



2 March, 2020

Keith Billing, Project Director  
Financial Reporting Council  
By Email

Dear Keith

**Proposal to revise ISA (UK) 315 (Revised June 2016) Identifying and Assessing the Risks of Material Misstatement through Understanding of the Entity and its Environment**

ICAEW welcomes the opportunity to comment on the FRC's Proposal to revise ISA (UK) 315 (Revised June 2016) Identifying and Assessing the Risks of Material Misstatement through Understanding of the Entity and its Environment, published on 28 January 2020, a copy of which can be found [here](#).

Our responses to the questions asked by the FRC are set out below.

Q1. Do you agree that ISA (UK) 315 (Revised June 2016) and other ISAs (UK) should be revised to adopt the revisions to the underlying international standard and the related conforming amendments to other ISAs? If not, please give your reasons and explain what action, if any, that you believe should be taken to update the ISAs (UK) in relation to identifying and assessing the risks of material misstatement.

*We agree that ISA (UK) 315 (Revised June 2016) and other ISAs (UK) should be revised to adopt the revisions to the underlying international standard and the related conforming amendments to other ISAs.*

Q2. If you agree that the ISAs (UK) should be revised to adopt the revised ISA 315 and conforming amendments, do you agree that the UK supplementary material can be limited to that shown in the exposure draft? If not, please give your reasons and explain what supplementary material, if any, you believe should be added.

*We agree that the UK supplementary material can be limited to that shown in the exposure draft. However, many practitioners have concerns about the complexity and comprehensibility of the revised standard. Implementation support will therefore be very important. In this context, we note with some concern that the FRC chose not to respond to the IAASB's recent discussion paper on the audit of less complex entities. We urge the FRC to engage more fully with IAASB on this important issue to avoid calling its locus as the UK's auditing standard-setter for all audits into question.*

*In our view, the FRC should monitor the ISA 315 implementation materials being developed by the IAASB with a view to determining the need for additional support based on feedback from UK stakeholders and, in particular, to support smaller audit firms, many of whom perform audits of less*

*complex entities almost exclusively. Those firms will struggle most with the complexity and potentially challenging comprehensibility of the revised standard.*

Q3. Is the proposed effective date (audits of financial statements for accounting periods beginning on or after 15 December 2021), which is consistent with the effective date of the IAASB's revised ISAs, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate.

*The proposed effective date is appropriate, provided adequate implementation support materials, including those developed by the FRC (in particular for auditors of less complex entities), are available on a timely basis.*

We have no further general or specific comments to make.

Yours sincerely



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