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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, Introduction

We welcome the opportunity to provide our comments 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.

Summary – We support the FRC's proposal to revise ISA (UK) 315 (Revised June 2016) and other ISAs (UK) to adopt the revisions to the underlying international standard and related conforming amendments to other ISAs. We strongly encourage the FRC to consider preparing supplementary material in the form of detailed worked examples that would assist auditors in applying the new standard across the audits of complex and less complex entities.

Our responses to the questions posed 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.

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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 recommend inclusion of supplementary material in the form of detailed worked examples. The revised standard is lengthy and complex and we have some concerns about the ease of scalability/proportionality of the standard across the spectrum of audits. In addition to large and complex businesses, our client base also consists of small and less complex entities and we believe that the application guidance included in the revised standard is not easily interpreted and applied for small and less complex businesses in particular. Therefore, we believe that some supplementary material in the form of worked examples or practical guidance for implementation from the FRC will be highly useful to address scalability/proportionality across both of the following:

- 1. Less complex entities worked example – The business processes, control environment and IT considerations of a less complex entity are highly likely to be different from those in a more complex entity. Accordingly, some considerations about the entity's risk assessment may be less relevant or may not be applicable. Therefore, a supplementary worked example or practical guidance on how to apply the standard to small and less complex entities would be of a great benefit; and*
- 2. Complex worked example – we consider that inclusion of a complex worked example or other guidance material would aid auditors of larger and more complex entities but also provide supplementary context and contrast for auditors of less complex entities.*

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.

We consider the proposed effective date i.e. audits of financial statements for accounting periods beginning on or after 15 December 2021 appropriate. This is a significant change that audit firms will need appropriate time to effectively engage with and work through. Application for accounting periods beginning on or after 15 December 2021 duly provides this opportunity.

If you would like to discuss our response with us please do not hesitate to contact Jon Seaman on 0207 063 4166.

Yours faithfully

