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30 June 2017

Dear Keith,

EXPOSURE DRAFT – PRACTICE NOTE 15 (REVISED): THE AUDIT OF OCCUPATIONAL PENSION SCHEMES

Mazars, is an international, integrated and independent organisation specialising in audit, advisory, accounting and tax services. In the UK, we are the eighth largest by audit fee income.

Mazars is pleased to have the opportunity to comment on the consultation on the Exposure Draft – Practice Note 15 (Revised): The Audit of Occupational Pension Schemes issued 13 April 2017.

We set out below general observations as well as our detailed comments to the specific questions raised in the Exposure Draft.

General observations

We can see that a lot of effort has been put into the update of the Practice Note. However, we consider that the approach adopted in the Exposure Draft is not consistent throughout. Some paragraphs include examples and others, where it may be more helpful to do so, have no examples.

Detailed comments: Responses to specific questions

Question 1: Overall do you agree with the proposed revision to the Practice Note? If not please explain why.

We consider that whilst the revised Practice Note is shorter, we consider that it has not given sufficient guidance on some key areas, for example Auto Enrolment and Master Trusts. We also find the examples given in the current Practice Note very helpful and are surprised by the decision to remove some of these from the revised Practice Note.

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Question 2: Is the included guidance appropriate? If you believe it should be amended please explain why and how.

We consider that more guidance / review is needed in the following areas:

- There is duplication in the guidance in the two bullet points in paragraph 54. The guidance on pages 129 and 130 of the current Practice Note is clearer and easier to follow.
- Earmarked schemes - We would expect the guidance to give clarity on what specific information the TPR wants to know about these schemes. We would also expect guidance on what would change the treatment of such a scheme i.e. if there is a bank account this would usually indicate that the scheme was not an earmarked scheme.
- ISA 210
We consider that more guidance is required on acceptance letters for non-statutory audit appointments. The guidance given is conflicting and misleading. Additionally, paragraph 81 implies following the same process as a statutory audit. We would like to see some clarity of this in the revised Practice Note. Furthermore, some practical guidance on when to resign might be useful, i.e. on windup, and what audit information is required in those circumstances. i.e. a final trust deed.
- ISA 240
With regard to the examples given in paragraph 93, we would expect this to also cover cyber security, pension scams and any other liabilities to the trustees.
- ISA 250 – Section A
Guidance on how these points relate to errors in financial statements and who is liable for these penalties would be helpful.

The guidance in paragraph 109 is short and has gone straight to reporting to the TPR without consideration to the internal procedures auditors will have to adhere to. The guidance would be clearer if the last sentence was first.

- ISA 250 – Section B
We would expect the guidance here to reflect what auditors and other advisors are required to report on. One particular area where we consider that guidance would be particularly helpful is in relation to the DC Chair's Governance Statement, taking into account that the TPR want to know if there is non-compliance and will fine accordingly.
- ISA 570 – Going Concern
With regard to going concern, we do not consider that the guidance here is very helpful because it is not clear how this should be applied to pension schemes. Some guidance would also be useful on when this does and does not apply i.e a scheme wind up. There is no guidance on what would happen to trigger the wind up of scheme.

The guidance does not reflect that this is a primary requirement of new audit reports. We consider that there should be more guidance to ensure consistency of approach by scheme auditors.



- ISA 720
With regard to the 'other information' we would like to see more guidance on the information included in the Investment performance pages / detail and how these tie into accounts.
- With regard to the note of other representations on page 64, we find the current guidance helpful and would expect to see similar guidance in the revised Practice Note along with some other guidance on annuities.
- Appendix 2 – These are useful extracts but we consider that the example audit reports should also be given in the revised Practice Note.

Question 3: Has any extant guidance been deleted that you believe should be retained? If yes, please explain why it should be retained and whether, and if so how, it should be updated.

We consider that the decision to remove the example audit reports is not helpful and is likely to result in inconsistencies within the profession. Some of the other useful guidance has been omitted, as noted above, that is beneficial to auditors of pension schemes.

Question 4: Are there any other matters in relation to the audit of occupational pension schemes that you believe should be covered in the Practice Note and, if so, what do you believe the guidance should address.

With the changes in the sector, we would expect to see more guidance on Master Trusts. The guidance included in the Exposure Draft is short and contractual.

We are unsure whether the FRC plan to publish responses but we are happy for this response to be published if this is the case.

We hope that you have found our comments helpful. If you would like to discuss our response or require further clarification, please contact Tara Wooton on 01908 257246.

Yours sincerely

A handwritten signature in black ink that reads 'TARA WOOTON'.

Tara Wooton
Director
Mazars LLP