conclude that there is flexibility or discretion in what safeguards can be applied. The FRC has confirmed that this is not the case.

Similarly, the wording of the 'additional partner' and the 'engagement quality control review' safeguards have also led a number of firms to consider that an independent cold file review is sufficient.

This is not the intention of the standard – the safeguards are all intended to be applied before the audit report is signed. Our next article explains the requirements in more detail.

Where an engagement quality control review (EQCR/EQR) is required, firms will be aware that the 'hot file review' market is challenging (please refer to our hot file review article further below) and this will require careful forward planning by the firm, and should be something that is considered at the acceptance and re-appointment stage. Being unable to secure a hot file review for a client with 'long association' unfortunately means that a sole RI should not take on the audit.

Documentation failures

Finally, a number of firms have applied appropriate safeguards but not recorded on the audit file their communications with TCWG and/or their detailed decision making in relation to the long association threat. This has been frustrating for those firms, given they have 'done the right thing' in safeguarding the threat, but their documentation has then let them down.

Documentation issues are less serious than the other issues above but nevertheless, have to be recorded as a breach of ES 2019 Section 1 (which covers documentation requirements) on the visit.

Firms should set out clearly the following:

- The identification of the long association threat (ie the period of time the RI has acted for the client).
- The justification of the decision to rotate-off/remove an RI, where this decision is made.
- Where a partner is not rotated/removed:
  - The justification for why it is still appropriate for that RI to act.
  - Clearly setting out which safeguard has been applied ie a second partner review or an engagement quality review (i.e. hot file review).
- Recording why that action/safeguard is considered to be effective.
- Clearly recording the communication with TCWG.
- Where there are other threats, an overall assessment of the cumulative effect of those threats.

The implications of breaching the standard

Where firms have failed to meet the requirements of Section 3 of ES 2019 ie applying safeguards and communicating with TCWG, the ethical issue is considered by the full Authorisation Committee given that ethical breaches are considered a breach of the auditor's independence and the firm has failed to comply with **Audit Regulation** 3.02 Independence.

The committee will then consider both aggravating factors and mitigating factors in weighing up whether regulator action, such as a regulatory penalty or a referral for disciplinary action, should be taken.

An aggravating factor would, for example, be that this standard has now been in place for three years. Mitigating factors will, for example, include detailed consideration of the steps that the firm tried to take, albeit not fully effective. Firms that have not identified the issue, or have not taken any action having identified the issue, are likely to be viewed more seriously by the committee.

Where the committee decides that a penalty should be raised, the firm is both penalised financially and, the decision is published on icas.com.

Neither the monitoring team nor the committee want these outcomes for firms, and we hope that this article serves as a useful reminder and ensures that 'forewarned is forearmed'.

Author: Lesley Byrne, Director, Regulatory Monitoring

A reminder of the long association requirements

The revised Financial Reporting Council (FRC) **Revised Ethical Standard 2019 *('*** ES 2019') became applicable for accounting periods commencing on or after 15 March 2020.

In paragraph 3.6 of ES 2019, the FRC made a subtle but significant change to requirements in relation to long association for non-PIE audit entities.

Where the auditor of an entity which is neither a public interest entity ('PIE') nor other listed entity has been in position for ten or more years, careful consideration needs to be given as to whether it is probable that an objective, reasonable and informed third party would conclude the integrity, objectivity or independence of the firm or covered persons are compromised.

If that consideration determines that these have not been comprised, and that individual is not rotated after ten years, it is necessary that the:

(a) Safeguards, such as those noted in paragraph 3.5 of the ES 2019, are applied; and

(b) The reasoning as to why the individual continues to participate in the engagement is documented, and the facts are communicated to those charged with governance of the entity in accordance with paragraphs 1.54 – 1.62 of the ES 2019.

The 'and' replaces what was previously an 'or' in the same paragraph of the **FRC Ethical Standard 2016** ('ES 2016').

The 'or' in the ES 2016 meant that satisfying the conditions of (b) in the paragraph above, alone, was deemed sufficient ie documenting consideration of the threat and why this was at an acceptable level and formally communicating these facts with those changed with governance on an annual basis. Under the revised ES 2019, this cannot be applied in isolation, and must be in addition to a safeguard contained in paragraph 3.5.

