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| **What's changed** |  |
| March 2022What's changed We are pleased to issue updates to your Mercia FCA Investment Firms Manual (dated 03/22). The principal technical changes in these updates relate to:   * The introduction of the Investment Firm Prudential Regime (IFPR); and * The introduction of the new suite of Quality Management Standards (ISA 220, ISQM 1 and ISQM 2).   The IFPR is effective from 1 January 2022. The revised suite of Quality Management Standards (ISA 220, ISQM 1 and ISQM 2) are effective from 15 December 2022, with early adoption permitted.  Changes to ISA 240 The auditor's responsibilities relating to fraud in an audit of financial statements, and ISA 315 Identifying and assessing risk of material misstatement are both effective periods commencing on or after 15 December 2021. Although these do not directly impact the FCA Investment Firms Manual, there have been changes made to the references of some planning documents in this manual. The introduction of IFPR. Following Brexit, on 1 January 2022 the new regime for investment firms took effect. This has introduced a new prudential regime called MIFIDPRU. Updates have been made to the Guidance notes in this manual for the changes in firm categories. The introduction of the new suite of Quality Management Standards. In July 2021, the FRC issued a revised suite of Quality Management Standards. The suite includes:   * ISA (UK) 220 (Revised July 2021) Quality management for an audit of financial statements; * ISQM (UK) 1 Quality management for firms that perform audits or reviews of financial statements, or other assurance related services engagements; and * ISQM (UK) 2 Engagement quality reviews.   Updates have been made to the FCA Investment Firms Manual to include a new version of the preliminary engagement quality control review form, a new version of the engagement quality control review checklist and a new version of the consultation / ethics review form. From 15 December 2022 (or earlier if the firm early adopts the new quality management suite of standards) the versions denoted 'ISQM version' should be used. Before this time the versions denoted 'ISQC version' should be used. Contact us We are always pleased to receive feedback on our manuals, including any improvements that you would like to see incorporated. Please contact me if you have any comments to make.  Andy Holton  March 2022 March 2022 - Detailed list of changes The below table provides a detailed list of changes within the manual. In addition to the items listed below, cross-references to other forms have been updated where appropriate, and minor changes have been made for formatting, grammar, consistency of naming (within group sections) and other editorial amendments. Any content which was relevant for periods commencing prior to 15 December 2019 has been removed.   |  |  | | --- | --- | | Updated area | Main reason for change | | Guidance |  | | Contents & guidance notes | * Contents page updated for the changes made in this update. * Guidance notes have been updated for the change in the prudential regime and firm categorisations. | | Getting started for new manual users | * Getting started guidance updated for the changes made in this update. | | What’s changed | * A copy of this What's changed notice has been added to the manual. | | Example letters |  | | 4 Engagement - terms of business | * Minor change to reflect ICAEW Code of Ethics requirements in respect of commissions. | | Current file: Completion [P\_C on or after 15 Dec 2021] |  | | A21-1 Responsible individual review and conclusion | * Update to references. | | A21-2 Engagement quality control checklist (ISQC version) | * Renamed to highlight this version of the form applies before the new quality management standards are adopted. | | A21-2 Engagement quality checklist (ISQM version) | * A new version of the form applicable when the new quality management standards are adopted. | | A21-3 Consultation / ethics review (ISQC version) | * Renamed to highlight this version of the form applies before the new quality management standards are adopted. | | A21-3 Consultation review (ISQM version) | * A new version of the form applicable when the new quality management standards are adopted. | | A31 CASS Audit completion checklist | * Minor update for changes in planning references. | | Current file: Planning [P\_C on or after 15 Dec 2021] |  | | B01 Planning checklist | * Moved from B11. * First section renamed pre planning. * Minor amendments to items for clarity and best practice. | | B02 Audit strategy | * New form to ensure best practice in relation to an audit strategy is followed. | | B03 Preliminary engagement quality control review (ISQC version) | * Moved from B14. * Renamed to highlight this version of the form applies before the new quality management standards are adopted. | | B03 Preliminary engagement quality review (ISQM