

Independent Review into the Quality and Effectiveness of Audit

Advisory Board Meeting, 10 May 2019 - Summary Minutes

Those present:

Sir Donald Brydon
Alison Hopkinson
Prof. Chris Humphrey
Luke Chappell
Margaret Ewing
Simon Fraser
Mark Freedman
Emme Kozloff
Michael McLintock
Sarah Parkes
Julia Wilson

Apologies:

Carole Cran
Natasha Landell-Mills

Secretariat:

Miranda Craig
Robin Mueller
Paul Lee
Mark Holmes (observer)

1.	Introduction – agenda and matters arising
	<p>Sir Donald welcomed those present and noted apologies. Introductions were made for the benefit of those not present at the March meeting.</p> <p>Attendees were reminded of the competition law protocol in the unlikely event that any would consider themselves as competitors during any of the discussions.</p> <p>Sir Donald summarised the planned agenda and questions he intended to ask those present on the topics of audit fees, sustainable business models and capital maintenance.</p>
2.	Call for Views – comments
	<p>Sir Donald commented on the broadly positive media and public response to the Call for Views, published on 10 April. He noted that he had committed to meeting each of the Big 4 firms and would attend as many stakeholder roundtables as possible, including institutional and retail investors, asset owners, audit committee members and the auditing profession. In light of the need to also consider the wider societal impact of audit, AH offered to publicise the Review more widely in the not-for-profit sector and to put several contacts in touch with the Review team. Methods to engage the wider public were under discussion.</p>
3.	General discussion

	<p>Sir Donald initiated a discussion centred on the topics of audit fees, sustainable business models and the capital maintenance regime, to which all attendees submitted their thoughts and opinions. The following points in particular were covered:</p> <ul style="list-style-type: none"> • The involvement of the audit committee and specifically the audit committee chairman in negotiating audit fees and the degree of external visibility of audit fee composition, including the remuneration of the audit partner; • Whether the current placing of the fee, above the line and often within the Finance budget, drives any undesirable behaviours or outcomes; • The degree to which audit committees have access to the detailed information surrounding discussions between management and the audit partner during the audit planning process and throughout the year and whether greater public visibility of this process through reporting would be beneficial; • Auditor effectiveness reviews and their value; • The perceived value (or not) of extending assurance to the sustainability of an entity's business model, with reference to the resilience reporting and director attestation required in the water industry as an example; • The viability statement – current issues as faced by producers of accounts relative to the intended spirit of the legislation and a discussion on the various stakeholder groups who might benefit from increased assurance over non-financial metrics currently included in the front end of many annual reports; • The role of directors, internal auditors and external auditors in any wider assurance model; • Likely technological advances, particularly in data analytics, and how these may impact the current audit model and/or drive it towards a different model. Increased automation of transactional reporting and the need to retain subjective, judgement-led skills within the audit process; • The increasing complexity of corporate reporting and the interaction with IFRS; • The capital maintenance regime and differing opinions on the elements directors may consider when deciding on the sustainability of a dividend payment; • The value of audit as viewed from a not-for-profit angle, where the benefits of audit may be perceived differently, and stakeholder group interests are vastly different than in the commercial sector. <p>Sir Donald noted that the deadline for submitting responses would have passed by the time of the next planned Advisory Board meeting, and that he would attempt to circulate a synthesised summary of response themes in advance of that meeting.</p>
4.	AOB
	<p>It was agreed that forward meeting dates to the end of the calendar year would be set as soon as possible.</p> <p>The being no further business, the meeting closed.</p>