



## ETHICAL STANDARD REVISION 2023

Issued 27 October 2023

The Institute of Chartered Accountants in England and Wales (ICAEW) welcomes the opportunity to comment on the *Ethical Standard Revision 2023* published by the Financial Reporting Council (FRC) on 07 August 2023, a copy of which is available from this link: [FRC Revised Ethical Standard Key Changes](#).

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This response has been prepared by ICAEW's Trust & Ethics team in consultation with the Ethics Standards Committee, a working group comprising a range of ICAEW members and several technical committees. Trust & Ethics is part of ICAEW's Reputation and Influence department. R&I is the voice of ICAEW on policy and technical matters. We advocate on the key issues important to our members. We produce thought leadership to extend ICAEW's reputation and influence, and support the future of the profession.

For questions on this response please contact [representations@icaew.com](mailto:representations@icaew.com).

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### ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK  
[icaew.com](http://icaew.com)

**Summary of key points:**

- We support the FRC’s key objectives in revising the Ethical Standard; however, we believe that the emphasis should be on improving audit quality.
- It would aid understanding of the proposed revisions if the FRC could share a fully annotated version of the Ethical Standard explaining the motivation for each of the changes. This would facilitate a clearer understanding of the desired change in behaviour.
- The FRC should ensure alignment with the IESBA Code, as the discrepancies between the Code and the Standard creates risk for those seeking to comply. There should be a publicly available document mapping the provisions of the IESBA Code to the provisions of the Ethical Standard. It would also facilitate compliance if the wording included in the Ethical Standard mirrored the wording from the IESBA Code.
- We urge the FRC to work with government and other stakeholders to discuss the 70% fee cap, especially in light of the emerging important assurance activities that might be caught within the fee cap, such as those relating to climate or sustainability reporting and assurance.
- The FRC should set out a roadmap for the development of the Ethical Standard to accommodate non-audit assurance services, given the emerging assurance activities on the horizon.
- In line with its July 2022 position paper, the FRC should consider: i) consulting on whether it is desirable to exclude sustainability assurance work from the non-audit services fee cap and ii) any changes necessary to the Ethical Standard to address the expansion of audit-related assurance work driven by sustainability and ESG.
- We agree that having a single consistent definition of a Public Interest Entity will best facilitate compliance with the Ethical Standard and that it is correct that this should be aligned to the UK Government definition, once confirmed.
- Appropriate transitional arrangements should be put in place following the adoption of the Government’s new definition of a PIE, to ensure that there is sufficient time for capacity to be built within the market and to give new PIE entities time to prepare.
- We urge the FRC to redraft the revisions to paragraphs 1.25 and 5.42 in the Ethical Standard to make the desired change in behaviour clearer. The FRC should include a definition of ‘inadvertent’ and ‘deliberate’ in the glossary. It would also be beneficial if the FRC could provide guidance on best practice in terms of the policies and procedures it expects firms to have in place around breach prevention, detection and reporting.
- The FRC should conduct a full impact assessment on the proposed revisions to the Ethical Standard, to better inform its policymaking.