version) | * A new version of the form applicable when the new quality management standards are adopted. | | B04 Understanding the scope of the engagement | * Moved from B15. | | B06-1 Statutory audit eligibility checklist (companies) | * Moved from B16-1. | | B06-2 Statutory audit eligibility checklist (LLPs) | * Moved from B16-2. | | B07 CASS engagement team training and competence | * Moved from B17. | | B11 Acceptance of appointment or reappointment | * Moved from B12. * Minor amendments due to restructure of the planning. * Removed references to "For periods commencing on or after 15 March 2020" as this date has now passed. | | B12 Compliance with the Ethical Standard | * Moved from B13. * Minor amendments due to restructure of the planning section. * Minor amendments related to the introduction of the new quality management standards. * Removal of references to "For periods commencing on or after 15 March 2020" and "For periods commencing before 15 March 2020" and consequential updates to footnotes, as this date has now passed. * Minor update to wording in consultation and communication section to reflect best practice terminology. | | B15 Terms of engagement - placeholder | * New placeholder added. | | B22 CASS Communication with management | * Moved from B21. | | B30 CASS risk assessment | * Moved from B32. * Minor amendments due to restructure of the planning section. | | B35 Audit team discussion | * Moved from B23. | | B40 CASS planning memorandum | * Moved from B33. | | Permanent file |  | | PF-Y FCA categorisation and scope of permissions | * Updated for introduction of IFPR and changes to firm categorisations. |  March 2022 - Remapping summary The below table provides a list of forms in the planning section of the current file and the permanent file, and indicates where they have moved to, if applicable, as part of this update of the manual.   |  |  |  | | --- | --- | --- | | Original reference and form | Revised reference | Comments (if applicable) | | Planning |  |  | | B11 Planning checklist | B01 |  | | B12 CASS Audit acceptance of appointment or reappointment | B11 |  | | B13 CASS Audit compliance with the Ethical Standard | B12 |  | | B14 CASS Audit preliminary engagement quality control review | B03 | Now labelled with '(ISQC version)' with a new version '(ISQM version)' made available for adoption of the new quality management standards. | | B15 Understanding the scope of engagement | B04 |  | | B16-1 Statutory Audit exemption eligibility checklist (companies) | B06-1 |  | | B16-1 Statutory Audit exemption eligibility checklist (LLP) | B06-2 |  | | B21 CASS Audit communication with management | B22 |  | | B23 CASS engagement team discussion | B35 |  | | B32 CASS Risk assessment | B30 |  | | B33 CASS planning memorandum | B40 |  |  December 2021 We are pleased to issue an update to your Mercia FCA (DIF) Manual (dated 12/21). The principal changes in this update relate to best practice amendments from internal review and client feedback. Please see below for a detailed list of all changes made as part of this update. Contact us We are always pleased to receive feedback on our manuals, including any improvements that you would like to see incorporated. Please contact us if you have any comments to make.  Jenny Faulkner & Andy Holton (Team Leads - Manuals (Audit & Compliance))  December 2021 December 2021 detailed list of changes  |  |  | | --- | --- | | Updated area | Main reason for change | | Current file documents |  | | A31 - CASS audit completion checklist | - Adjustment to wording in relation to ISA 300 |  June 2021 We are pleased to issue an update to your Mercia FCA (DIF) Manual (dated 06/21).  The technical changes in this update relate to the post-Brexit regime and consist of revisions to the guidance notes to explain the current status of EU Directives and the progress towards a new UK-specific regime. June 2021 detailed list of changes  |  |  | | --- | --- | | Updated area | Main reason for change | | Guidance |  | | Guidance notes | - para 1.1 amended URL to the FS Register | |  | - paras 1.3, 2.3, 9.1 clarified wording concerning the post-Brexit regime | |  | - other minor typographical changes including updated references to the 2019 CASS Assurance Standard |  May 2021 We are pleased to issue updates to your Mercia FCA (DIF) Manual (dated 05/21).  The principal technical changes in these updates relate to the Ethical Standard 2019 and Brexit: Ethical Standard 2019 The B12 and B13 have been updated for the Ethical Standard 2019 which is largely effective for engagements with periods commencing on or after 15 March 2020. The Accounts and Reports (Amendment) (EU Exit) Regulations 2019 (SI 2019/145) These [regulations](http://www.legislation.gov.uk/uksi/2019/145/pdfs/uksi_20190145_en.pdf) update certain definitions to applied within company law as a result of the UK withdrawing from the European Union (EU). The relevant updates for this manual relate to criteria for which entities qualify as small or micro entities, and criteria for the dormant subsidiaries exemption from the obligation to file accounts. Statutory Instrument (SI) 2019/145 was published on 30 January 2019, with a small number of updates taking effect immediately and others taking effect for accounting periods commencing on or after 1 January 2021.  