



PROPOSAL TO ADOPT (IN THE UK) ISAE 3000 ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION

Issued 27 May 2020

ICAEW welcomes the opportunity to comment on the Consultation Paper on the *Proposal to adopt (in the UK) ISAE 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* published by the Financial Reporting Council (FRC) in March 2020, a copy of which is available from this [link](#).

ICAEW is committed to the adoption of international auditing standards and in principle supports the FRC's initiative. ISAE 3000 is an important standard which could significantly benefit the quality of assurance engagements. However, it is difficult to comment meaningfully on the proposal to issue ISAE (UK) 3000 because of a lack of clarity about the scope of application of the proposed standard and over the application to assurance engagements within its scope of the independence requirements set out in the FRC Ethical Standard.

This response of 27 May 2020 has been prepared by the ICAEW Audit and Assurance Faculty. Recognised internationally as a leading authority and source of expertise on audit and assurance issues, the Faculty is responsible for audit and assurance submissions on behalf of ICAEW. The Faculty has around 7,500 members drawn from practising firms and organisations of all sizes in the private and public sectors.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 150,000 chartered accountant members in over 160 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2020

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: tdaf@icaew.com

KEY POINTS

1. We welcome the opportunity to comment on the consultation paper on the *Proposal to adopt (in the UK) ISAE 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* published by the Financial Reporting Council (FRC) in March 2020. We have restricted our comments to the FRC's proposal to adopt ISAE 3000 in the UK. We do not therefore comment on ISAE 3000 (Revised) as published by the International Auditing and Assurance Standard Board (IAASB).
2. ICAEW is committed to the adoption of international auditing standards and in principle supports the FRC's initiative. ISAE 3000 is an important standard which could significantly benefit the quality of assurance engagements. However, it is difficult to comment meaningfully on the proposal to issue ISAE (UK) 3000 because of a lack of clarity about the scope of application of the proposed standard and over the application to assurance engagements within its scope of the independence requirements set out in the FRC Ethical Standard.
3. The application in this context of the FRC Ethical Standard needs careful thought and clarification. We agree that it is critical that assurance practitioners are independent in relation to the subject matter of the assurance engagement, however, we would welcome clarification of the FRC's intentions in this respect, in particular, whether the aim is to extend the audit-level independence requirements to any specified assurance engagement, irrespective of whether the engagement is performed by the auditor or by another assurance practitioner. The FRC Ethical Standard could be applied in the same way as for an audit, or it could be applied in a manner that is responsive to the independence risks of the particular engagement, ie in the way it applies to the work of reporting accountants. The way the FRC Ethical Standard is applied has significant implications, including whether the 'whitelist' of services is relevant.
4. We note that applying the FRC Ethical Standard in the same way to all assurance engagements may have significant unintended consequences. One such consequence could be that the only conflict-free assurance practitioner is the incumbent auditor, which would restrict competition and choice in the market. We suggest instead that the FRC considers applying the FRC Ethical Standard in such a way that it enhances competition and choice in the market and encourages the development of niche providers with particular assurance specialisms. We recommend that the FRC clarifies that while the independence of the assurance team and firm is a critical factor in applying the proposed ISAE (UK) 3000, this is important in the context of the subject matter of the assurance engagement. We recommend that other matters, such as the provision of other professional services that do not impact the subject matter of the assurance engagement and the holding of personal financial interests by non assurance team members, should not be relevant to the application of the FRC Ethical Standard in the context of the proposed ISAE (UK) 3000.

ANSWERS TO SPECIFIC QUESTIONS

Question 1. Do you agree with the proposed adoption of ISAE 3000? If not, please explain why.

5. ICAEW is committed to the adoption of international auditing standards and in principle supports the FRC's initiative. ISAE 3000 is an important standard which could significantly benefit the quality of assurance engagements. However, it is difficult to comment meaningfully on the proposal to issue ISAE (UK) 3000 because of a lack of clarity about the scope of application of the proposed standard and over the application to assurance engagements within its scope of the independence requirements set out in the FRC Ethical Standard.