## KEY POINTS

1. We support the FRC's key objectives of enhancing confidence in audit, ensuring that consideration of the public interest is placed at the core of UK audit firm culture, and strengthening auditor independence. However, we believe that the emphasis should firmly be on improving audit quality. Noting that the FRC is a principles-based regulator, we are concerned that the Ethical Standard is increasingly being used to address specific enforcement findings and therefore becoming more rules-based. The Ethical Standard is intended to provide a guide to best practice, rather than to be a vehicle for pursuing enforcement outcomes. We are concerned that the Ethical Standard is becoming increasingly focussed on technical breaches, rather than encouraging best practice in ethical behaviour.
2. We support those changes that make the Ethical Standard more accessible and which provide additional clarity, such as the changes made to paragraphs 3.22 and 3.23; however further improvements on clarity could be made. Making the Ethical Standard as clear and easy to understand as possible will facilitate compliance.
3. We were grateful to the FRC for sharing the *Key Changes* document as part of this consultation, which sets out a tracked changes version of the revised Ethical Standard. It would have been helpful if each of the changes had been accompanied with an explanatory note detailing the rationale behind the change and indicating the desired change in behaviour. A properly annotated version explaining the motivation for each of the changes would be beneficial and facilitate a better understanding of the desired change in behaviour, allowing us, for example, to identify those changes motivated by issues identified through inspection and enforcement, as opposed to changes made to increase clarity.
4. One of the stated motivations for revising the FRC Ethical Standard is to ensure closer alignment with the IESBA Code. It would be helpful if the FRC could clarify the date of the IESBA Code to which it is seeking alignment. In February 2023, IESBA issued changes in relation to group audits which come into effect in December 2023. These do not appear to be reflected in the revised Ethical Standard. The FRC should ensure alignment with the IESBA Code as it would be more straightforward for firms to comply with the FRC Ethical Standard if it was in consistent alignment with IESBA; the discrepancies between the Codes creates risk for those seeking to comply.
5. In cases where revisions have been made to the Ethical Standard with the aim of aligning more fully with the IESBA Code, it would be clearer for firms – and therefore facilitate compliance – if the wording included in the Ethical Standard mirrored the wording from the IESBA Code. Where there are discrepancies between the two, this creates a risk of non-compliance. The FRC Ethical Standard should be a standalone document for the UK, without the requirement to also consult the IESBA Code.
6. With many more significant requirements for the provision of assurance on the horizon, such as climate and sustainability reporting, it would be useful if the FRC could share a roadmap setting out how these developments may be addressed in the Ethical Standard. Given the imminent changes likely to the IESBA Code to respond to the requirements of sustainability reporting and assurance, it may be necessary for the FRC to open a further consultation on the Ethical Standard in the short term.
7. We also note that the FRC's July 2022 position paper '*Restoring Trust in Audit and Corporate Governance*'<sup>1</sup> made reference to conducting:

<sup>1</sup> [FRC Position Paper\\_July 2022](#)

*'a consultation on whether it is desirable to exclude sustainability assurance work carried out in accordance with a performance standard adopted by the FRC from the UK aspect of the non-audit services fee cap'.*

Also stating that changes to the Ethical Standard would include:

*'any changes necessary to address the expansion of audit-related assurance work driven by sustainability and ESG, and the proposals around an audit and assurance policy'.*

We note that these two areas have not been included as part of this consultation, despite the imminent changes relating to sustainability coming from the IESBA Code. We request that the FRC clarifies when it proposes to next consult on the Ethical Standard in light of these upcoming developments.

8. We appreciate that it is not within the FRC's power to change the 70% non-audit services fee cap. However, we urge the FRC to engage with Government and other relevant stakeholders to discuss the fee cap, both in relation to the classification of *'reviews of interim financial information'* as services that are subject to the fee cap at 5.40 and also given the emerging assurance activities that might be caught within the fee cap, such as those relating to climate or sustainability reporting and assurance. Many of these emerging assurance activities may not be required by law or regulation but the auditor may well be best placed to provide the service. In certain cases, it may not be in the public interest for firms other than the auditor to undertake the assurance work in question, given the requirements to be objective and independent. One possible solution may be to consider putting in place a non-assurance fee cap, to make a distinction between assurance and other non-audit services. We also note that there are similar initiatives in other jurisdictions which will impact some UK-based groups, such as the Corporate Sustainability Reporting Directive (CSRD) in Europe.
9. We acknowledge that a number of the changes being made to the Ethical Standard are in response to changes made to the IESBA Code; however, there are also a number of additional revisions proposed by the FRC. Taking appropriate action following these revisions will require time input from firms and will have resourcing implications.
10. The impact assessment included by the FRC as part of this consultation, appears to be incomplete, as it does not include any meaningful assessment of the level of resource that will be required by firms to implement the proposed revisions to the Ethical Standard. We do not feel that the impact of these revisions has been adequately addressed by the FRC. We would like to see a more thorough and evidence-based assessment of the costs and benefits arising from the implementation of the proposed changes.
11. We suggest that the FRC puts in place transitional arrangements following the government's implementation of the new definition of PIE, firstly to allow adequate time for sufficient capacity to be developed in the market to audit a greater number of new PIEs and secondly to allow time for entities moving into the PIE category to prepare. The FRC should also put in place transitional arrangements for those firms impacted by the changes to fee dependency resulting from the new wording *'a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)'* covered in paragraphs 27 to 32 of this response.