Your audit exemption eligibility checklists (B16-1 (companies) and B16-2 (LLPs)) incorporate these updates.  See Appendix I for further details. The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177) These[regulations](http://www.legislation.gov.uk/uksi/2019/177/pdfs/uksi_20190177_en.pdf) update certain definitions and criteria to be applied within to company law within company law as a result of the UK withdrawing from the European Union (EU). The relevant updates for this manual relate to criteria for audit exemptions. Statutory Instrument (SI) 2019/177 was published on 1 February 2019, although it was amended by (SI) 2019/1392 and (SI) 2020/108. A small number of updates take place immediately with the most significant updates taking effect for accounting periods commencing on or after 1 January 2021.  Your audit exemption eligibility checklists (B16-1 (companies) and B16-2 (LLPs))  incorporate these updates.  See Appendix I for further details. A new UK prudential regime for MiFID investment firms (CP21/7) The guidance notes have been updated to explain the main changes to the prudential regime proposed in CP21/7 as a result of Brexit. Other changes A number of other minor updates to wording have also been made including updating the language used in example letters for gender neutrality.  Please see below for a detailed list of all changes made as part of this update. Contact us We are always pleased to receive feedback on our manuals, including any improvements that you would like to see incorporated.  Please contact me if you have any comments to make.  Jenny Faulkner (Head of Publications - Assurance and Financial Reporting)  May 2021 May 2021 detailed list of changes  |  |  | | --- | --- | | Updated area | Main reason for change | | Guidance |  | | Guidance notes | - Updated the FRC Ethical Standard section. | |  | - Updated for the main changes to the prudential regime proposed in CP21/7. | |  | - Other minor typographical and formatting updates. | | What’s changed | - A copy of this guidance has been added to the manual. | | Example letters |  | | All | - Updated language for gender neutrality. | | Current file  documents - Planning |  | | B12 CASS Audit acceptance of appointment or reappointment and  B13 CASS Audit compliance with the Ethical Standard | - Updated for FRC's Ethical Standard 2019. | | B16-1 Statutory audit exemption eligibility checklist (companies)  B16-2 Statutory audit exemption eligibility checklist (LLPs) | - Criteria updated to reflect Brexit related legislation. |    Appendix I – Legislative changesThe Accounts and Reports (Amendment) (EU Exit) Regulations 2019 (SI 2019/145) These [regulations](https://www.legislation.gov.uk/uksi/2019/145/pdfs/uksi_20190145_en.pdf) update certain definitions to applied within company law as a result of the UK withdrawing from the European Union (EU). The relevant updates for this manual relate to criteria for which entities qualify as small or micro entities, criteria for the dormant subsidiaries exemption from the obligation to file accounts, and the disclosure requirements for political donations within the directors’ report. Statutory Instrument (SI) 2019/145 was published on 30 January 2019, with a small number of updates taking effect immediately and others taking effect for accounting periods commencing on or after 1 January 2021.  Firstly this SI includes an update to the definition of a credit institution within the Companies Act 2006 (section 384B(1)(d)) to be applied for companies which are excluded from being treated at micro entities, with immediate effect, to be as follows: a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council(c), other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms.  Secondly this SI makes various updates to the Companies Act 2006 which are effective for financial years commencing on or after 1 January 2021. The updates relevant to this manual are as follows:   * Changes the directors report requirements to disclosure the total contributions to non-EU political parties in the directors’ report, to total contributions to non-UK political parties; * Changes some of the definitions related to ineligible companies and groups, specifically:   Updates the definition of MiFID investment firm, to be as follows: an investment firm within the meaning of Article 2.1A of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, other than— a)    a company to which that Directive does not apply by virtue of Article 2 of that Directive [which is exempted from the definition of “investment firm” by Schedule 3 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)], b)    a company which is an exempt investment firm as defined by regulation 8 (meaning of “exempt investment firm”) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017(SI 2017/701), and c)    any other company which fulfils all the requirements set out in regulation 6(3) of those Regulations;  Updates the definition of a ‘traded company’ to a company whose transferable securities are admitted to trading on a UK regulated market; and  ‘a body corporate (other than a company) whose shares are admitted to trading on a regulated market in an EEA State’, is now ‘a body corporate (other than a company) whose shares are admitted to trading on a UK regulated market’.   * Changes some of the criteria which exclude companies from being micro entities, specifically:   Confirms that definitions for being an investment undertaking, a financial holding undertaking and an insurance undertaking all still apply as they would if the UK was still a member of the EU; and  Changes the definition of a credit institution, to be as follows: a credit institution as defined in Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, which is a CRR firm within the meaning of Article 4(1)(2A) of that Regulation.   * Changes to the criteria for a dormant subsidiary to claim exemption from the requirement to prepare and file individual accounts such that the exemption is restricted to companies with a UK rather than EEA parent.   Your audit exemption eligibility checklists (B16-1 and B16-2) incorporate these updates. The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177) These [regulations](http://www.legislation.gov.uk/uksi/2019/177/pdfs/uksi_20190177_en.pdf) update certain definitions and criteria to be applied within to company law within company law as a result of the UK withdrawing from the European Union (EU). The relevant updates for this manual relate to criteria for audit exemptions. Statutory Instrument (SI) 2019/177 was published on 1 February 2019, although it was amended by (SI) 2019/1392 and (SI) 2020/108. A small number of updates take place immediately with the most significant updates taking effect for accounting periods commencing on or after 1 January 2021.  This SI (and the related amending SIs) update the Companies Act 2006. The most relevant updates for this manual relate to the availability of the subsidiaries audit exemption under s479A of the Act:   * For financial years commencing before 1 January 2021, the exemption continues to be available where it is a UK or EEA parent which consolidates and provides the guarantee. * For financial years commencing on or after 1 January 2021, the exemption is only available where it is a UK (not an EEA) parent which consolidated and provides the guarantee.   Your audit exemption eligibility checklists (B16-1 and B16-2) incorporate these updates. December 2020 We are pleased to issue an update to your Mercia FCA (DIF) Manual (dated 12/20).  The update principally reflects the revision of the FRC CASS Assurance Standard in November 2019, which takes effect for CASS audit reports for periods beginning on or after 1 January 2020 (there is no scope for early adoption).  The only significant change in the revised CASS Assurance Standard concerns the need for Engagement Quality Control Reviews (EQCRs). Whereas the 2015 Standard required EQCR for all reasonable assurance engagements, the 2019 revision restricts this to CASS Large and Medium firms and requires that for other firms, auditors apply judgement to determine whether EQCR is required. In addition, however, the majority of paragraphs in the Standard have been renumbered. Therefore, several of the permanent and current file documents have been revised accordingly. You can select, via the Creator screens, the appropriate documentation depending on the date the reporting period began.  Other changes are minor and reflect:   * the introduction of the Senior Managers and Certification Regime for solo-regulated firms, which removes the designation ‘CF10a’ for the CASS compliance officer and requires that a member of senior management (the ‘SMF16’) take responsibility for compliance (including CASS compliance); and * changes to the submission of CASS audit reports, which require auditors to register with the FCA's Connect online reporting system.   These changes principally affect the guidance notes and occasional references to the ‘CF10a’ within the programmes, which have been reworded.    Finally, a second example Limited Assurance Report has been included within the example reports section of the manual. Based on Appendix 7 to the CASS Assurance Standard, this second example (2b) covers situations in which a firm is not permitted to hold client money or custody assets and claims to hold neither. The existing example (2a), based on Appendix 5 to the Standard, covers situations in which a firm is permitted to hold either client money or custody assets (or both) but claims not to do so. Contact us We are always pleased to receive feedback on our manuals, including any improvements that you would like to see incorporated.  