

19 March 2015

Paul Smith Esq.
Corporate Frameworks, Accountability and Governance
Department of Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Our Ref: CCW/SJG

Dear Mr Smith

Auditor regulation: Discussion document on the implications of the EU and wider reforms

We are pleased to provide the views of Crowe Clark Whitehill LLP on the questions set out in the consultation document.

Crowe Clark Whitehill is a mid-tier accountancy firm with eight offices and approximately 650 people. It is one of the nine 'major audit firms' subject to inspection by the Audit Quality Review team at the Financial Reporting Council and our latest public report on audit quality was published by the FRC in February 2015. It is a member of Crowe Horwath International, the ninth largest global accounting network

We fully support the need for a strong audit profession within the UK that provides appropriate assurance to the capital markets and other users of financial statements. That includes having a strong mid-tier of audit firms that provide competition with Big 4 firms and choice for the audit committees of companies. It is imperative that the UK maintains its reputation for high quality financial reporting and auditing and remains attractive to investors and the capital markets.

The adoption of the EU Audit Directive and Regulation into UK law is an opportunity to ensure there is clarity and consistency in the application of audit requirements across the EU which will benefit the wider investor community and companies as they make strategic decisions for their business.

Although we support the need for the UK to be able to make changes where required through UK law and national interest, we believe that these variations should only be made where there is a justifiable reason for doing so that is backed up evidentially.

Currently in the UK there is no clear and consistent definition of a public interest entity in the context of financial reporting and auditing and this is also an opportunity to address that. We are also making a submission to the Financial Reporting Council on their consultation paper 'Auditing and Ethical Standards - Implementation of the EU Audit Directive and Audit Regulation' as it is in the FRC's auditing standards, ethical standards and audit inspection regime that many of the variant approaches appear.

We have contributed and are signatories to the combined submission from the Group A accounting firms and members of the Association of Practicing Accountants. Accordingly, the comments we provide in this submission should also be read in conjunction with that response.

On the following pages we set out our responses to the individual questions set out in the consultation paper.

