



FRC Consultation on the proposed revisions to the CASS standard

Jeffrey Mushens, Technical Policy Director, TISA

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About TISA

TISA's ambition is to improve the financial wellbeing of UK consumers by bringing the financial services savings industry together to promote collective engagement, to deliver solutions and to champion innovation for the benefit of people, our industry and the nation.

We do this by focusing on good consumer outcomes and harnessing the power of our broad industry membership base to deliver practical solutions, new digital infrastructure and by devising innovative, evidence-based strategic proposals for government, policy makers and regulators. This holistic approach to address the major consumer issues uniquely positions TISA to deliver independent insight, promote innovation and facilitate good practice.

TISA's rapidly growing membership is representative of all sectors of the financial services industry. We have over 200-member firms involved in the supply and distribution of savings, investment products and associated services, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

TISA will unveil **Vision 2025** – our strategic policy roadmap towards delivering a material impact in enhancing consumers' financial wellbeing at our Annual Conference in December 2019. Our current strategic policy focus includes making financial guidance more widely available; financial education for young people; retirement savings and addressing consumer engagement, particularly for the vulnerable. Complementing our development of consumer policy and thought leadership, TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives (TeX/STAR, Digital ID, MiFID II and Open Savings & Investment). This reflects TISA's commitment to open standards and independent governance.

TISA is also recognised for the support it provides to members on a range of operational and technical issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations. This work currently includes MiFID II, CASS, SM&CR and addressing cybercrime.

TISA Response to the FRC [Consultation on the proposed revisions to the CASS standard](#).

I am pleased to set out TISA's response to the recent consultation on the proposed revisions.

We believe that the introduction of the FRC standard has improved standards but we should like to restate the industry's view that the improvement in standards has come at a high price in cost and remain to be convinced that the FRC has quite got the balance right.

We should like to see a continued effort to manage the cost burden for CASS firms.

Detailed comments, reflecting responses from members, are set out below.

1. While feedback to the FRC has been that audit standards have improved we believe that there is still room for improvement. We hear reports of far too many instances of material issues being missed by auditors and/or rules being interpreted incorrectly and inconsistently (often within the same firm of auditors).
2. In relation to oversight of the audit standards by the FRC, we recommend that there is a clear obligation on the audit firm to make it clear to the CASS firm what has been identified as incorrect/not up to standard, so that firms can learn and adjust their processes accordingly. Otherwise there is the risk that a poor practice or incorrect interpretation could continue for a year without any feedback.
3. We agree that audits should not be reopened, in general, as a result of any oversight findings, there should a feedback and communication with the firm and the FCA if a material issue has been identified, whether in favour of the firm or adverse.
4. We continue to be concerned about the scope of assessment of IT as part of the audit. The wording on the standard poses the risk that scope will cover non-CASS relevant IT, as noted, but also that it morphs into an IT audit, requiring both auditors and firms to deploy scarce and expensive technical experts to delve into code etc. This is not what the FRC intends, nor what the rules require. The standard should make it clear that the scope is to give reasonable assurance that the systems are processing transactions and maintaining records as required by the rules, which could be an opinion based on sample testing of actual transactions or walkthroughs of documentation, rather than opening up the boxes to look inside. If you consider what is done for statutory audit, there is no justification for making this more onerous. In addition, given the preponderance of outsourcing, it ought to be acceptable to rely on centrally performed checks and test for this, not re-perform for each firm.
5. There is a need for clarity from the FRC around what is meant in pg. 67, section 37. Reporting Breaches to the FCA, particularly with regard to the sentence *'The CASS auditor should also provide assurance to the FCA that the CASS firms own reporting of breaches that it has identified are a **complete** record.'* We believe that this should be interpreted to mean that the auditor is expected

to report on breaches that it identifies through the course of their CASS testing, in addition to any breaches logged by the firm/client during the reporting period. All breaches, irrespective of materiality, should be included. However it could also be taken to mean that the auditor is expected to somehow confirm these are ‘a complete record’ – i.e. that there are no breaches which have not been identified. It would be an enormous challenge for both the auditors and the audited to identify how to approach this, and could lead to significant increases in work for both sides.

6. We note that in the Feedback Statement & Impact Assessment document, there is a request for guidance on how CASS auditors could utilise the work of SOC reports produced for TPAs. This question is not specifically addressed in the FRC response in that feedback document. The standard itself does provide a little more detail, allowing for reliance on reports provided the auditor has *‘assessed the skills, capacity and quality of the work undertaken by the provider of the SOC Report, and document its assessment and conclusions drawn in the audit file’*. The standard includes references to auditors testing information technology and automated procedures and the feedback document also refers to the use of IT specialists to support an audit engagement where required, although this is not specifically called out in the section that refers to TPAs. IT testing is an area where members report cu major differences between auditor approaches. More clarity and consistency would be desirable here. Any increase in IT testing following the revised standard could have a major impact on resources, therefore the reliance on SOC reports is key to ensure firms are not subjected to unmanageable volumes of IT audit testing.
7. TISA appreciate that member firms have very different business models and products, and that the FRC approach is to provide principles-based guidelines. Audits will therefore vary in content. However the extent of the variation between audit firm testing can be significant – both in operational controls testing, and in the approach to IT testing and use of SOC reports. Therefore, we welcome the suggested initiative to pilot CASS Audit inspections as a potential means to validate that this variation is acceptable, and where not, that subsequent feedback to auditors might lead to improved consistency and quality of CASS audits.

We should be pleased to discuss this with you in more detail

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