



**Question 11: Do you agree with the proposed additional auditor reporting requirements, including the description of significant judgements in respect of Key Audit Matters and increased disclosure around materiality?**

Further explanation and guidance is needed in relation to some of the proposed additional auditor reporting requirements. In particular, it is not clear what the distinction is between the 'key observations' that auditors of public interest entities are required to include in their key audit matter disclosure in auditor's report and the 'significant judgements' that auditors of all listed entities are required to include. The lack of clarity on this point is likely to result in diverging practice. Enhancement of key audit matters is another area where Sir Donald Brydon is consulting on and we recommend that the FRC should wait for his review to conclude before taking any action in this area.

A51-1 defines a 'key observation' as 'the conclusion drawn by the auditor in respect of a key audit matter or an indication of the outcome of the auditor's procedures'. It then goes on to say 'In reporting on key observations, the auditor should be careful not to give the impression that a separate opinion is being conveyed on a key audit matter and not to do so in a manner that would undermine the auditor's opinion on the financial statements as a whole'. By referring to the conclusion drawn in the definition of a key observation, there is an increased risk that a separate opinion could be perceived to exist. The reference to 'an indication of the outcome of the auditor's procedures' appears to already be covered in A46 which includes reference to an indication of the outcome of the auditor's procedures as one of the points that may be described in a key audit matter.

We do not object to the proposed requirement to disclose performance materiality. Many auditors already voluntarily provide performance materiality disclosures and we believe that this information is arguably more relevant to users of the accounts than materiality for the financial statements as a whole on the basis that it reflects certain judgements made in the performance of the audit rather than judgements made by the auditor about the users' interests.

**Question 12: Do you agree with the revisions we have made to ISA (UK) 720, including the enhanced material setting out expectations of the auditor's work effort in respect of other information?**

We do not consider the proposed changes to ISA (UK) 720 to be substantive. As noted in paragraph 5 of the Executive Summary to the Consultation, the scope of the auditor's responsibilities in respect of other information are being considered as part of the Brydon review. There is a risk that the proposed changes to ISAs (UK) 720 do not address the findings of this review and need to be revisited.

**Question 13: We are proposing changes to the standards to be effective for the audit of periods commencing on or after 15 December 2019. Do you agree this is appropriate, or would you propose another effective date, and if so, why?**

The effective date for the revisions to the auditing standards is achievable as it will mainly impact 31 December 2020 year ends. However, we are concerned that as the revisions to the Ethical Standard will affect services provided from 15 December 2019, its proposed effective date does not allow firms sufficient time to digest and implement the changes nor for clients to adapt to them. We therefore urge the FRC to push back the effective date of the revisions to the Ethical Standard by a maximum of 6 months.