Therefore, under the ES 2019, where an audit engagement partner has held that role for a continuous period of ten years, appropriate safeguards (referring to paragraph 3.5 of FRC ES 2019), have to be applied; along with documenting the reasoning as to why the individual continues to participate in the engagement, and the facts are communicated to those charged with governance of the entity. It is no longer sufficient just to have regard to satisfying the requirements of paragraph 3.6 (b).

Paragraph 3.5 sets out that appropriate safeguards may include:

- Appointing a partner who has no previous involvement with the entity as the engagement partner.
- Removing ('rotating') the partners and the other senior members of the engagement team after a pre-determined number of years.

- Involving an additional partner, who is not and has not recently been a member of the engagement team, to review the work done by the partners and the other senior members of the engagement team and to advise as necessary.
- Arranging an engagement quality control review of the engagement in question.

This was a significant change and one in which ICAS sought clarification from the FRC as to its intended purpose. It was made clear by the FRC that the change from the use of 'or' to 'and' was deliberate and intended to strengthen the applicable requirements covering long association. While larger firms may be able to cope with safeguarding long association through RI rotation or engagement quality control review, this is not so easy for smaller firms where:

- There may only be one RI; and/or
- There is less likely to be a change in audit team composition and/or a change in management of a small client.

Consequently, smaller firms may have to consider whether an appropriate safeguard can be applied following the guidance in para 3.5 of the ES 2019. This may include instructing an external quality review on such engagements to ensure that the requirements of the ES 2019 are met, which will have a cost impact on the audit. Firms are reminded that, where a suitable safeguard cannot be implemented, that the firm must resign from the audit.

The glossary to ES 2019 makes it clear that an engagement quality review (what used to be called the engagement quality control review under old **ISQC (UK) 1**) is a process undertaken prior to the signing of the audit report. It is defined as:

> A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. The engagement quality control review process is for audits of financial statements of listed entities and those other engagements, if any, for which the firm has determined an engagement quality control review is required.

Compliance with the ES 2019 is subject to review as part of the audit monitoring visit process and firms should therefore ensure that they are not only aware of the requirements of the standard but that identified ethical threats and safeguards implemented by the firm are sufficiently documented to demonstrate compliance.

Author: James Barbour, Director- Policy Leadership

FAQs in relation to long association

Included below are a number of answers to recently asked technical helpline questions on the application of the **Revised Ethical Standard 2019** ('ES 2019') Part B, Section 3 long association requirements.

1.Can an employee RI be used as the additional partner safeguard?

Question explained:

This question centres around the third potential safeguard listed in paragraph 3.5 of the standard ie:

> Involving an additional partner, who is not and has not recently been a member of the engagement team, to review the work done by the partners and the other senior members of the engagement team and to advise as necessary.

This question asks whether a responsible individual who is not a “partner” would be able to conduct such a review.

Response:

The FRC Glossary defines ‘Partner’ as:

> Any individual with authority to bind the firm with respect to the performance of a professional services engagement.

Therefore, it does include an RI who is not a partner ie an employee RI is able to conduct this safeguard.

2.Whatmeets the definition of an ‘additional partner’ safeguard?

Question:

What is involved in the following safeguard?

> Involving an additional partner, who is not and has not recently been a member of the engagement team, to review the work done by the partners and the other senior members of the engagement team and to advise as necessary.

And how does this differ from the engagement quality control review (now called ‘Engagement Quality Review’ under ISQM (UK)1)?

Response:

The Ethical Standard does not state that this review needs to be equivalent to an Engagement Quality Control Review (EQCR/EQR) but that it does need to be performed by a ‘partner’ within the firm (see question 1 above).

Given that an EQCR/EQR is included as a separate safeguard then judgement can be applied as to the extent of the review, but it will need to ensure that the reviewing ‘partner’ satisfies themselves that the threats to the independence (factors described in paragraph 3.3 of the FRC Ethical Standard) are at an acceptable level.

Additionally, the review needs to cover planning, execution (procedures undertaken - including the rationale for any deviation from agreed plan), reporting and file construction.

