



Consultation Document and Impact Assessment: Proposal to adopt (in the UK) ISA 800 (Revised) and ISA 805 (Revised)

ICAEW welcomes the opportunity to comment on the *Consultation Document and Impact Assessment: Proposal to adopt (in the UK) ISA 800 (Revised) and ISA 805 (Revised)* published by Financial Reporting Council, a copy of which is available from this [link](#).

This response of 30 September 2016 has been prepared on behalf of ICAEW by the Financial Services Faculty. As a leading centre for thought leadership on financial services, the Faculty brings together different interests and is responsible for representations on behalf of ICAEW on governance, regulation, risk management, auditing and reporting issues facing the financial services sector. The Faculty draws on the expertise of its members and more than 25,000 ICAEW members involved in financial services.

ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 145,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

Copyright © ICAEW 2016
All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: representations@icaew.com

icaew.com

MAJOR POINTS

1. ICAEW has advocated UK adoption of ISAs 800, 805 and 810 for some time and we therefore welcome the FRC proposal. The adoption of these standards will have much broader application beyond insurance and Solvency II. It will ensure a consistent approach to engagements within the scope of these standards, in line with the approach already taken by those networks/firms within the Forum of Firms.

RESPONSES TO SPECIFIC QUESTIONS

Q1: Do you agree with the proposed adoption of ISA 800 (revised) and ISA 805 (Revised) in the UK?

2. We do.

Q2: Do you believe that the FRC should consider any alternative ways of providing assurance over public Solvency II reporting? If so please set out those you consider appropriate and why.

3. Given the Prudential Regulation Authority's preference for the work to be carried out in adherence with ISAs, we don't feel that it would be beneficial for the FRC to investigate other ways of providing assurance at the current time.

Q3: Do you agree that ISA 800 (Revised) and ISA 805 (Revised) provide an appropriate framework for the audit of public reports published under the Solvency II prudential regulation regime?

4. We believe the aforementioned ISAs provide a suitable high level framework, however more specific guidance may be needed. We believe the updated Practice Note 20 The Audit of Insurers in the United Kingdom would be a more appropriate place for specific guidance.

Q4: Do you foresee any risks associated with the adoption of these standards?

5. The consultation proposes that the effective date of ISA (UK) 800 and ISA (UK) 805 should be for audits of financial statements for periods ending on or after December 15, 2016. However, these ISAs cross refer to other ISAs (UK) for which application is only mandatory for periods commencing on or after 17 June 2016.
6. For periods commencing before 17 June 2016, auditors would be required to early adopt the full suite of ISAs (UK) to be able to assert compliance with ISA (UK) 800 and ISA (UK) 805, as exposed. However, whilst early adoption of the other ISAs (UK) is permitted the FRC has previously advised that the ISAs (UK) can only be early adopted in conjunction with early adoption of the FRC's revised Ethical Standard, which many auditors are unable to do.
7. We do not believe it is appropriate for ISAs whose application is mandatory to cross refer to ISAs whose application is not yet mandatory. As such we do not believe that the application of ISA (UK) 800 and ISA (UK) 805 should be mandatory for any periods commencing before 17 June 2016.
8. The updated Practice Note 20 should then include guidance for auditors conducting Solvency II audits for periods commencing before 17 June 2016 (e.g. December 2016 year-ends) including the auditing framework that should be applied (e.g. ISAs (UK & I)) and the implications for the auditor's work and report of ISA (UK) 800 and ISA (UK) 805 not forming part of that framework.

Q5: Do you agree that these ISAs should be adopted in the UK and Ireland without any specific adaptations or amendments? If you believe that amendments are necessary, please set these out in your response.

9. Yes, we agree that they should be adopted without specific adaptation or amendment. We are awaiting the publication of specific guidance for auditors of insurance companies in the form of the updated Practice Note 20 The Audit of Insurers in the United Kingdom. We believe this will be the appropriate place to address any industry or regulatory specific concerns rather than an amendment to a general purpose ISA. For example, with regard to Solvency II, the SFCR is somewhere in between a special purpose framework and a specific element of a financial statement, as it comprises certain elements and templates only. Therefore, there is a need for some extra guidance on how to apply the standards, and how to describe what the auditor is reporting on, which would best be addressed in PN 20.