

Supervision

Chapter 3

Auditors

3.11 Review of auditor's client assets report

- 3.11.1** **G** A *firm* should ensure that:
- (1) it considers the draft client assets report provided to the *firm* by its auditor in accordance with ■ SUP 3.10.8DR (1) in order to provide an explanation of:
 - (a) the circumstances that gave rise to each of the breaches identified in the draft report; and
 - (b) any remedial actions that it has undertaken or plans to undertake to correct those breaches; and
 - (2) the explanation provided in accordance with (1):
 - (a) is submitted to its auditor in a timely fashion and in any event before the auditor is required to deliver a report to the *FCA* in accordance with ■ SUP 3.10.7 R or to the *firm* in accordance with ■ SUP 3.10.8A R as the case may be; and
 - (b) is recorded in the relevant field in the draft report submitted to it by its auditor.
- 3.11.2** **R** A *firm* must ensure that the final client assets report delivered to it in accordance with ■ SUP 3.10.8A R or ■ SUP 3.10.8DR (2) is reported to that *firm's* governing body.
- 3.11.3** **G** The *FCA* expects a *firm* to use the client assets report as a tool to evaluate the effectiveness of the systems that it has in place for the purpose of complying with requirements to which ■ SUP 3.10.5 R refers. Accordingly, a *firm* should ensure that the report is integrated into its risk management framework and decision-making.
- 3.11.4** **G** ■ SUP 3.4.2 R provides that a *firm* must take reasonable steps to ensure that its auditor has the required skill, resources and experience to perform its functions. The *FCA* expects a *firm* to keep under review the adequacy of the skill, resources and experience of its auditor and should critically assess the content of the client assets report as part of that ongoing review.