Depending on the nature of the client (complexity, potential local public impact etc) the review may need to be equivalent to an EQCR. This will of course depend on the specific facts and circumstances.

3.What happens when a firm has one individual with authority to bind the firm with respect to the performance of a professional services engagement?

Question:

This question focusses on the circumstances where an audit firm only has one ‘partner’.

Response:

The only available safeguard is then: ‘arranging an engagement quality control review of the engagement in question’ to be performed by an appropriate external qualified individual.

Those qualified to conduct such a review are:

> Engagement quality control reviewer—A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the report.

Where an EQCR/EQR is required, it requires to include the following:

> Engagement quality control review—A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. The engagement quality control review process is for audits of financial statements of listed entities and those other engagements, if any, for which the firm has determined an engagement quality control review is required.

Therefore, there is no flexibility in the scope and extent of this review compared to the ‘partner’ review safeguard.

While this may be viewed as disproportionate, this is what the FRC has required in the standard.

4.Would a cold file review be an appropriate safeguard for long association?

Question:

Where the firm cannot rotate or remove the partner, could a cold file review meet the long association safeguard requirements?

Response:

No, a cold file review would not meet either of the safeguard requirements where an RI cannot be removed or rotated from the engagement. This is explained as follows:

1. EQCR/EQR

The definition of an EQCR/EQR is as follows:

> Engagement quality control review—A process designed to provide an objective evaluation, on or before the date of the report…..is required.

A cold file review is after the date of the audit report and therefore does not qualify.

2. Additional partner safeguard:

The definition of the additional partner safeguard is as follows:

> Involving an additional partner, who is not and has not recently been a member of the engagement team, to review the work done by the partners and the other senior members of the engagement team and to advise as necessary

While the standard wording does not clarify that this must be before the audit report is signed,

the FRC has confirmed that this additional partner involvement must be before the audit report is signed because the purpose of the review is to ensure that the independence threats are at an acceptable level and have not adversely impacted the audit. A cold file review is too late as there is no scope to take corrective action before the audit report is signed, given the review does not take place until after the audit report is signed.

Authors: James Barbour, Director- Policy Leadership & Lesley Byrne, Director, Regulatory Monitoring

Hot file reviews

Terminology

As touched on above, the committee is becoming increasingly aware of challenges firms are facing with regards to required hot file review processes.

Hot file reviews are generally required to address significant areas of audit risk. In order to protect the public interest, non-compliance with the related requirements is likely to be a serious matter which can ultimately result in regulatory action being required and taken.

Therefore, given their importance, the committee would like to remind all firms of some of the key requirements, and risks that may arise, in relation to hot file reviews.

What is a hot file review?

While terminology has changed somewhat over time, the fundamental requirements of a 'hot file review' have remained consistent. **International Standard on Quality Control (UK) 1** ('**ISQC (UK) 1'**) used the term Engagement Quality Control Review (EQCR) as the formal title of a hot file review; while **International Standards on Quality Management (UK) 1 & 2** ('**ISQM (UK) 1& 2'**) use the term Engagement Quality Review ('EQR'). However, the requirements of both are consistent, with ISQM (UK) 1 defining it as:

> An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed on or before the date of the engagement report.

When is a hot file review required?

There are various reasons why a hot file review might be required, such as:

- A condition raised by the committee as part of the acceptance of a new-RI application, eg where the committee decides that safeguards should be put in place, while the RI is finding their feet.
- A condition raised by the committee due to serious deficiencies in audit quality, identified in an ICAS Audit Monitoring visit – this is usually restricted to files that fall significantly below the standards expected and/or there is a public interest risk in relation to the client in question.
- An ethical threat arising on an audit engagement, e.g. the threat from Long Association (as covered in previous articles above).
- The status of an audited entity, eg it being listed.
- As required by a firm's own internal quality management policies and procedures (e.g. the firm has decided that specific engagements have a high level of complexity or judgment and require a hot file review).

As the recent issues identified by the committee have not related to hot file reviews required due to a listed status, this update will not comment on those entities, and the related specific requirements that exist under **ISQM (UK) 1 & 2.**

What is required in a hot file review process?