Yours sincerely



Steve Gale
Head of Professional Standards
Crowe Clark Whitehill LLP

steve.gale@crowecw.co.uk

Enc

Consultation questions	Crowe Clark Whitehill response
<p>Q1. In relation to the measures discussed in both this and the next chapter, we would welcome comments on the balance between legislative and non-legislative implementation of the requirements of the new Directive and Regulation.</p>	<p>We believe that there should be legislative implementation of the EU Directive only to the minimum requirements. In this manner, the greatest degree of flexibility can be retained.</p>
<p>Q2. In relation to all the Member State options in the Directive and the Regulation, we would welcome comments to inform our thinking on whether and how these should be taken up. Though many are discussed in this document and in specific questions, all the options in the Directive and Regulation are considered in the options tables that are being made available separately.</p>	<p>We believe the over-riding approach should be that UK does not seek to 'gold-plate' the requirements of the EU Directive and Regulation.</p> <p>We support the view expressed in the submission by the members of Group A/APA.</p>
<p>Q3. In relation to the measures discussed in both this and the next chapter, what issues do you think arise that have not been considered as part of the discussion? If there are any, how do you think these should be addressed?</p>	<p>We have no specific comment on this</p>
<p>Q4. In relation to the measures discussed in both this and the next chapter, we would welcome comments on any burdens applied to small and micro sized companies and audit firms in particular by the proposed implementation, which you consider are disproportionate to the wider benefits?</p>	<p>We believe that UK auditing standards and ethical standards are already capable of being applied proportionately and do not believe there are any proposals that are significantly disproportionate to the wider benefits.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q5. Do you agree that the Government should not expand the definition of a PIE beyond the EU minimum requirement – that is listed companies, banks, building societies and insurers? Please provide further information in support of your answer?</p>	<p>We agree that Government should not expand the definition of PIE for audit purposes beyond the EU minimum requirement.</p> <p>To date that has not been a single agreed definition of PIE and the EU Audit Directive is the opportunity to harmonise the definitions used in legislation and by the Financial Reporting Council (FRC) in its role as audit regulator.</p> <p>The FRC currently sets the definition of 'major audit' under its oversight arrangements and this can include large private companies, certain companies listed on AIM plus large pension schemes and large charities.</p> <p>We do not believe it appropriate for the UK government to 'gold-plate' the minimum requirements as set out by the EU Audit Directive.</p> <p>The fundamental issues to consider is not whether an entity (or class of entity) is of interest to the public, but whether the public interest can be protected by having enhanced audit arrangements.</p> <p>Large private companies and AIM companies do not, ordinarily, carry the same level of public interest as companies listed on the Stock Exchange and they are not subject to the same regulatory environment. Although AIM listed companies have external investors, those investors should be aware of the higher risk associated with those investments. AIM companies are often relatively small companies who need a market to achieve their growth aims but that is not a reason for being classified as public interest. Arguably the same could be said for a number of companies at the lower end of the main London Stock Exchange but there is not scope for UK legislation to deregulate beyond the EU minimum requirements.</p> <p>We do not believe large pension schemes should be PIEs as membership of each scheme is restricted to employees of the participating employers and so there is not a wide public interest in each scheme in its own right. The security of promises given to members is backed by the investment funds and in the case of defined benefit (DB) schemes the employer and where the employer fails the Pensions Protection Fund (PPF). The PPF is funded by employers that offer DB schemes and not the public purse.</p> <p>Large charities should also not be regarded as PIEs. There is no record of systemic risk of failure within large charities and although charities should be reporting their activities through annual reports, the risk of failure of a charity is not, we contend, linked to the truth and fairness of historical financial reports.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q6. What issues, if any, do you consider arise from the application of the provisions of the Regulation to audits of PIEs as defined in the Directive? How do you consider these should be addressed?</p>	<p>We do not consider that any significant matters will arise as we would expect entities such as unlisted banks, building societies and insurers will already have enhanced governance structures and that the auditors will already treat these audits as being of 'public interest'.</p>
<p>Q7. What issues, if any, do you consider arise from the need to broaden the application of the implementation of the 2006 Directive as amended to include:</p> <ul style="list-style-type: none"> • other entities whose securities are admitted to trading on a regulated market; • electronic money institutions; • payment institutions; • MiFiD investment firms; • Undertakings for Collective Investment in Transferable Securities (UCITS); and, • Alternative Investment Funds (AIFs). <p>How do you consider these should be addressed?</p>	<p>The types of entities which may carry out these types of activities may not, ordinarily, fall to be treated as PIEs and we are concerned that the additional burden that may fall on them, when coupled with the already onerous requirements of financial services regulation may be disproportionate.</p>
<p>Q8. What do you think are likely to be the familiarisation costs to auditors of PIEs arising from all the changes affecting them. In particular:</p> <ul style="list-style-type: none"> • how many person hours likely to be involved in an individual statutory auditor and their team understanding and preparing for the changes? • what are the costs to audit firms of updating internal management systems to reflect the changes? <p>How this is likely to vary by size of audit firm?</p>	<p>This is an extremely difficult question to answer.</p> <p>In terms of point a), we will ensure all audit partners and staff are aware of the changes through our ongoing training programmes. We do not believe it is possible to attribute a specific number of hours to an individual audit assignment.</p> <p>b) and c) We do not believe there will be a significant additional internal cost given the existing management information systems however we would expect that the cost for smaller firms could be greater.</p>