**ANSWERS TO SPECIFIC QUESTIONS****Question 1: Do you agree with the proposal to remove the category of OEPI from the Ethical Standard once the government's revised statutory definition of a UK PIE becomes effective?**

12. We agree that having a single consistent definition of a Public Interest Entity will best facilitate compliance with the Ethical Standard and that it is correct that this should be aligned to the UK Government definition, once confirmed. However, we query whether consulting on the withdrawal of the OEPI category before the Government has decided on the new PIE category may be premature, especially given that confirmation of the final PIE definition may be some time away. If the decision to amend the definition of a PIE is delayed, the FRC may be able to consider the withdrawal of the OEPI category from the Ethical Standard separately from the current consultation, giving time for consideration of any unintended consequences.
13. Based on our current understanding of the proposed PIE definition, it appears that Lloyds syndicates and private pension schemes will be outside the scope of the new PIE but are currently within the scope of OEPI. AIM-listed companies are currently classified as OEPI's but are likely to be included in the definition of PIE proposed by the Government. It is currently unclear what the implications of the new PIE categorisation will be for state-owned enterprises.
14. If additional entities are categorised as PIEs, such as the AIM-listed entities mentioned above, this will require additional capacity in the audit market to provide audit services to these entities. This capacity will take time to build, and we therefore suggest that the FRC considers a transitional period to allow for sufficient expertise to be developed.
15. As currently drafted it is unclear what the changes will mean for private equity structures. The current implementation guidelines make it clear that the OEPI definition '*excludes fund management entities contained within a private equity or venture capital limited partnership structure*'<sup>2</sup>.

**Question 2: Do you agree the revisions in respect of breach reporting by firms? Could they be further enhanced?**

16. As currently drafted, paragraphs 1.25 and 5.42 in the revised Ethical Standard imply that a breach cannot be considered to be inadvertent, if the firm's policies and procedures do not prevent or detect the breach in question. In such circumstances the breach would not be considered inadvertent and would therefore be considered deliberate.
17. The use of 'deliberate' implies that egregious conduct was involved, whereas in reality there is a spectrum of activity between 'inadvertent' and 'deliberate'. The FRC should look at paragraphs 1.25 and 5.42 and reword these paragraphs to make clearer the desired behavioural change from firms. The FRC should also include a definition of 'inadvertent' and 'deliberate' in the glossary.
18. Paragraph 1.25 refers to the objective of a firm's policies and procedures being to '*prevent or detect breaches of this ethical standard*'. The FRC should provide clarity over their expectations of the timeliness of detection of breaches and indicate what the impact will be of those situations where a third party, such as the FRC, detects the breach before the firm. Breaches may be found more quickly as a result of an inspection, than through a firm's routine procedures, but this does not mean that the breach would not have been detected through quarterly, monthly or annual controls in due course. The FRC should clarify whether breaches identified by third parties will automatically be considered to be deliberate, or

<sup>2</sup> [Implementation\\_Guidance\\_May\\_2020.pdf \(frc.org.uk\)](#)

whether consideration will be given to the fact that a firm's policies and procedures would have detected the breaches in due course.

19. It appears that the proposed revisions are intended to enable regulation of firms with weak systems of internal controls. However, the question of the quality of the system of internal controls is already addressed by the ISQM 1 standard and it is not necessary to include this in the revised Ethical Standard, as this risks creating confusion.
20. The revisions to paragraph 1.21 include reference to capturing all relevant breaches, as follows (emphasis added): *'Firm monitoring arrangements, as required by paragraph 1.10, shall be designed with the objective to effectively **capture all relevant breaches** of this ethical standard which are identified by the firm'*. Whilst having an *'objective'* of capturing all relevant breaches is reasonable, we are concerned that requiring firms to capture all relevant breaches in practice is unrealistic. It does not necessarily indicate that a firm's systems and controls are ineffective because a single item goes undetected. It would also be helpful if the FRC could clarify what is meant by a *'relevant breach'*.
21. The new text at paragraph 1.24 states that *'the firm shall report to the Competent Authority about individual breaches outside of the biannual timetable where the Competent Authority would reasonably expect notice. This may be due to the nature or seriousness of the breach, including for example where the firm may need to consider resigning from an engagement.'* It would be helpful if the FRC could provide examples of scenarios – in addition to those that result in resignation - where reporting may be required outside of the six-monthly reporting timeframe. We also note that the FRC's *Breach Reporting Policy for auditors of public interest entities*<sup>3</sup> states that auditors shall consider *'whether there is a need to resign or withdraw from the engagement'* in the case of any possible or actual breach. We therefore suggest that the FRC should amend paragraph 1.24 to state *where the firm resigns from an engagement* rather than *'considers resigning'*.
22. It would also be beneficial if the FRC could provide guidance on best practice in terms of the policies and procedures it expects firms to have in place around breach prevention, detection and reporting. This guidance should include illustrative governance structures, as well as illustrative policies and procedures to prevent, detect and report incidents.

