



CONSULTATION PAPER AND IMPACT ASSESSMENT – PROPOSAL TO REVISE PRACTICE NOTE 19 (DECEMBER 2018)

Issued 8 March 2019

ICAEW welcomes the opportunity to comment on the Consultation Paper and Impact Assessment – Proposal to revise Practice Note 19 (December 2018) published by the Financial Reporting Council on 12 December 2018, a copy of which is available from this [link](#).

ICAEW supports the proposed revisions to Practice Note 19. This response contains suggested areas where additional guidance could be provided.

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ANSWERS TO SPECIFIC QUESTIONS

Question 1. Overall do you agree with the proposed revisions to the Practice Note? If not, please explain why.

1. Yes

Question 2. Is the included guidance appropriate, in particular that for ISA (UK) 540 (Revised December 2018)? If you believe it should be amended, please explain why and how.

2. Yes, however it is unclear whether the implementation date of the revised PN19 will be aligned with the implementation date of ISA 540 (Revised) (effective from audits of financial statements commencing on or after 15 December 2019 (with early adoption encouraged)).

Question 3. Is the guidance in Appendix 8, 'Auditing ECL – example approach for forward looking information' appropriate and at the right level of detail? If you believe it should be amended, please explain why and how.

3. The appendix provides helpful practical guidance in relation to substantive work. The Practice Note could provide further guidance around reliance on controls in these circumstances.

Question 4. Are there other aspects of auditing ECL for which examples should be provided? If you believe there are please explain what you believe should be covered and why.

4. The Practice Note could reference the work of the Taskforce on Disclosure of Expected Credit Losses which reported in most recently in November 2018.

Question 5. Has any extant guidance been deleted that you believe should be retained? If yes, please explain why it should be retained and whether, and if so how, it should be updated.

5. In removing the guidance on other reports issued by the auditor, the revised PN19 no longer covers the procedures expected for interim profits verifications (required in accordance with the Capital Requirements Regulations). We suggest the guidance should be retained in order to facilitate a consistent approach to this work which is acceptable to the financial services regulators.
6. Otherwise, we anticipate that some audit firms will issue interim profit verification opinions under ISRE 2410 and therefore it may be helpful to incorporate some guidance on the application of ISRE 2410 for a bank and building societies.

Question 6. Are there any other matters in relation to the audit of banks and building societies that you believe should be covered in the Practice Note and, if so, what do you believe the guidance should address?

Senior Managers and Certification Regime

7. The Practice Note could make more specific reference to the SMCR and its role in governance of banks and building societies.

Technology risks and related audit procedures

8. Given banks and building societies are heavily reliant on IT systems and controls we feel the revised PN19 misses an opportunity to give guidance in this important area. Banks and building societies face a wide range of technology related risks which can ultimately affect their business model and viability as well as day to day operations and reporting.

UK withdrawal from the EU

9. The preface to the revised PN19 acknowledges that ‘it is expected that when the UK ceases to be a member of the EU, equivalent requirements will have been established in UK laws and regulations and references in this PN will be updated accordingly’. Given the short amount of time remaining and the quantity and complexity of secondary legislation outstanding, it may be prudent to either delay the release of the revised PN19 or specifically deal with the uncertainty generated by the UK withdrawal from EU in the practice note.

Coverage of ISA (UK) 701

10. The revised PN19 does not provide any additional guidance on ISA (UK) 701 Communicating Key Audit Matters in the Independent Auditor’s Report. The extended auditor’s report can play an important role in improving transparency of and trust in audit. Some guidance on expected key audit matters for banks and building societies, and other important communication matters may be helpful to auditors given this context.