<p>Q9. Do you agree the FRC should be the single competent authority with ultimate responsibility for the audit regulatory tasks and for oversight under the 2006 Directive as amended by the new Directive and under the Regulation?</p>	<p>We agree that the FRC could be the Single Competent Authority for PIE audits but that there needs to be reform to its structure and governance before it is fit for that purpose. We support the view expressed in the Group A/APA submission.</p> <p>We question how it could be appropriate for the FRC to be the SCA where it would gain powers that provide in statutory terms that it is not only responsible for setting standards but also for investigation into breaches and non-compliance with those standards and then bringing actions against those where they believe there has been such a breach. We do not believe it appropriate that such powers should be vested in a single body.</p> <p>We believe that the Recognised Supervisory Bodies should retain their roles in the registration and monitoring of auditors for non-PIE audits.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q10. What issues, if any, do you consider arise from the need to implement a new statutory framework for the setting of auditing standards and for audit inspections, investigations and discipline by the single competent authority to replace the current framework that requires the 'bodies' rules to provide for this? If there are any, how should they be addressed?</p>	<p>Please see our response to Q9 above.</p> <p>The proposal is that the SCA would have inspection powers in respect of non-PIE 'major audits'.</p> <p>At the present time there is no single, accepted definition of 'public interest entity' and we believe this leads to confusion and a somewhat piecemeal approach to the application of standards.</p> <p>The Audit Quality Review team at the FRC currently inspects audits that are 'major audits'. The definition of 'major audit' changes from time to time but is not aligned with any other regulation and legislation.</p> <p>We believe that there needs to be a single coherent definition of PIE that is applied consistently across standards, inspections, investigations and disciplinary processes.</p>
<p>Q11. What issues, if any, do you think might arise for the current investigation and disciplinary arrangements between the professional supervisory bodies and the FRC, that apply to accountants generally as opposed to only auditors, given the changes in relation to audit? If there are any, how should they be addressed?</p>	<p>We support the view expressed in the Group A/APA submission and have no further comment to add.</p>
<p>Q12. In relation to each of the tasks provided for in the Directive and Regulation, do you consider that responsibility should be allocated to the single competent authority, for it to delegate to the professional supervisory bodies as appropriate and to the extent permitted in the Directive and Regulation? Please provide further information in support of your answer.</p>	<p>Please see our response to questions 9 and 10.</p>
<p>Q13. For any tasks where responsibility is allocated to the single competent authority for it to delegate, what limitations, if any, do you consider would be needed to ensure that authority only retained responsibilities or reclaimed delegated responsibilities in appropriate circumstances? What do you consider these circumstances should be?</p>	<p>We do not have any specific comment to make on this question.</p>
<p>Q14. In relation to each of the tasks provided for in the Directive and Regulation, are there any tasks, or any aspects of those tasks, that you consider it is important should continue to be covered by provisions in legislation on the content of the rules of the supervisory bodies? Please provide further information in support of your answer.</p>	<p>We support the view expressed in the Group A/APA submission and have no further comment to add.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q15. Do you consider that both the registration of statutory auditors and their removal from the register should be covered by regulations under the Companies Act? If so, which body or bodies do you think should have statutory powers for the removal of statutory auditors from the register?</p>	<p>We do not believe there needs to be any substantive change from the current model whereby it is the Recognised Supervisory Bodies that register both audit firms and the individuals within those firms (the Responsible Individuals).</p> <p>We do not agree that there should be further approval requirements from the SCA for auditors conducting certain major audits. Please also see our earlier comments in Q10 on 'major audits'</p>
<p>Q16. Do you consider that, for consistency with a framework of ultimate responsibility, single competent authority approval should be required for the rules of the supervisory bodies?</p>	<p>At the implementation of the Directive, we believe the rules of the RSBs should be agreed and enshrined through regulation. Future changes to the rules of the RSBs should be a matter for the RSB, government and the SCA to agree from time to time.</p>
<p>Q17. What do you consider are the costs and benefits in monetary terms and in terms of the effectiveness of audit regulation of the proposals in this chapter and of your preferred approach to implementation of these provisions?</p>	<p>We do not have the data to provide any specific comment on this question.</p>
<p>Q18. Do you agree that the provisions of Article 4 of the Regulation on the cap on non-audit services should be included in amendments to the FRC's ethical standards for auditors? Please provide information to support your answer.</p>	<p>Yes, we agree with this approach. We believe the Ethical Standards for Auditors provide an effective mechanism to deal with the threats and safeguards for auditor independence.</p>
<p>Q19. What issues, if any, do you consider arise from the application of the provisions on the cap on non-audit services? If there are any, how do you consider these should be addressed?</p>	<p>Although there needs to be further clarity on how the 'averaging' should be applied, we believe issues might arise as a result of services that are either required to be (or are ordinarily) provided by the external auditor.</p>
<p>Q20. Do you agree that the Member State options in Article 4, to set more stringent requirements on the cap and on the auditor's independence where their total fee income from a PIE exceeds 15% of their total fee income overall, should be capable of being applied by the FRC in its ethical standards for auditors? Please provide information to support your answer.</p>	<p>Yes, we believe that this is an appropriate mechanism for applying this requirement. It is desirable that there should be a single set of regulations/rules where the relevant issues for auditors should be set down and the Ethical Standards provide a suitable framework for this.</p>
<p>Q21. Do you agree that the FRC should have the ability to exempt an audit firm from the 70% cap for up to two financial years on an exceptional basis and on application by the firm?</p>	<p>Yes, we believe the FRC should have this ability although we believe that there would need to be strict parameters on which the exemption should be considered.</p>
