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11 January 2024

Dear Ms. Dalby,

**Proposed Revisions to ISA (UK) 250 Section A and ISA (UK) 250 Section B**

We welcome the opportunity to respond to the FRC's consultation on Proposed Revisions to ISA (UK) 250 Section A and ISA (UK) 250 Section B.

The Quoted Companies Alliance *Accounting, Auditing and Financial Reporting Expert Group* has examined the proposals and advised on this response from the viewpoint of small and mid-sized quoted companies. A list of Expert Group members can be found in Appendix A.

Please note that instead of replying to each consultation question in turn, we have presented our overarching views on the proposals contained in this consultation.

Overall, we do not agree with the FRC's proposed revisions to ISA (UK) Section A and ISA (UK) 250 Section B. It is our view that the FRC has not demonstrated sufficiently what deficiencies exist within the standards and therefore the issues these revisions are attempting to resolve.

The proposals appear to seek to increase the burden on audit firms without any clear benefit being delivered to shareholders or improving audit quality overall in the market. Indeed, these changes will increase costs for audit firms, not least through the additional amount of documentation an auditor will need in order to comply with the standards, and this in turn will cause audit fees to increase for companies as a result. The FRC should provide a clear explanation as to why the proposals, which will result in increased costs for auditors and audited entities alike, are justified and this has not been provided to date.

The proposals also appear to be requiring auditors to request the entity's assessment of controls and laws and regulations of material significance. This proposed change risks complicating the work of the auditor in cases where they need to access the required information and an entity does not have it. We are concerned that this will result in the auditor having to do this work for the entity which will place unnecessary additional burdens on the auditor but also bring into question the responsibilities of management and the auditor respectively in this regard.

We also note a lack of clarity in the consultation in relation to ISA (UK) 2X0 which is stated as pertaining only to Public Interest Entities (PIE). However, in the definition of a ‘reportable matter’ it still requires reporting of information that the auditor “has determined is of such significance that it is in the public interest to report even where law, regulation or relevant ethical requirements do not require it.” Understood as such, this definition suggests that the standard applies universally and is not limited to PIEs.

In addition, paragraph 17 of this consultation signals the FRC’s intention to gather additional information about PIEs. It is not clear what the FRC will do with this information and for what purpose it is required. Of particular concern is paragraph 17 (ii) ‘reporting a material threat or doubt concerning the continuous functioning of the public interest entity’. Based on this section, it is unclear whether an auditor of a PIE will have to extend its going concern assessment and report on an entity’s viability as well. As a minimum, the FRC should provide additional guidance on how this new requirement could be fulfilled.

It is the QCA’s view that, whenever departing from international standards, the FRC should consider the reputational impact this may have for the UK. Any departure risks diminishing the UK’s status as a global leader in quality auditing standards. Indeed, the Capital Markets Industry Taskforce (CMIT) has petitioned the Government specifically on this matter, arguing that “UK listed companies should not be subject to restrictions that non-UK companies listed on high quality exchanges are not subject to unless they can be justified.”<sup>1</sup> While there may be an argument for diverging from international standards provided the changes offer a clear improvement and the justification for doing so is well established, we do not believe that either of these conditions have been satisfied in the case of these proposals.

Moreover, the Business Secretary’s recent letter regarding the FRC’s new competitiveness and growth remit requests that the FRC assess where “rules and guidance are no longer proportionate and can be removed or streamlined.”<sup>2</sup> Given this, we believe that now is not an appropriate time for more rules to be added to the UK’s regulatory files.

As such, we recommend that the FRC withdraw the proposed revisions to ISA (UK) 250 Section A and ISA (UK) 250 Section B contained in this consultation.

If you would like to discuss our response in more detail, please do not hesitate to contact us.

Yours sincerely,



James Ashton  
Chief Executive

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<sup>1</sup> Capital Markets Industry Taskforce (CMIT). *Letter to the Chancellor of the Exchequer*. (16/11/2023): <https://capitalmarketsindustrytaskforce.com/wp-content/uploads/2023/11/CMIT-Letter-to-the-Chancellor-of-the-Exchequer-ahead-of-the-Autumn-Statement.pdf>

<sup>2</sup> Secretary of State for Business and Trade. *Letter to FRC CEO Richard Moriarty: Financial Reporting Council Remit*. (22/11/2023): <https://assets.publishing.service.gov.uk/media/655ddefd03a8d000d07fe69/letter-from-secretary-of-state-kemi-badenoch-to-richard-moriarty-ceo-financial-reporting-council-22-november-2023.pdf>

**Appendix A**

**The Quoted Companies Alliance *Accounting, Auditing and Financial Reporting Expert Group***

Rochelle Duffy (Chair)	PKF Littlejohn LLP
Tom Stock (Deputy Chair)	Haysmacintyre
Richard Amos	Skillcast Group PLC
Edward Beale	Western Selection PLC
Matthew Brazier	Invesco Asset Management Limited
Simon Cooper	KPMG LLP
Anna Hicks	Saffery Champness LLP
Mark Hodgkins	Ensilica
Clive Lovett	Kinovo PLC
Sandra McGowan	BDO LLP
Jennifer Ilsley	Grant Thornton UK LLP
James Naylor	Mazars LLP
Emily Rees	Quartix Technologies PLC
Mathew Stallabross	Crowe UK LLP