ICAS recognises that **ISQM (UK) 2**, which sets out the requirements of an EQR under the new quality management approach – is formally effective for audits of periods beginning on or after 15 December 2022, so likely to affect year ends from 31 December 2023 and after (though early adopting is strongly encouraged in the standard). However, the underlying requirements of the process remain consistent with those set out in **ISQC (UK) 1** (and in all cases where the hot file review is required as a result of a registration condition raised by the committee these requirements are clearly set out in the committee's correspondence).

In order for the reviewer to provide an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, the minimum requirements for an effective hot file review will include:

- Consideration of compliance with the FRC's Ethical Standard in relation to the engagement (including any safeguards applied and the documentation thereon).
- Discussion of significant matters with the engagement partner.
- Review of the financial statements or other subject matter information and the proposed report.
- Review of selected engagement documentation relating to significant judgments the engagement team made and the conclusions it reached.
- Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate.

It is a fundamental requirement of a 'hot' process that the engagement report not be dated until the completion of the review process. In practice, the audit file needs to hold a documentary record of the bullet points above, as well as formal confirmation that the hot file reviewer is not aware of any unresolved matters that would cause them to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.

A firm will not be able to demonstrate a compliant hot file review process if the items above are not clearly documented.

Who can conduct a hot file review?

ISQC (UK) 1 sets out that the reviewer must be a suitably qualified person, independent of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the report. **ISQM (UK) 2** has similar requirements, though explicitly references the requirement to have 'the competence and capabilities, including sufficient time' to perform the process.

In both cases, it is clear that the reviewer needs to be independent of the audit; to be appropriately qualified and competent to conduct the process; and to have the authority to challenge the RI and the conclusion they have reached. In practice, the experience and authority required is likely to mean a hot file review process will need to be conducted by another RI, or by a recognised external provider of such services. As noted below, this can bring about particular challenges for smaller firms with a small number of RIs.

Examples of recent non-compliance

The committee has considered a number of reports recently relating to EQR/hot file review non-compliance, including:

- Firms attempting to safeguard the ethical threat from Long-Association through a 'Cold file Review' process, rather than through a hot file review process, as set out in **Revised Ethical Standard 2019** as being an appropriate response.

- A hot file review process not being documented to the extent required in order to demonstrate the process was fully compliant.
- A hot file review process not being completed on a timely basis, with final confirmation from the hot file reviewer being obtained after the audit report had been signed.
- A hot file review required but not completed before an audit report is signed.

Firms must remain aware that as a hot file review is usually required when there is a clear risk to the public interest, a non-compliant hot file review process is often a significant matter, and will be treated as such by the committee. The committee requires to consider each case on its own merits, considering both aggravating and mitigating circumstances. In every case the committee has considered whether further regulatory action was required, including regulatory penalties. In the most serious cases, which related to non-compliance with committee conditions, the committee considered whether audit registration required to be withdrawn.

The committee therefore wishes to make it clear to firms and RIs that any non-compliant hot file review process will have the potential for regulatory action to be taken.

Risks that firms must address

In practice, a number of challenges arise for an RI/firm when a hot file review is required:

- Challenges in finding a suitably qualified reviewer, independent of the engagement team, with sufficient and appropriate experience and authority. This can be particularly challenging for smaller practices, and in the case of a sole RI practice will likely require the engagement of an external reviewer.
- Challenges in scheduling the hot file review process where delays on the part of an audit client result in the engagement taking longer than expected, resulting in uncertain timing for the required hot file review process itself.
- Challenges in scheduling the hot file review process where the reviewer's availability is restricted. This is particularly the case where an external reviewer has been engaged, but equally affects other principals in a practice if the process is an internal one.
- Challenges in concluding the hot file review process, where additional audit work may be required in order to sufficiently address a hot file reviewer's queries prior to the audit report being signed.

All required hot file reviews must be completed, with the reviewer formally confirming all queries have been adequately addressed, before the audit report is signed. The process may not be quick, or indeed easy, for the RI and it needs to be planned well in advance of the audit completion process.