<p>Q22. Do you agree that the subject matter of Article 5 of the Regulation on the blacklist of non-audit services, including the possibility of setting more stringent requirements, should be included in amendments to the FRC's ethical standards for auditors? Please provide information to support your answer.</p>	<p>Yes, we agree with this proposal although we re-iterate our earlier comments that the Ethical Standards for Auditors should be amended so that 'listed' within those standards only applies to listed PIEs as defined in the EU Directive and not AIM or ISDX companies.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q23. What issues, if any, do you consider arise from the application of the provisions on the blacklist of non-audit services? If there are any, how do you consider these should be addressed?</p>	<p>We believe it important to identify where there would be any significant change from current provisions to ensure that both firms and audit committees have clarity around changes in arrangements that might be required.</p>
<p>Q24. Do you agree that implementation of the revised requirements on ensuring and documenting auditor independence in the 2006 Directive should be implemented primarily via the ethical standards, with amendments to the existing legislation as necessary only to:</p> <ul style="list-style-type: none"> • underpin the standards? And, • introduce simplifications for audits of small non-PIEs? Please provide further information to support your answer. 	<p>Yes, we agree.</p>
<p>Q25. Do you agree that the existing framework on disclosure by PIEs in notes to their accounts of the audit and non-audit fees they paid their auditor should be adapted, to ensure public disclosure of the information the auditor is required to provide to the competent authority under Article 14 of the Regulation? Please provide information to support your answer.</p>	<p>Yes, we agree.</p>
<p>Q26. For our impact assessment on the changes we would welcome any estimates that could be provided on:</p> <ul style="list-style-type: none"> • the percentage of non-audit services that are likely no longer to be provided by auditors due to their inclusion on the blacklist? • the additional costs associated with reallocating some of the non-audit services that would otherwise have been provided by the same statutory auditor? • the extent to which these additional costs vary by the size of PIEs? • the person hours likely to be involved in a non-audit team at an audit firm understanding and preparing for the changes given that they will not be able to provide certain non-audit services to the firm's audit clients? 	<p>We do not believe it possible to provide any meaningful estimates as requested given the broad nature of the questions and that a further discussion on implementation is required.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q27. Audit Committees must submit a recommendation to the board for the appointment of an auditor. However, under Article 16(1) subparagraph (2) of the Regulation, this does not apply where the Member State has provided an alternative system for the appointment of the auditor. The current alternative systems set out in the Companies Act 2006 are where:</p> <ul style="list-style-type: none"> the directors appoint the auditor before the company's first accounts meeting; the directors appoint the auditor to fill a casual vacancy in the office of auditor; and where, the Secretary of State appoints the auditor because a public company failed to do so. <p>Do you consider that all of these alternative systems for the appointment of an auditor should continue to operate in the UK as they do at present? Are there any other systems that should also be provided for on the grounds that a competitive tender process is not appropriate? Please provide further information to support your answer.</p>	<p>We believe the current provisions in legislation should be retained.</p>
<p>Q28. Where the PIE is exempted from having an audit committee (eg because it is an unlisted bank), there is no provision as to which body should fulfil the audit committee's role. Do you agree that in this situation the directors should determine the recommendations that should be put to shareholders of the audited entity? Please provide information in support of your answer.</p>	<p>We agree with the proposal. It is, ultimately, a decision of those charged with governance of an entity to decide on the appropriate governance structure.</p> <p>We would expect the vast majority of unlisted banks to already operate with an audit committee.</p>
<p>Q29. The Government does not intend to take up the option to provide for an extension of the maximum duration of the engagement beyond 10 years where a joint auditor is engaged. Do you agree that the replacement of a single auditor with two joint auditors, one of whom was the original auditor, should be made on the basis of a retender? Please provide further information in support of your answer.</p>	<p>If a company should wish to introduce a joint audit, one of whom is the original auditor, we are not convinced that this needs to be after a tender process but, if a tender process was not held, then we would expect the audit committee to go through an appropriate process to determine who should be invited to be the joint auditor.</p> <p>We can see no reason why the Government should not take up the option to provide for an extension of the maximum duration beyond 10 years where a joint auditor is engaged.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q30. We are considering whether provision should be made so that, where a PIE has stated in its annual report it will appoint an auditor based on a tender process before the expiry of the maximum duration of 10 years, it should still be able to take advantage of an extension of the maximum duration beyond ten years, following that tender. Do you agree?</p>	<p>Yes, we agree.</p>
<p>Q31. We are seeking views on the proposal that for companies that are PIEs the company's plans on retendering should be part of a new element of the annual report setting out key matters for the audit committee on the appointment of auditors. Do you agree that the report should include:</p> <ul style="list-style-type: none"> (a) when the current auditor took up the audit engagement at that company? (Yes / No) (b) when the audit engagement was last retendered? (Yes / No) (c) the start of the next accounting year in relation to which the company expects that the auditor appointment will be based on a tender? (Yes / No) (d) the directors' reasons for considering that the proposed year is in the best interests of the company's members? (Yes / No) <p>Do you consider that any other information should be included in addition the above? Please provide further information to support your answer.</p>	<ul style="list-style-type: none"> (a) Yes (b) Yes (c) No (d) Yes <p>We believe it important that the report should include details of the process and criteria the audit committee use to identify the firms it will use in a tender process.</p>
