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Via email to pauld.smith@bis.gsi.gov.uk

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Auditor Regulation Discussion Document

Dear Mr Smith,

Auditor regulation is an important aspect of the corporate reporting system and CIMA is pleased to submit our comments on the above referenced discussion document from the perspective of preparers of corporate reports subject to audit.

We are generally supportive of the draft proposals in particular:

- Not taking up the Member state option to define additional Public Interest Entities (PIEs);
- Maintaining the current approach where the audit exemption thresholds automatically track those for the small companies accounting regime;
- Designating the Financial Reporting Council (FRC) as the single competent authority with ultimate responsibility (and appropriate powers) for audit regulatory tasks;
- Including provisions on the cap of non-audit services in amendments to the FRC's ethical standards for auditors.

We agree with the proposal that there should be a maximum audit tenure of 20 years with mandatory retendering at least once every ten years. Where companies decide to retender their audits more frequently than every ten years this should not preclude an auditor remaining in post for a maximum term of 20 years.

While recognising that International Auditing Standards (IAS) need to be specifically adopted by the Commission for use in Europe and that the FRC may need to impose additional procedures or requirements, we would prefer, to the maximum extent possible, consistent use of IAS as this promotes synergy between local and central audits of international organisations.

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With regard to non-audit services, we believe that restrictions should not be extended beyond the level required by the EU regulation and that a 'black list' approach should be adopted rather than the alternative 'white-list'. We envisage practical issues with a white list of permitted services such as regular calls for revision to address acceptable items not considered at the outset.

We do not agree that the information to be disclosed by PIEs in notes to their accounts concerning audit and non-audit fees should be adapted to ensure public disclosure of information required to be disclosed to the competent authority under Article 14 of the Regulation. This information is required by the competent authority to facilitate enforcement of the cap on non-audit fees and its public disclosure would represent an unnecessary additional reporting burden.

Yours sincerely,

Nick Topazio

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