Firms and RIs have recently reported challenges in concluding hot file review processes due to restrictions in reviewers' availability (particularly external reviewers). However, in many cases, the c ommittee has been concerned that the RI/firm has not sufficiently planned the hot file review process at the outset of the engagement (eg an external reviewer has been first contacted during audit fieldwork, or even towards the completion stage of an audit) and this reflects poor planning by the RI/firms which could be avoided. Not only can such poor planning affect the completion of the audit, but it can lead to filing deadlines being missed and significant consequences being faced by the audit clients themselves.

While arranging reviewers, and particularly external reviewers, can be challenging, the committee also receives reports of diligent firms being able to accommodate a significant number of hot file reviews having planned the required processes well in advance. This demonstrates that the challenges are not insurmountable.

Michael Lavender, Senior Regulatory Reviewer, Audit Monitoring

FRC issues revised ISA (UK) 505 'External Confirmations'

The Financial Reporting Council (FRC) has finalised its revision of International Standard on Auditing (ISA) (UK) 505 'External Confirmations' and the revised standard will take effect for audits of financial statements for periods beginning on or 15 December 2024, with early adoption permitted.

ISA (UK) 505 covers using external confirmations as a source of audit evidence. Since it was last revised, new digital means of obtaining confirmations have become prevalent and while the core requirements were still relevant, there was general recognition that it would be beneficial for the standard to better reflect today's digital environment. Additionally, recent enforcement findings have demonstrated that the work undertaken by auditors in relation to investigating exceptions, for example when confirmations do not contain the information expected, has sometimes been insufficient, and that some auditors have over-relied on negative confirmations when it was unlikely to provide sufficient evidence to support a conclusion.

The key revisions to the standard:

- Provide additional clarification on what constitutes an electronic external confirmation.
- Prohibit the use of negative confirmations.
- Require confirmations to be designed to provide evidence for relevant assertions.
- Provide enhanced requirements in relation to investigating exceptions.

The definition of an 'external confirmation' has been revised to better reflect the current digital environment as follows, including where the auditor has direct access to information held by third parties:

> Audit evidence obtained as a direct written response to the auditor, or by the auditor directly, from a third party (the confirming party), in paper form, or by electronic or other medium. Electronic or other medium could include auditors directly accessing information held by third parties through web portals, software interfaces or other digital means.

This reflects that confirmations may be obtained thorough directly accessing information held by third parties through web portals or software interfaces. For example, auditors might make use of the provisions within open banking legislation to access client bank accounts for the purposes of confirming the accuracy of amounts held, though the ISA does not refer to any specific solution or means of access in order to ensure the ISA remains up to date.

Additional material has also been included in paragraph 7(c) of the revised ISA to ensure that auditors design confirmations in order to obtain sufficient appropriate audit evidence in relation to all assertions identified in respect of their response to identified risks (as per ISA (UK) 330.1). This is applicable to all means of confirmation but can be particularly relevant to certain forms of digital confirmation where the software interface or application may provide the auditor with evidence over some assertions, such as accuracy or valuation, but not completeness. In these instances, the auditor would have to ensure they have alternative evidence over other relevant assertions.

Negative confirmations are where the confirming party responds directly only if the confirming party disagrees with the information provided in the request. Their use has been prohibited to aid in improving the quality of audit evidence obtained when auditors make use of external confirmations.

A conforming amendment has also been made to ISA (UK) 600 (Revised September 2022) Group Audit to remind group auditors that they should communicate this prohibition to component auditors undertaking work in respect of the opinion on the group financial statements. However, the prohibition does not prevent the use of negative confirmations in agreeing intercompany loans and receivables. As such confirmations are provided by other group entities they are not considered external confirmations for the purposes of this prohibition and are thus permissible.

Enhanced requirements have been included in relation to auditor responsibilities when investigating exceptions. This is in response to enforcement findings that in some cases auditors are not appropriately considering risk when confirmations are not as expected. These direct
auditors to consider if exceptions are indicative of fraud or a deficiency in the entity's system of internal control and how follow-up procedures will allow the auditor to obtain sufficient appropriate audit evidence.

The application material within paragraph A18 of the application material of the standard has been updated to reflect the fact that observing audited entity personnel accessing banking information may form part of alternative procedures but is not itself a confirmation procedure given it was not received directly by the auditor or accessed directly by them.

