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Our ref: ICAEW Rep 152/13

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Dear Steven

Proposed Practice Note 14 (Revised) The audit of housing associations in the United Kingdom

ICAEW welcomes the opportunity to comment on the exposure draft *Practice Note 14 (Revised) The audit of housing associations in the United Kingdom* published by the Financial Reporting Council in July 2013, a copy of which is available from [this link](#).

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 140,000 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.

This response reflects consultation with the Social Housing Committee and the Audit and Assurance Faculty. The Social Housing Committee includes representatives from public practice and the social housing sector and is responsible, subject to oversight by the Business Law Committee, for ICAEW policy on social housing issues and related submissions to legislators, regulators and other external bodies.

The Audit and Assurance Faculty is a leading authority on external audit and other assurance activities and is recognised internationally as a source of expertise on audit issues. It is responsible for technical audit and assurance submissions on behalf of ICAEW as a whole. The faculty membership consists of nearly 8,000 members drawn from practising firms and organisations of all sizes from both the private and public sectors. Members receive a range of services including the monthly Audit & Beyond newsletter.

RESPONSES TO SPECIFIC QUESTIONS IN THE INVITATION TO COMMENT

Q1 *As discussed in [the overview of the proposed revised guidance] do you consider it is appropriate to include only that sector specific contextual information and guidance which will challenge the auditor of a Housing Association in its application of the ISAs (UK and Ireland)? If not, please describe in broad terms what other contextual information and guidance you would like to see explaining why such content would be an improvement?*

We agree with this approach. It has resulted in a much shorter, more focused document that we consider to be better than the previous version of PN14.

Q2 *Do you consider that the contextual information in the first two sections of the Practice Note about the sector and the regulation thereof is appropriate? If not, what changes would you like to see made and why?*

We consider that the background information about housing associations and their regulation is appropriate in principle. However, some of the statements may be rather too blunt and time specific, for example the reference to downgrading of the credit ratings of all English housing associations in 2013, in paragraph 24. We recommend that the contextual information be made more general and future-proof, by identifying the key business risks that need to be addressed in the audit of housing associations, and giving examples, such as the fact that the credit rating of the housing association cannot be relied on to stay the same.

Q3 *Do you believe that the appropriate business risks and audit risks, and relationship between them, are addressed in relation to the application of the ISAs (UK and Ireland) to this sector. If not, what changes would you like and why?*

Yes, we consider that the appropriate risks and their interrelationship are addressed adequately, subject to our recommendation in response to question 2 above, that the examples be general.

Q4 *Are there any other changes you believe would be appropriate. If so, what changes would you like to see made and why?*

We do not consider that any other changes are needed.

Yours sincerely

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