**Question 3: Does the revised paragraph 1.46 enhance the accessibility of the Ethical Standard? Are there other areas where similar enhancements could be made?**

23. We agree that the revised paragraph 1.46 is more accessible than the previous version in the Ethical Standard 2019.

**Question 4: Do you agree that the changes made to paragraphs 2.3 and 2.4 and 2.5 and 2.10; and the addition of additional guidance in paragraphs 3.22 and 3.23 enhance the clarity of ES?**

**2.3 and 2.4**

24. Whilst we do agree that the changes to paragraphs 2.3 and 2.4 take steps to enhance the clarity of the Ethical Standard, we think that more could be done to enhance the clarity. We are concerned that the changes risk adding more uncertainty in the short term, as firms adapt to the new drafting, and have unintentionally altered the meaning of these paragraphs.
25. At paragraphs 2.3 and 2.4 the word *'immaterial'* has been added before the phrase *'indirect financial interest held through a diversified collective investment scheme'*. The FRC should clarify whether it is the intention to bring all collective investment schemes into scope, where

<sup>3</sup> FINANCIAL REPORTING COUNCIL ([frc.org.uk](http://frc.org.uk))

the holding is material to the individual concerned, noting that this would be difficult to assess or quantify. It would also be helpful to include a definition of a 'collective investment scheme' in the glossary.

### 3.22 and 3.23

26. We agree that the revisions made to paragraphs 3.22 and 3.23 enhance the clarity of the Ethical Standard.

### **Question 5: Do you agree with the changes made to section 4 on fees?**

27. We note that the revised Ethical Standard has been amended at paragraphs 4.21, 4.22, 4.25 4.27 and 4.29 to include the wording '*a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)*' replacing reference to '*its subsidiaries*' in the 2019 Ethical Standard.
28. The FRC has not provided details of the rationale behind this revision. However, this links back to the basic principles of whether fee levels would, or could, impact judgement and whether there is a risk of auditing one's own work. The FRC should explicitly clarify the position in the Ethical Standard for private equity structures in respect of this change. The FRC should also consider that if an audit firm is auditing an entity part way down the private equity structure, the audit firm may not be in a position to fully understand the other entities within the private equity structure.
29. We are also concerned about the impact this change will have on smaller firms, who may have to resign from one client as the percentage threshold is exceeded, only to find themselves in the same position with their next largest client and therefore required to resign. This could continue to the extent where smaller firms are no longer able to operate. We would suggest that such a consequence runs contrary to the Government's wish to see more competition and choice in the audit market, with more firms willing and able to undertake such audits.
30. The FRC should clarify their motivation for including the reference to '*which is not a corporate holding entity*' in the above phrase and should include a definition of this in the glossary. If the intention is to limit the impact of this revision to private individuals, this should be made more explicit in the Ethical Standard.
31. We note that there are already definitions of 'affiliates' and 'connected parties' in the FRC glossary. It would be helpful for the FRC to clarify where the new terminology '*a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)*' is positioned in relation to these pre-existing terms.
32. In terms of impact on firms, new processes will need to be put in place to ensure that all connected entities are captured and recorded in the right way to appropriately reflect this new classification.

### **70% fee cap**

33. We appreciate that it is not within the FRC's power to change the 70% non-audit services fee cap. We note that '*reviews of interim financial information*' fall within the services subject to the non-audit services fee cap, however it is unlikely that any firm other than the auditor would undertake the interim review. We urge the FRC to engage with Government and other relevant stakeholders to discuss the fee cap, both as a result of the point raised above and also given the emerging assurance activities that might be caught within the fee cap, such as those relating to climate or sustainability reporting and assurance. Many of these emerging assurance activities may not be required by law or regulation but the auditor will be best

placed to provide the service, given their knowledge of the entity and the skillset required to undertake the work. In certain cases, it may not be in the public interest for firms other than the auditor to undertake the assurance work in question, given the level of investment that different assurance providers would have to make in understanding the entity, the environment and the processes which in turn would have a corresponding cost to the entity. Furthermore, it may be more challenging for other service providers to demonstrate their objectivity and independence if their profession is not governed by a comparable Code of Ethics. If more than one firm is involved in the provision of these assurance services, this could reduce choice in the market, as both would be required to rotate away from the client after completion of their appointment terms. One possible solution may be to consider putting in place a non-assurance fee cap, to make a distinction between assurance and other non-audit services.