Author: James Barbour, Director- Policy Leadership

Update on the FRC's periodic review of UK GAAP and proposed disclosure requirement on supplier finance arrangements

Project update from the Financial Reporting Council (FRC) on its periodic review of UK GAAP

The FRC has published a project update on its review of Financial Reporting Standard (FRS) 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and other FRSs.

It now expects to publish periodic review amendments in the first six months of 2024. This means that the effective date for these amendments will be reporting periods beginning on or after 1 January 2026 at the earliest, rather than periods beginning on or after 1 January 2025 at the earliest, as mooted in Financial Reporting Exposure Draft (FRED) 82 'Draft amendments to FRS 102 and other FRSs – periodic review'.

This will give entities an 18-month lead in time to prepare for the changes. The major changes proposed in FRED 82 regarding the alignment of FRS 102 and FRS 105 'The Financial Reporting Standard applicable to the Micro-entities Regime' with International Financial Reporting Standard (IFRS) 15 'Revenue from contracts with customers' and the alignment of FRS 102 with IFRS 16 'Leases' are to be included in the revised FRSs. However, the FRC is considering changes to some of the detailed proposals set out in FRED 82, based on the consultation responses it received.

Revenue recognition

Consultation respondents generally supported the proposed amendments on revenue recognition, subject to some specific feedback which suggested that greater alignment with IFRS 15 was desirable. However, respondents also raised concerns about the proportionality of the corresponding amendments to FRS 105.

The FRC is continuing to work towards a five-step model of revenue recognition as contained in IFRS 15 for all FRS 102 and FRS 105 preparers. They are working on fine-tuning the FRS 102 amendments and monitoring the progress of the International Accounting Standards Board's (IASB's) IFRS for SMEs project, which includes similar proposals. They are also seeking further simplifications to ensure proportionality for micro-entities.

Lease accounting

Many respondents agreed that off-balance sheet operating lease accounting should be replaced, but some were concerned that the costs of aligning with IFRS 16 principles at this point would outweigh the benefits, particularly for smaller companies and charities.

The FRC is continuing to work towards a single lease accounting model for all FRS 102 preparers. They are reconsidering how to ensure that the model is proportionate and understandable for FRS 102 preparers of all sizes. This may include, for example, clarifying the scope of the recognition exemption for leases of low value assets.

New supplier finance disclosures to accompany the statement of cash flows

The FRC has published **FRED 84 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Supplier finance arrangements,** with a deadline for comments of 31 December 2023.

The amendments impact on Section 1 (Scope) and Section 7 (Statement of cash flows) of FRS 102 and arise from amendments to International Accounting Standard (IAS) 7 (Statement of cash flows) and IFRS 7 (Financial instruments: Disclosures) issued by the International Accounting Standards Board (IASB) in May 2023. The amendments will require companies applying FRS 102 and preparing a statement of cash flows to make additional disclosures about any supplier finance arrangements they have alongside this statement. No changes to Section 11 (Basic financial instruments) or Section 12 (Other financial instruments issues) of FRS 102 are proposed.

The FRC's consultation stage impact assessment highlights that it anticipates the new disclosure requirements are most likely to impact large companies.

The UK Endorsement Board issued a related call for comments on its approach to adopting the related IASB amendments on supplier finance arrangements into UK-adopted IFRS. The comment period closed in October.

The FRC expects to finalise its proposed amendments in the first half of 2024, alongside the amendments arising from the periodic review. However, the proposed effective date of these amendments is 1 January 2025, which is before the implementation of the periodic review amendments.

Christine Scott, Head of Charities and Reporting.

PII

ICAEW has recently issued a consultation on **PII requirements - Professional Indemnity Insurance Consultation 2023 | ICAEW** - and because the professional indemnity insurance arrangements are shared across the three chartered accountancy bodies ICAEW, ICAS and CAI – any resulting changes may impact on all three bodies' regulatory requirements.

ICAS firms are advised to review the consultation and provide any comments directly to ICAEW (the contact details are contained in the linked article above), which has asked for ICAS members' views, and is collating responses on behalf of all bodies.

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