<p>Q32. We are considering whether, where the statement under point (c) above is included in the company's annual report, and the incumbent auditor is reappointed on the basis of the planned tender process before the expiry of the 10 year maximum duration (eg at 7 years), the next tender process should be expected to take effect:</p> <ul style="list-style-type: none"> (a) after the same period has expired again (ie year 14 in this example); (b) after a further 10 years has expired (ie year 17 in this example); or, (c) after the same period has expired again, though with the potential to extend it by the full 10 years via further notice from the audit committee in the annual report (ie in this example at year 14 though this could be extended to year 17)? <p>Which option would you prefer? Please provide further information in support of your answer.</p>	<p>(b) Just because a firm decides to use a shorter period for one tender process does not mean that it should always have to use that shorter period.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q33. What issues, if any do you consider arise from the UK's obligation to apply effective, proportionate and dissuasive sanctions for failure to comply with the UK's implementation of the framework on mandatory rotation and retendering? If there are any such issues, how do they should be addressed?</p>	<p>We believe there may be issues in identifying and attributing cause to the individual responsible for the failure to comply. In the case that there is a failure to undertake a mandatory tendering process, would the blame for the failure lie with the members of the Audit Committee or the Board as a whole?</p>
<p>Q34. For our impact assessment on the changes we would welcome any estimates that could be provided on:</p> <ul style="list-style-type: none"> resources that are likely to be deployed by PIEs to tender audit appointments? resources that are deployed by auditors to tender for audit work? additional familiarisation costs that arise for both auditors and the audit client when a new auditor takes up an audit engagement? the extent to which this varies by the size of the PIE? 	<p>We do not have the data to respond in any detail on this question.</p> <p>We would point out, however, that the resources required by both the company tendering and the audit firms will vary depending on the size and nature of the company. Even with the EU minimum definition of PIE, there is an enormous variation in size and scale of companies.</p>
<p>Q35. What issues, if any, do you consider arise from the inclusion in legislation on audit reporting of a requirement for the auditor to include a statement in the audit report where there is a material uncertainty relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern? How do you consider these should be addressed?</p>	<p>We believe the current requirements set out in auditing standards are fit for purpose and do not believe there is need for any further requirements within legislation.</p>
<p>Q36. Do you agree that the provisions of Article 10 of the Regulation on the audit report should be included in amendments to the FRC's International Standards for Auditing (UK and Ireland)? Please provide information to support your answer.</p>	<p>Yes, provided that the application would only be to PIEs</p>
<p>Q37. What issues, if any, do you consider arise from the application of the provisions of the Regulation on the audit report? If there are any, how do you consider they should be addressed?</p>	<p>We do not foresee any significant issues will arise.</p>
<p>Q38. Do you agree that the provisions in Article 11 of the Regulation on the additional report to the audit committee should be included in amendments to the FRC's International Standards for Auditing (UK and Ireland)? Please provide information to support your answer.</p>	<p>Yes, we agree with this approach</p>
<p>Q39. What issues, if any, do you consider arise from the application of the provisions of Article 11 of the Regulation on the additional report to the audit committee? If there are any how should they be addressed?</p>	<p>We do not foresee significant issues with this approach as the requirement of ISA(UK&I) 260 already requires communication of matters to those charged with governance which, in the case of PIEs, would be, ordinarily, to the audit committee.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q40. For our impact assessment on the changes, we should particularly welcome data on:</p> <p>(a) additional resources are likely to be needed by the auditor to produce the additional report for the audit committee?</p> <p>(b) the additional annual cost of the audit committee considering the additional report?</p> <p>(c) how these costs vary by size of PIE?</p>	<p>(a) We do not foresee significant additional costs in connection with producing the report given the existing regime of reporting to audit committees</p> <p>(b) Audit committees already spend time considering reports from auditors so we do not anticipate significant additional costs in this regard</p> <p>(c) N/A</p>
<p>Q41. Do you consider that the small companies audit exemption thresholds should:</p> <p>(a) remain aligned with those for the small companies accounting regime, so that the number of audit exempt small companies will increase in line with the increase in the small companies accounting thresholds;</p> <p>(b) remain unchanged so that the turnover and balance sheet thresholds are considerably lower than the thresholds for access to the small companies accounting regime; or,</p> <p>(c) be amended in some other way (please set this out)?</p> <p>Please provide further information in support of your answer.</p>	<p>We believe a further impact assessment is required before being able to respond fully to this question.</p> <p>Over the last number of years there has been considerable effort made bringing the accounting exemptions and audit exemptions thresholds to be into line. This approach is clear and understandable.</p> <p>There are alternative assurance regimes available to companies other than statutory audit and we believe there should be further research into stakeholders attitudes to audit and assurance for small entities before making definitive changes.</p>
<p>Questions from chapter 5</p> <p>In this chapter we have only asked specific questions under each section where the measures considered give rise to specific questions where your views would be particularly helpful. The following general questions apply in relation to all the measures discussed in this chapter.</p>	
<p>Q42. What issues, if any, do you consider arise from the measures considered in this chapter? If there are any, how do you consider these should be addressed?</p>	<p>We have no specific comment.</p>
<p>Q43. For the purpose of our impact assessment, we would welcome any information you can provide on the expected costs and benefits of the measures considered in this chapter, particularly any estimates of costs or benefits that you consider it would be possible to quantify?</p> <p>In addition we remind you that the general questions asked at the start of chapter 4 also apply to the measures discussed in this chapter.</p>	<p>We do not believe the broad nature of the question permits any sensible estimate of benefits and costs to be provided.</p>

