

Kate Dalby

From: 11 January 2024 17:37
Sent: AAT
To: Proposed changes to ISA (UK) 250 Consideration of Laws and Regulations in an Audit of Financial Statements
Subject:

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Message for the attention of Kate Dalby sent on behalf of Andy Kemp from the Audit Committee Chairs' Independent Forum

The [Audit Committee Chairs' Independent Forum](#) is pleased to submit a response to your consultation on proposed changes to the auditing standard, ISA (UK) 250 Consideration of Laws and Regulations in an Audit of Financial Statements. We are not providing responses to the detailed consultation questions in this submission, instead we would like to register three key concerns which we ask you to consider.

1. The proposal to remove the distinction in work effort between direct laws and regulations and other laws and regulations and require auditors to identify **any** laws and regulations to which the organisation is subject and with which non-compliance may have a material effect on the financial statements could lead to some industries representing too high a risk for audit firms to want to undertake statutory audits. In addition, this could lead to a significant increase in limitations of scope in audit reports as a result of auditors being unable to obtain sufficient evidence to meet this new requirement. We also believe that such a requirement would only serve to further exacerbate the misconceptions on the assurance provided by an audit report.
2. We believe that your impact assessment of 15 hours per audit is significantly underestimated and there is no consideration of the additional burden on the audited entity. We also struggle to see how smaller audit firms will be able to deal with this in terms of both additional risk taken on and additional resources and expertise required.
3. Finally, we question how this meets the Government's call for smarter regulation when we are not aware of any specific issues which have triggered this proposed change. We believe that the case for change needs to be made more clearly before we can consider supporting the proposals. We are aware that the PCAOB has been proposing a similar change but that this is currently still going through due process and receiving significant pushback.

We would be very happy to discuss these comments in more detail. If this would be helpful, please contact either Andy Kemp (ACCIF Chair) at andy@andrewkemp.uk or Tracy Gordon (Head of Secretariat, ACCIF) at trgordon@deloitte.co.uk.

Kind regards,

Tracy

Tracy Gordon

Head of Secretariat, ACCIF