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Via email: [AAT@frc.org.uk](mailto:AAT@frc.org.uk)

27 September 2019

Dear James,

### Consultation on Revisions to Ethical and Auditing Standards 2019

We welcome the opportunity to comment on proposed revisions to the UK Auditing and Ethical standards. We are supportive of this update taking place, especially given the ongoing reviews on the wider audit market. In relation to the changes proposed, we feel shareholders and Audit Committees (ACs) are best placed to comment. In our view there are two key areas to note:

- 1) The list of permissible services needs to be clear and concise
- 2) Any changes should not unnecessarily further diminish competition in the audit market

In line with best practice, our members already restrict their auditors from providing non-audit services and often such restrictions go above and beyond the current UK regulatory requirements. As noted in our responses to the Competition and Markets Authority review on audit, we welcome further review of permissible non-audit services and therefore consider this consultation to be timely.


We are broadly supportive of the list of proposed services, as it takes into account those that external auditors are both mandated, as well as best placed to do. However, the list is ambiguous, which could lead to it being interpreted differently. For example paragraph 5.39 of the Exposure Draft (ED) states that *"There are services...an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor...is relevant to the service, and...would not compromise independence."* As this is a subjective assessment it is unclear whether certain services would be permissible. Furthermore, this decision would be dependent on the risk appetite of both the auditor and AC to deliver such services.

The suggested list of permissible services in the ED is incomplete. For example, we believe it should include the provision of assurance services in relation to the financial statements, such as issuing of comfort letters. We note that Appendix B makes a provision that *"providing assurance services...such as the issuing of comfort letters"* is allowed. However as this is not explicitly included in the list, it is also unclear whether it is exempt from the non-audit services cap.

As a result of the above, we suggest this list of permissible services is reviewed and further outreach performed, to ensure any list captures all necessary and appropriate services. It would also be appropriate to re-consider the proposed implementation date, as December 2019 would be too early when taking into account any potential changes.

Please contact me at [russ.houlden@the100group.co.uk](mailto:russ.houlden@the100group.co.uk) should you wish to discuss our comments.

Yours sincerely,



**Russ Houlden,**  
Chairman, Financial Reporting Committee