34. We also note that there are similar initiatives in other jurisdictions which will impact some UK-based groups, such as CSRD.
35. The new definition of a PIE currently proposed by Government will bring new entities into the PIE category. These entities will therefore be impacted by the 70% fee cap where they previously were not. The impact of this may be significant for some smaller entities where audit fees are comparatively small. Furthermore, these smaller entities will need additional support to transition to the new requirements.
36. We urge the FRC to hold discussions with the Government on taking a different approach to calculating the fee cap.

**Question 6: Do you agree with the changes made to section 5 which extend some existing restrictions on the provision of non-audit or additional services?**

37. We have set out below our response to the revisions made to Section 5 of the Ethical Standard. These are not limited to the four areas covered at paragraph 14 of the *Invitation to Comment* document published by the FRC. The comments are listed in order of paragraph number in the Revised Ethical Standard.
38. As a general point, the 2022 IESBA Code states at R600.16: ‘A firm or a network firm shall not provide a non-assurance service to an audit client that is a public interest entity if the provision of the that service might create a self-review threat in relation to the audit of the financial statements.’ The FRC Ethical Standard, however, only refers to self-review threats arising if there is a ‘material’ impact. As stated at paragraph 4 above, it would be more straightforward for firms to comply with the FRC Ethical Standard if it was in consistent alignment with IESBA; the discrepancies between the two creates risk for those seeking to comply. This could also lead to misunderstandings where the FRC’s understanding of the wording used is different to the interpretation by the users of the Ethical Standard.

**General Approach to Non-audit/Additional Services**

39. The expanded paragraph at 5.7 generally does not add to the clarity of the Ethical Standard. In particular, the FRC should provide further clarity about what is meant by consideration of the fee in ‘*consideration may be given to such factors as [...] the fee*’ and how they envisage this working in practice.

**Permitted Non-Audit/Additional Services for Public Interest Entities**

40. We note the addition of ‘*either directly or indirectly*’ at paragraph 5.40. The FRC should clarify what is meant by these terms and include definitions in the glossary. It would also help users of the Ethical Standard if the FRC were able to provide additional guidance on this point.



41. We acknowledge that the current wording of paragraph 5.40 covers reporting accountant services and we believe there is consistency in application of this paragraph to reporting accountant services in the market. However, we urge the FRC to revise 5.40 to make it more explicit that this paragraph applies to reporting accountant services and clarify which elements of reporting accountant services fall within the fee cap and which elements fall within the fee cap exemption.

### **Internal Audit Services**

42. In relation to the addition of paragraph 5.46 relating to internal audit services, users of the Ethical Standard would benefit from additional examples of services that would be considered to be internal audit services. Paragraph 5.46 appears to prohibit activities such as governance reviews, which are currently being provided by audit firms, albeit using separate teams.
43. The FRC should also clarify the overarching purpose of these additional prohibitions. For example, in some cases an entity (for example a school, an academy or a charity) may ask their auditor to carry out a distinct piece of work, such as providing advice on governance structures or how to operate a governing body. If the auditor is prohibited from conducting this piece of work, there is a risk, in some cases, that the work may not be conducted at all, as the entity may not wish to bring in another outside provider. In such cases this appears to be contrary to the public interest.

### **Data hosting services**

44. The FRC has committed to having an Ethical Standard that is at least as stringent as IESBA. We understand that the additional paragraphs at 5.53 and 5.54 are intended to reflect IESBA Code restrictions on audit firms providing data hosting services to audited entities. However, we note that the IESBA Code prohibits data hosting services at paragraph 606.3.A1, whereas the new paragraphs in the FRC Ethical Standard only refer to services that create threats to the integrity, objectivity and independence of a firm. The FRC should consider revising these paragraphs to align with the FRC's commitment to have ethical standards that are at least as stringent as IESBA. Firms are required to comply with the IESBA Code in any event, so the lack of alignment risks causing confusion that may result in non-compliance.

