

E-NEWS

07 January 2020

Welcome to eNews, haysmacintyre's regular "e-news alert" for corporates and private individuals.

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BRYDON REPORT PUBLISHED

[Sir Donald Brydon's report](#) on the quality and effectiveness of audit, commissioned by the Government, has been published. The report recognises that, although audit is not broken, it has lost its way and proposes a range of actions to allow auditors to earn back the confidence of shareholders and the wider public. It proposes, inter alia: the inclusion of a fraud analysis in the audit remit; replacing true and fair with a greater focus on Going Concern; the Audit Regulatory and Governance Authority to be responsible for accrediting auditors, not individual institutes; and for auditing to be an independent profession.



THE QUEEN'S SPEECH INCLUDES AUDIT REFORM

The [December 2019 Queen's Speech](#) includes a commitment to "develop proposals on company audit and corporate reporting, including a stronger regulator with all the powers necessary to reform the sector." However, with Parliamentary time likely to be dominated by Brexit related business, it is thought that draft legislation in support of these proposals may not be issued until autumn 2020.

FRC PROPOSES UPDATES TO FRS 101

The Financial Reporting Council (FRC) has issued [FRED 73 Draft amendments to FRS 101 – 2019/20 cycle](#) which proposes two minor amendments. The amendments relate to improving the consistency of disclosure exemptions regarding the cashflow statements, in particular with respect to noncurrent assets held for sale and mineral resources. This FRED follows the FRC's annual review to provide additional disclosure exemptions as IFRS evolves.



FRC'S LETTER TO HEADS OF AUDIT

The [FRC has written to the Heads of Audit](#) at the larger firms setting out experiences from its audit quality reviews and root cause analyses performed by firms on aspects relevant to the quality of their audits. The FRC recognises that the cost of a high-risk audit is likely to be greater, partly reflecting the additional work required. In addition, the FRC identified the (lack of) challenge to management in areas of professional judgment such as valuations and impairments as being a recurring theme.



DIGITAL PUBLICATIONS CAN BE ZERO-RATED FOR VAT

The [Upper Tribunal has held](#) that digital editions of the Times and the Sun should be zero-rated for VAT, in the same way that their hard copy versions are. This is a major setback for HMRC and is likely to be appealed. However, in the meantime, organisations involved in producing digital publications, who have accounted for VAT on them, should consider submitting claims to HMRC for any over declared VAT. Please contact [Phil Salmon](#) if you require assistance with this, or any other VAT matter.

LOAN CHARGE DELAYED

The Government has [agreed to defer the loan charge repayment date](#) to 30 September 2020 and to limit the loan charge cut-off date to 9 December 2010, instead of 1999, when legislation was announced that removed any doubt that tax was due. A range of other changes were also announced in response to the [independent review of the loan charge](#) performed by Sir Aymas Morse. Please contact [Katharine Arthur](#) for further details.

FRC ISSUES REVISED ETHICAL STANDARD

The FRC has issued a [Revised Ethical Standard for auditors](#) (Standard) which sees it banning the provision of most non-audit services to public interest entities (PIEs). PIE auditors will now only be able to provide non-audit services which are closely linked to the audit itself or required by law or regulation. The Standard is designed to reduce the potential for conflicts of interest, as well as being written more clearly than its predecessor.



FRC'S PROGRAMME FOR 2020/21

The [FRC has announced its 2020/21 corporate reporting and audit quality review programme](#). It will consider the review of IFRS 16 (Leases) disclosure in the first year, cashflows and liquidity disclosures, IFRS 15 (Revenue) and disclosures on the effect of Brexit. The FRC will prioritise reviews in the following sectors: financial services; retail, including retail property and travel and leisure; construction and materials; and manufacturing. Audit reviews will focus on: Going Concern and viability statements; other information; long term contracts; impairment of non-financial assets; fraud risk and the application of IFRSs 15 and 16.

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The FRC has issued a substantially revised UK [Stewardship Code 2020](#) (Code) which became effective on 1 January 2020 and sets out the expectations of those involved in investing money on behalf of UK savers and pensioners. The Code consists of twelve Principles for asset managers and asset owners, and six Principles for service providers. These are supported by reporting expectations which indicate the information that should be publicly reported in order to become a signatory.



AND FINALLY.... A HAPPY NEW YEAR

As this is the first eNews of 2020, we would like to say thank you to all our readers for their support in 2019 and to wish you all a happy, healthy and prosperous 2020.

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Finalist: Tax Team of the Year



Winner: Audit Team of the Year



Top 15 auditor to quoted companies in Adviser Ranking Listing



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