Please contact my colleague Jeremy Williams, the technical editor  of this manual, or me if you have any comments to make.  Jenny Faulkner December 2020 December 2020 - Changes made in relation to the revised CASS standard A small number of minor formatting amendments have been made to ensure consistency across the Mercia product range. In addition the following changes have been made:   |  |  | | --- | --- | | Updated area | Main reason for update | | Guidance |  | | Contents and guidance notes | - Updated for the changes made in this update. | | Update 12/20 - What's changed | - Updated for the changes made in this update. | | Example letters |  | | Guidance | - Updated for the revised CASS standard. | | Example reports |  | | Limited assurance | - This has been replaced by two separate example reports (2a and 2b) depending on whether the firm (a) has permission to hold client assets but claims not to hold such assets, or (b) does not have permission. | | Current file documents |  | | Planning | - References to CF10a have been replaced by SMF16, and references to CASS chapters now include CASS 13. For periods commencing on or after 1 January 2020, CASS Standard references have been revised. | | Completion | - For periods commencing on or after 1 January 2020, CASS Standard references have been revised, including clarification on the need for EQCR. | | Permanent file documents |  | | PF-X | - Reference to CF10a has been replaced by SMF16. For periods commencing on or after 1 January 2020, CASS Standard references have been revised. | | PF-Z | - An additional prompt for B32 to include risks not identified by management. |    December 2020 - Changes made in relation to the new method of delivery Set out below is a list of all of the documents that have been revised in this update, along with a brief explanation of how they have changed.   |  |  |  | | --- | --- | --- | | Updated area |  | Main reason for change | | All |  |  | | All | - | The creator tool has been amended, so areas of the audit manual required are selected from the webpage instead. Users are able to 'customise' a pack of documentation for the clients | |  | - | The overall document hierarchy has been amended to be more intuitive.  ‘Permanent file documents’ is now the final section of this manual (also see comments below for how specific sections have been re-ordered) | | Guidance and Procedures |  |  | | All | - | Section renamed to ‘Guidance’ from ‘Section A - Guidance notes’. | | Contents | - | Contents page updated to reflect the new format and method of delivery. | | Guidance and procedures | - | Chapter referencing has been updated to reflect the new method of delivery. | |  | - | A number of other minor amendments to reflect best practice and standardise guidance notes across the Mercia product range. | | Getting started for new manual users | - | A revised set of guidance notes has been included to reflect the updated method of product delivery. | | What's changed | - | A copy of this document. | | Example letters |  |  | | All | - | Section renamed to ‘Example letters’ from ‘Section B - Example letters’. | | Engagement - covering letter | - | A number of amendments to reflect best practice and standardise engagement letters across the Mercia product range. | | Engagement - schedule of professional services | - | A number of amendments to reflect best practice and standardise engagement letters across the Mercia product range | | Engagement - standard terms of business | - | ‘Term of business’ renamed ‘Standard terms of business’, along with a number of  amendments to reflect best practice and standardise engagement letters across the Mercia product range. | | Representation letter points | - | A number of minor amendments to reflect best practice and standardise engagement letters across the Mercia product range | | Example reports |  |  | | All | - | Section renamed to ‘Example reports’ from ‘Section C - Example reports’. | |  | - | A number of minor amendments to reflect best practice and standardise engagement letters across the Mercia product range. | | Current file documents |  |  | | All | - | Section renamed to ‘Current file documents’ from ‘Section G - Current file documents’. | |  | - | The hierarchy of the content in this section has been amended to be more intuitive, with sections now being presented in the order they would appear in an audit file (i.e. Completion, then Planning, then Audit programmes). | | Permanent file documents |  |  | | All | - | Section has been renamed to ‘Permanent file documents’ from ‘Section F - Permanent file’. | |  | - | Across all the permanent file forms, column headings ‘Notes’ and ‘Sch Ref’ have been consolidated under the heading ‘Notes (refer to other schedules where applicable)’. | | |