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Our reference: 5604/350

MOORE STEPHENS

17 October 2014

Sian Burgess
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

Moore Stephens LLP
150 Aldersgate Street
London, EC1A 4AB
T +44 (0)20 7334 9191
F +44 (0)20 7248 3408
www.moorestephens.co.uk

Dear Ms Burgess

REGULATION OF AUDITORS OF LOCAL PUBLIC BODIES
Response to FRC Consultation

Moore Stephens LLP is pleased to respond to the FRC consultation on the Regulation of Auditors of Local Public Bodies, issued in July 2014.

We are supportive of the proposals contained in the document, with the exception of the experience requirements which we consider to be too restrictive for Engagement Leads which we believe will limit competition in the market place. The proposals make no mention of experience that may have been gained from the audit of similar entities to those listed in Schedule 2 to the 2014 Act that are based in Scotland. We consider that experience gained in performing such audits is relevant and should be considered as appropriate experience for an Engagement Lead on local public audits.

Attached to this letter you will find Appendix 1 with our comments to the specific questions raised in the exposure draft.

If you wish to discuss any matters raised in this letter then please contact David Chopping, Partner or Lucy Nutley, Senior Manager.

Yours faithfully

Moore Stephens LLP

Appendix 1

1. Do you agree that the requirement to publish transparency reports should apply only to auditors of “major local audits”

Yes, we agree with the requirement that all auditors who are undertaking ‘major local audits’ should prepare and publish a transparency report. However, we would consider it useful to the users of financial statements for all auditors that perform local public audit to prepare and publish a transparency report.

2. Do you agree that a firm that audits both major local bodies and private sector public interest entities should be able to publish a single transparency report?

Yes, we agree with this proposal.

3. Do you agree that (i) the information requirements and (ii) the requirements for publication should follow as closely as possible the existing requirements for auditors of private sector public interest entities?

Yes, we agree with this proposal.

4. Are there additional information requirements relating to local public audit that we should include as statutory requirements for transparency reports?

No, we have no further information requirements relating to local public audit. However, we consider that it would be helpful to the reader of a transparency report to have ‘major local audits’ shown separately to other public interest clients.

5. Do you have specific comments on the draft regulations at Annex A?

We have no specific comments on the draft regulations.

Register of Local Public Auditors

6. Do you agree that the requirements for the Register of Local Public Auditors should match as closely as possible the existing FRC requirements for the Register of Statutory Auditors.

Yes, we agree with this proposal.

7. Do you have specific comments on the draft regulations at Annex B?

We have no specific comments.

Engagement Lead

8. Do you agree with the overall approach at paragraph 4.17 that the RSB’s requirements for approving Engagement Leads need to be rigorous but avoid being too complicated or overly restrictive on allowing access to the local public audit market?

Yes, however, the detailed proposals will restrict access to the local public audit market by the requirement for the Engagement Lead to have had experience of local public audit in the preceding two years. This therefore restricts the market to those who currently hold Audit Commission framework contracts and does not open the market to new entrants, but increases the cost of entry to the market significantly.

9. Do you support the detailed proposals, set out at paragraphs 4.18 to 4.28 for the experience and practical training requirements individuals should have to meet for approval?

We recognise the importance of local public audit and ensuring that it is performed by competent individuals and therefore agree with the practical proposals for training requirements.

While the experience obtained in performing other public sector audits – such as Central Government bodies is recognised, the consultation paper does not deem this to be sufficient experience in order to lead an audit of a local public body (as defined by the consultation paper). In addition, the proposals

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make no mention of experience that may have been gained from the audit of similar entities to those listed in Schedule 2 to the 2014 Act that are based in Scotland or Northern Ireland. We consider that experience gained in performing such audits is relevant and should be considered as appropriate experience for an Engagement Lead on local public audits.

10. Do you support the proposal at paragraph 4.29 that there should be a specific requirement on an RSB to place a specific obligation on a firm undertaking local public audit work to satisfy itself that the Audit Engagement lead has practical auditing experience of the regulatory and reporting requirements relevant to that audit engagement?

We do not support the proposal at paragraph 4.29 and concur with the contents of paragraph 4.30. Such a requirement would impose an higher regulatory burden on firms performing local public audits. The primary responsibility for ensuring that Engagement Leads have the appropriate skills to perform local public audits should rest with the appointed firms.

11. Do you have additional or alternative requirements that you consider should apply to those wishing to take on the responsibility as an Engagement Lead within a firm registered for local public audit?

On the presumption that RSBs will automatically include the requirement to review local public audit files as part of their on-going review of audit firms, we have no further comment.

Regulatory Impact Assessment

Transparency Reports by Auditors of Major Local Bodies

We agree with the FRC consideration that, if the proposals for Transparency Reports to be prepared by auditors of major local bodies only is taken forward, that the cost would be very small in relation to the value of audit work. For those firms already engaged in local public audit, this is a requirement that is already being met by virtue of their other public interest entity clients.

Register of Local Public Auditors.

We agree with the FRC consideration that, if the Register is created and maintained as proposed, any additional costs associated with producing a separate Register of Local Public Auditors are proportionate.

Guidance on Approval of Engagement Leads for Local Audit

We agree with the requirements insofar as they require at least two years post qualification experience of similar audit work. However, we do not agree that relevant experience can only be obtained by the auditing of local public bodies as defined by the Act. Such a measure will increase the cost of entry to the market place and reduce competition.