

Our ref: JAH/CW/00100000

28 June 2017

Mr K Billing
Project Director
Financial Reporting Council
8th Floor
125 London Wall
London
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Dear Mr Billing

Revision of Practice Note 15

Kreston Reeves LLP appreciates the opportunity to respond to the consultation document issued by the Financial Reporting Council in April 2017 on revising Practice Note 15: The Audit of Occupational Pension Schemes in the United Kingdom.

Kreston Reeves LLP is a firm of Chartered Accountants that is amongst the top 30 largest firms in the United Kingdom. Based in London and the South East, we have a wide range of clients, including AIM listed companies. We also operate a specialist team in the pensions sector offering audit services for Occupational Pension Schemes with asset sizes ranging from £50,000 to £170,000,000. We are a member firm of Kreston International, a global network of independent accounting firms.

Kreston Reeves LLP is regulated by the Institute of Chartered Accountants in England and Wales (ICAEW) and takes an active role in its activities. In addition we are a member firm of the Association of Practising Accountants (APA).

We wish to respond to the questions raised by the consultation document as these directly impact upon the audit market in which we operate.

Q1. Overall do you agree with the proposed revisions to the Practice Note? If not please explain why.

Yes, given the changes to the Financial Reporting Framework and SORP, the revision to PN15 is required to ensure its relevance in the coming years.

In addition, we feel that the guidance on materiality for contributions has been improved from the previous Practice Note, given specific reference is made to the requirements of the [contributions] Schedule.

Q2. Is the included guidance appropriate? If you believe it should be amended please explain why and how.

Yes, we believe the included guidance is appropriate and has been updated to consider the current risks that schemes face such as ‘pensions scams’ included in the guidance relating to ISA(UK)240.

Q3. 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 believe that it would be beneficial for the Practice Note to continue to include an example auditor’s report, drafted in accordance with the latest ISAs, rather than deleting this guidance. Given that the latest FRC Compendium of Illustrative Auditor’s Reports, issued in October 2016, did not include any examples for pension schemes, such guidance would be most beneficial in enabling auditors to prepare reports that conform with the latest Standards.

Regarding reports made by the auditor, at Appendix 3 of the Practice Note illustrative examples of an Auditor’s Statement about Contributions have been provided, which are most welcome. We note however that these examples have not been drafted in a manner consistent with the latest guidance on auditor’s reports, i.e. that they do not commence with the auditor’s opinion. We would consider it beneficial the illustrative examples provided were based on a format consistent with other forms of reporting made by auditors.

Otherwise, the previous version of the Practice Note was exhaustive in a number of areas and so the removal of repetition and referral to supporting guidance, rather than inclusion, has, in our opinion, improved the focus and usability of the document.

Q4. 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?

Yes, there are a few other matters which we feel should be covered in the Practice Note as follows:

- Under point 109, we note the guidance in relation to the statutory duty to report to TPR in addition to making any necessary report required by legislation relating to money laundering offences.

This was included in the previous Practice Note, but we feel there should be clarity given on the timings of these reports i.e. who to report to first.

- ISA(UK) 300: Planning and Audit of Financial Statements – the guidance noted here on points 147 to 152 does not make reference to risk assessment and the impact thereof, on the planning of the audit.

We understand the Practice Note is intended to give guidance on the application of auditing standards issued by the FRC and it is therefore not appropriate to replicate this wording. However, although the assessment of risk is covered separately, we feel it would be appropriate to include a brief explanation with reference to further guidance included in the Practice Note, under this section.

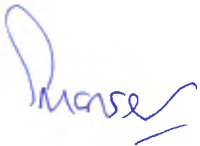
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- We feel that it would be helpful if the Practice Note could set out some guidance or examples of when to qualify an audit report on contributions for reasons other than amount. This would help towards achieving a consistency of approach between audit firms.

Should you have any questions regarding the contents of this letter, please contact Jo-Anne Haulkham, our Head of Pension Schemes, or Peter Manser, our Head of Audit, at the address shown.

Yours sincerely



P R Manser
Head of Audit