

Keith Billing
Project Director
Financial Reporting Council
125 London Wall
London EC2Y 5AS

22 May 2020

Ref: EY

Direct line: 020 7951 2000

Email: ccowling@uk.ey.com

By email to: AAT@frc.org.uk

Dear Mr Billing

FRC adoption of ISAE (3000)

We are pleased to respond to the FRC's consultation *Proposal to Adopt (in the UK) ISAE 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ("Consultation"). Our responses to the Consultation's questions are enclosed below, and if you would like to discuss any of the points raised please contact me.

1. Do you agree with the proposed adoption of ISAE 3000? If not, please explain why.

In principle yes, but only when it is clear which assurance services the standard would apply to, and only when those services are clearly defined, standardised and comparable. If none of these requirements are met, the complexity and variability of compliance would make the standard unworkable. It would cause confusion and an unwelcome distraction for the users and preparers of the information being assured.

2. Do you agree that ISAE (UK) 3000 should be mandated only for certain specific types of assurance engagement as described above, with voluntary application permitted for other assurance engagements; or should it be mandated for all assurance engagements for which the FRC has not issued specific performance standards? If the latter, please explain why.

If the standard is adopted by the FRC it should be mandated and apply to a specific and limited range of assurance services (and only when certain requirements are met - see reply to Q1). If the standard is used voluntarily, and/or the scope and type of assurance services to which it applies are unlimited, it may cause confusion amongst company stakeholders who might be uncertain as to which information is and is not assured, and whether that information is assured from one year to the next. The lack of consistency and comparability would be unhelpful to everyone, especially investors.

Another concern we have, if the standard is mandated for all assurance engagements (those for which the FRC has not issued specific performance standards) is the complexity, time and cost of ensuring we meet (and continue to meet) the independence requirements suggested in the FRC's Exposure Draft ("ED"). We refer, in this context, to proposed wording that says: "In the UK, the firm and its personnel are subject to ethical requirements from two sources: the FRC's Ethical Standard concerning the integrity, objectivity and independence of the firm and its personnel,

and the ethical pronouncements established by the assurance practitioner's relevant professional body." (ED, page 3, paragraph 3a).

Unlike the current IESBA Code, which we and other firms follow when delivering assurance services, the adoption of ISAE 3000 as currently drafted for this purpose (in effect bringing assurance services under the ambit of the FRC's Ethical Standard (ES)) would be unwarranted and make compliance highly problematic.

The independence requirements in the ES are significantly more restrictive than those in the IESBA code, and if they were to apply to assurance services (via ISAE 3000), we would have to consider disengaging from this type of work. If other firms face similar issues, the effects on competition and choice in the wider assurance market could be damaging.

3. Do you agree with the proposed adaptations to the text highlighted in the exposure draft? If not, please explain why and describe the changes you would wish to see.

Given our responses to Q1 and Q2, it is premature to consider the level of detail addressed by this question. For example, the adaptations refer to an effective date, where the assurance report is dated on or after 15 September 2020 (ED, page 4, paragraph 9).

Reporting requirements are also mentioned: "The assurance report shall include, at a minimum, the following basic elements....a statement that the practitioner complies with the independence and other ethical requirements of the FRC's Ethical Standard..." (ED, page 18, paragraph 69(j)).

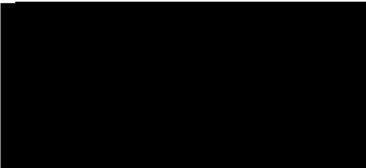
4. Do you believe any further adaptations should be made? If yes, please explain them.

Further adaptations at this time would be inappropriate. As noted above a number of aspects of the current proposed ED must be reconsidered first, for the reasons outlined in our responses above.

5. Do you agree with the proposed effective date for assurance reports dated on or after 15 September 2020? If not, please explain what date would be appropriate.

No, for all the reasons explained in our responses above.

Yours sincerely



Head of UK Regulatory & Public Policy

Ernst & Young LLP
United Kingdom