Consultation questions	Crowe Clark Whitehill response
Q44. Do you agree that the implementation of EU requirements on technical standards should be primarily through changes to the FRC's ISAs (UK and Ireland)?	Yes, we agree.
Q45. For the purpose of our impact assessment on the changes we would welcome any estimate you could provide of the percentage of PIE audits for which the quality control review will now have to be undertaken by an individual auditor from outside the appointed audit firm (where there is a lack of detachment from the audit or knowledge of the client sector) where this was not previously required?	We do not believe there would be any impact on this firm.
Q46. What issues do you consider arise from the implementation of EU adopted ISAs in the UK that UK representatives should raise with the European Commission?	We do not believe any significant issues arise.
<p>Q47. Do you agree that following any adoption of ISAs by the European Commission, the FRC should have the discretion to:</p> <p>(a) apply standards where the Commission has not adopted an ISA covering the same subject-matter; (Yes / No) and,</p> <p>(b) impose procedures or requirements in addition to adopted ISAs if these national procedures or requirements are necessary to give effect to national legal requirements or to add to the quality of financial statements? (Yes / No)</p> <p>Please provide further information in support of your answer.</p>	<p>(a) Yes. The FRC should have the ability to react and deal with local matters in a manner that maintains investor confidence but this should only be in very limited and exceptional circumstances</p> <p>(b) Yes for the same reason as set out above.</p> <p>We would point out again the inconsistency that exists currently within auditing standards and ethical standards. Where current ethical standards refer to 'listed' then that includes AIM and ISDX companies and yet the requirements in auditing standards for the 'enhanced audit reports' only apply to those companies that are required to apply the UK Corporate Governance Code (i.e. companies with a premium listing on the London Stock Exchange) or other entities that choose voluntarily to apply it.</p>
Q48. What issues, if any, do you consider arise from the implementation of the new requirements on audit committees via amendments to the existing DTR 7.1 in the FCA Handbook (for companies with securities admitted to trading on a regulated market)?	We have no particular comment to make on this.
Q49. What issues, if any, would you consider arise from the implementation via provisions in PRA rules of the new requirements on audit committees for those banks, building societies and insurers that are not required to have an audit committee under DTR 7.1?	We have no specific comment to make.