6. The application of the FRC Ethical Standard needs careful thought and clarification. We agree that it is critical that assurance practitioners are independent in relation to the subject matter of the assurance engagement, however, we would welcome clarification of the FRC's intentions, in particular, whether the aim is to extend the audit-level independence requirements to any specified assurance engagement, irrespective of whether the engagement is performed by the auditor or by another assurance practitioner. The FRC Ethical Standard could be applied in the same way as for an audit, or it could be applied in a manner that is responsive to the independence risks of the particular engagement, ie in the way it applies to the work of reporting accountants. The way the FRC Ethical Standard is applied has significant implications, including whether the 'whitelist' of services is relevant.
7. We note that applying the FRC Ethical Standard in the same way to all assurance engagements may have significant unintended consequences. One such consequence could be that the only conflict-free assurance practitioner is the incumbent auditor, which would restrict competition and choice in the market. We suggest instead that the FRC considers applying the FRC Ethical Standard in such a way that it enhances competition and choice in the market and encourages the development of niche providers with particular assurance specialisms. We recommend that the FRC clarifies that while the independence of the assurance team and firm is a critical factor in applying the proposed ISAE (UK) 3000, this is important in the context of the subject matter of the assurance engagement. We recommend that other matters, such as the provision of other professional services that do not impact the subject matter of the assurance engagement and the holding of personal financial interests by non assurance team members, should not be relevant to the application of the FRC Ethical Standard in the context of the proposed ISAE (UK) 3000.

Question 2. Do you agree that ISAE (UK) 3000 should be mandated only for certain specific types of assurance engagement as described above, with voluntary application permitted for other assurance engagements; or should it be mandated for all assurance engagements for which the FRC has not issued specific performance standards? If the latter, please explain why.

8. ISAE (UK) 3000 will generally be an appropriate basis on which to conduct an assurance engagement, however, we have concerns about the lack of clarity of the scope of application of the proposed ISAE (UK) 3000. The consultation paper states that compliance with the proposed standard will only be mandatory for such types of engagement the FRC specifies and that: *These will ordinarily be particular engagements for which there is a requirement in law or regulation for an assurance report to be provided by an auditor or other assurance practitioner, or where a clear need has been identified to serve the public interest.* The word 'ordinarily' creates some ambiguity. In addition, the wording suggests that the engagements could be performed by assurance practitioners other than auditors.
9. As stated in our answer to Question 1, it is difficult to comment meaningfully on the proposal to issue ISAE (UK) 3000 because of a lack of clarity about the scope of application of the proposed standard and over the application to assurance engagements within its scope of the independence requirements set out in the FRC Ethical Standard. We would welcome clarification of the FRC's intentions, in particular, whether the aim is to extend the audit-level independence requirements to any specified assurance engagement, irrespective of whether the engagement is performed by the auditor or by another assurance practitioner.

Question 3. Do you agree with the proposed adaptations to the text highlighted in the exposure draft? If not, please explain why and describe the changes you would wish to see.

10. As stated in our answer to Question 1, the application of the FRC Ethical Standard needs careful thought and clarification. We agree that it is critical that assurance practitioners are independent in relation to the subject matter of the assurance engagement, however, we

would welcome clarification of the FRC's intentions, in particular, whether the aim is to extend the audit-level independence requirements to any specified assurance engagement, irrespective of whether the engagement is performed by the auditor or by another assurance practitioner. The FRC Ethical Standard could be applied in the same way as for an audit, or it could be applied in a manner that is responsive to the independence risks of the particular engagement, ie in the way it applies to the work of reporting accountants. The way the FRC Ethical Standard is applied has significant implications, including whether the 'whitelist' of services is relevant.

11. We note that applying the FRC Ethical Standard in the same way to all assurance engagements may have significant unintended consequences. One such consequence could be that the only conflict-free assurance practitioner is the incumbent auditor, which would restrict competition and choice in the market. We suggest instead that the FRC considers applying the FRC Ethical Standard in such a way that it enhances competition and choice in the market and encourages the development of niche providers with particular assurance specialisms. We recommend that the FRC clarifies that while the independence of the assurance team and firm is a critical factor in applying the proposed ISAE (UK) 3000, this is important in the context of the subject matter of the assurance engagement. We recommend that other matters, such as the provision of other professional services that do not impact the subject matter of the assurance engagement and the holding of personal financial interests by non assurance team members, should not be relevant to the application of the FRC Ethical Standard in the context of the proposed ISAE (UK) 3000.

Question 4. Do you believe any further adaptations should be made? If yes, please explain them.

12. We have not identified any further adaptations.

Question 5. Do you agree with the proposed effective date for assurance reports dated on or after 15 September 2020? If not, please explain what date would be appropriate.

13. It is difficult to comment meaningfully on the proposed effective date until there is clarity about the scope of application of the proposed ISAE (UK) 3000 and over the application to assurance engagements within its scope of the independence requirements set out in the FRC Ethical Standard.
14. We have particular concerns with the proposed effective date if audit-level independence requirements are extended to assurance engagements which can be performed by assurance practitioners other than auditors as time would be needed to enable the independence requirements to be met for the whole of the reporting period, including any cooling off period.