

AT/BPC

By email: remcon@frc.org.uk

23 January 2014

Dear Ms Woods,

ICAS response to the Consultation Paper: Risk Management, Internal Control and Going Concern

The Institute of Chartered Accountants of Scotland (ICAS) welcomes the opportunity to comment on this FRC consultation paper (CP). The ICAS Charter requires it to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Our key messages

We are pleased to see that the FRC have addressed the main concerns from the consultation earlier this year. We believe there is still scope to make the guidance more concise and user friendly, and would encourage the FRC to simplify its guidance to focus on what the FRC wants boards to achieve. This would better reflect the intention to rely on directors' judgement and the diversity of companies this guidance applies to, as well as avoiding a prescriptive or homogenous approach.

The phrases 'severe distress' and 'materially curtailing' need to be more clearly defined and explained in order that directors can carry out their assessment of the company's liquidity and solvency risks and the auditor comment upon their adequacy. The wording used to help clarify 'severe distress' on pages 20-21 is quite complicated. As an example, it needs to be clear that if a business renegotiates its bank covenants, this does not mean it is in distress, it may also be a response to a bank request to avoid breaching covenant terms.

Yours sincerely

Alice Telfer
Assistant Director