Consultation questions	Crowe Clark Whitehill response
<p>Q50. For our impact assessment on the changes, we would welcome data on:</p> <ul style="list-style-type: none"> (a) the numbers of non-listed PIEs that currently do not have an audit committee? (b) the cost of recruiting members to be part of an audit committee? (c) the annual cost of attendance of a member? (d) the auditor's fees for attending audit committee meetings? (e) how these costs vary by size of PIE? 	<p>We do not have sufficient data to respond to these questions.</p> <p>We would observe that where an entity has an audit committee, the audit fee will in many cases include the cost of attendance at meetings with the audit committee during the course of the year and these are not charged separately.</p>
<p>Q51. Do you consider that the single competent authority with responsibility for regulation of audit should be designated to receive the information required to be provided to supervisors of PIEs when it is provided to:</p> <ul style="list-style-type: none"> (a) the PRA for banks, building societies and insurers? (b) the FCA for other PIEs? or (c) both? 	<p>We believe the overall approach is sensible.</p>
<p>Q52. For the purpose of our impact assessment on these changes we should be grateful for any estimates you can provide of:</p> <ul style="list-style-type: none"> (a) the costs of the auditor providing this information to supervisors of PIEs? (b) the frequency with which the PRA is provided with this information for banks building societies and insurers under existing requirements? (c) the frequency with which the FCA is provided with this information for other PIEs in practice already? 	<ul style="list-style-type: none"> (a) We do not consider that any significant additional costs would arise. (b) and (c) We have no specific comment to make.
<p>Q53. Do you agree that we should enable the single competent authority to exercise the choices of aptitude test and/or adaptation period for the approval in the UK of individual statutory auditors from other Member States? Please provide further information in support of your answer.</p>	<p>We support the view expressed in the Group A/APA submission.</p>

Consultation questions	Crowe Clark Whitehill response
<p>Q54. Were the single competent authority to have this role, what do you consider would be the implications for the operational provision (currently by the professional supervisory bodies) of:</p> <p>aptitude tests; and</p> <p>adaptation periods (if these were to be provided for)?</p> <p>How would this be affected by the CEAOB progressing discussions “with a view to achieving a convergence of the requirements of the adaptation period and the aptitude test” across the EU?</p>	<p>We have no specific comment to make.</p>