

Brydon Review Secretariat
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7 June 2019

Our ref KW/DT/MCW/EAF

Dear Sirs & Mesdames

**Independent Review into the Quality and Effectiveness of Audit (Brydon)
Response to call for views**

Please find attached the views of Buzzacott LLP on the Independent Review into the Quality and Effectiveness of Audit by Sir Donald Brydon, for your consideration.

Yours faithfully



Katherine White
Director
for Buzzacott LLP

Response to call for views

Introduction:

Buzzacott LLP is a firm of Chartered Accountants based in London. Our specialisms include audit of private limited companies, LLPs and not-for-profit organisations. We welcome the opportunity to provide our views on behalf of our clients as well as our firm.

Our response does not cover all of the questions posed in the document. Instead, we are focussing on a few key questions as follows:

Q1. For whose benefit should audit be conducted? How is it of value to users?

Audit of smaller entities is also of value because it ensures that entities, upon reaching a certain size, have an independent accountant review their books and records. Smaller entities typically do not have many members of accounting staff and do not have internal auditors so, if an accounting error occurs, this may be undetected for some time.

PIEs typically have the resources to employ qualified individuals in a larger finance team, and the role of the auditor is consequently less about assisting management and more about giving confidence to shareholders and other stakeholders of the business.

Charities often have governing bodies comprised of volunteers, who value and need the support of auditors to advise them on their responsibilities as trustees and help them to fulfil their duties. Such charities may not have the resources to employ their own accountant and rely on the auditor to assist them in producing statutory accounts and identify accounting errors.

Q6. Is there a significant 'delivery' or 'quality' gap between auditors' existing responsibilities in law and auditing standards, and how those responsibilities are currently met?

In our view, "failed" audits are due to the current standards not being applied correctly so introducing new standards is not going to address this issue.

Q13: Should auditors' responsibilities regarding assessing the effectiveness of an entity's system of internal control be extended or clarified?

The system of internal control for a smaller audited entity may not be complex. If the auditors' responsibilities regarding assessing the effectiveness of an entity's system of internal control are extended or clarified, then the impact on smaller entities should be carefully considered.

Q15: Is the current regulatory framework relating to going concern fit for purpose (including company law and accounting standards)?

The auditor cannot be responsible for the going concern of an entity as the auditor has no control over the future or the actions of the company. Corporate failures are not caused by poor audits.

We would support an additional financial reporting requirement for non-small companies to make a statement about going concern in their financial statements.

Q20. Is there a case for a more forward-looking audit? What would be the main benefits and risks?

No, we do not believe that a more forward-looking audit would be appropriate. It should not be the role of auditors to predict the future and expecting them to do so undermines the reliability of what auditors can realistically achieve, and therefore reduces the value of the audit work.

Q25. What additional benefit might a switch from a binary audit opinion to a more graduated disclosure of auditor conclusions provide?

We do not support the switch from a binary audit opinion to a more graduated disclosure of auditor conclusions for smaller entities. This is because we do not think the information that would be contained in this report would be of benefit to the users of the financial statements. In particular, owner-managers of businesses are unlikely to see any benefit from paying their auditor for additional disclosures in the audit report when they have been involved in every stage of the audit.

However, we would support this proposal for certain types of entity where there is a clear benefit, for example it could be considered for Charities and other similar organisations which exceed the Companies Act 2006 large company size criteria.

The cost and benefit of this move for all sizes of organisation should be considered before graduated audit opinions are implemented.

Q29. What role should auditors play in determining whether the directors are complying with relevant laws and regulations, including with respect to matters of capital maintenance? Is it appropriate to distinguish between matters which may materially affect the financial statements and other matters?

The auditor should comment on matters that materially affect the financial statements only.

Q36. Do you believe that users' expectations of auditors' role in fraud detection are consistent with the requirements in UK law and auditing standards? If not, should auditors be given greater responsibility to detect material fraud?

The auditor should comment on matters that materially affect the financial statements only.