### **Tax services**

45. We note the following addition of point d) at 5.67 to the range of activities included in tax services: *'performs any of the services described in paragraphs a-c to individuals who are the majority owner(s) of an unlisted entity relevant to an engagement.'* We are unclear how this interacts with restrictions for OEPIs. We understand that the intention is to bring tax services which are provided to the majority owner(s) of non-listed entities into the definition of 'tax services'. If so, we would consider tax services provided to the majority owner(s) of an OEPI to therefore be a prohibited service, however in the current Ethical Standard it is a permitted service. The FRC should clarify this point in the Ethical Standard.

### **Recruitment and remuneration services**

46. We agree with the additions made to paragraph 5.89 in relation to recruitment services.

### **Corporate Finance services**

47. With reference to the additions at paragraph 5.97 relating to corporate finance services, we acknowledge these additions are consistent with changes made in the 2022 IESBA Code (effective from December 2022), paragraph R610.5. The IESBA Code does not include

definitions for ‘promoting’ or ‘providing advice’ and we believe that users of the revised Ethical Standard would benefit from additional clarification of these, and potentially other, terms used in this paragraph. Therefore, the FRC should define what is meant by ‘promoting’ in a) and ‘advice’ in b) and include guidance on how to interpret these terms.

48. If the FRC does not intend to define these terms, would the FRC support the ICAEW in renewing its, currently depreciated, interpretive guidance on Corporate Finance non-audit services – to update and expand the guidance to cover terms within paragraph 5.97?

**Question 7: Are there any implications for the work of Reporting Accountants or CASS assurance providers that should be considered alongside these revisions?**

**For CASS assurance providers:**

49. We are concerned that as the Ethical Standard is so audit focussed, it will be increasingly challenging to apply this to CASS assurance work. The FRC should consider CASS assurance work within the roadmap mentioned at paragraph 6 of this response.

**For Reporting Accountants:**

50. In light of the upcoming revisions to the listing rules by the FCA, further consultation may be needed on the Ethical Standard depending on the final approach implemented by the FCA. The term ‘reporting accountant’, is currently defined in the FRC’s Glossary as ‘*an accountant engaged to prepare a report for inclusion in, or in connection with, an investment circular*’. Reporting accountant services (both public and private) are currently whitelisted under the Ethical Standard 2019. Private reporting by firms as *reporting accountant* are explicitly addressed in paragraph 5.40. Depending on the FCA’s final approach, there may be fewer instances where investment circulars are required. In these circumstances, if issuers or banks seek private reporting services similar to those that practitioners currently provide, these services may not be viewed as reporting accountant services as they are not in connection with an investment circular and hence arguably would no longer be permissible non-audit services, even though the substance of the work would be the same. We are concerned that the changes proposed to the listing rules may not be well aligned to the Ethical Standard.
51. As stated above, the FRC should also revise paragraph 5.40 to make it explicit that this paragraph applies to reporting accountant services.
52. We also propose that paragraph I8(b) should be redrafted to provide additional clarity. We propose amending the current wording:

*‘b) where required by this Ethical Standard, the firm; and  
c) the specific transaction, subject matter and subject matter information of such an engagement’*

To instead read *‘b) where required by this Ethical Standard (in the context of the specific transaction, subject matter and subject matter information of the engagement), the firm.’*

**Question 8: Do you agree with the proposed effective date of the revised Ethical Standard? Are additional transitional reliefs required?**

53. We agree with the proposed effective date of the revised Ethical Standard. However, as set out in paragraph 14 of this response, if additional entities are categorised as PIEs, additional capacity will be required in the audit market. This capacity will take time to build, and we therefore suggest that the FRC considers a transitional period to allow for sufficient expertise to be developed.

54. The FRC should allow a period of transition once the new PIE definition comes into force, to allow time for entities moving into the PIE category to prepare. The period of this transition relief should be considered in light of any transitional relief provided for by Government.
55. The FRC should put in place transitional arrangements for those firms impacted by the changes to fee dependency resulting from the new wording '*a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)*' covered in paragraphs 27 to 32 of this response. If this new definition results in identifying client groups that the firm may no longer act for, it may not be practical to immediately resign from the engagement.