

Independent Review into the Quality and Effectiveness of Audit

Advisory Board Meeting, 28 March 2019 - Summary Minutes

Those present:

Sir Donald Brydon
Prof. Chris Humphrey
Luke Chappell
Margaret Ewing
Mark Freedman
Natasha Landell-Mills
Sarah Parkes

Apologies:

Alison Hopkinson
Carole Cran
Emme Kozloff
Julia Wilson
Michael McLintock
Simon Fraser

Secretariat:

Miranda Craig
Robin Mueller
Tom Barrett
Paul Lee
Steve Leonard
Mark Holmes (observer)

1.	Introduction – competition, conflicts of interest and confidentiality arrangements
	<p>Sir Donald welcomed those present and noted apologies.</p> <p>Each attendee was provided with a short note addressing competition law protocol in the unlikely event that any would consider themselves as competitors during any of the discussions. Members were reminded of the need to observe appropriate confidentiality during the course of the Review.</p> <p>Sir Donald provided a brief overview of the policy-setting landscape, including the current Competition and Markets Authority (CMA) study of the audit market and Sir John Kingman’s Independent review of the Financial Reporting Council.</p>
2.	Review approach and ways of working
	<p>Sir Donald summarised the Review’s terms of reference and likely timelines for delivery of a report to the Secretary of State for Business, Energy and Industrial Strategy. He noted that the final report would be published, and that the Government had indicated a willingness to legislate if needed. He further noted that, whilst he was supported by a small team any findings and</p>

	<p>recommendations would be his and his alone. The Advisory Board had been convened as a forum for open discussion and testing of ideas to assist with Sir Donald's process.</p>
3.	Call for Views discussion
	<p>The meeting considered an executive summary circulated to members in advance, and intended to form part of a public Call for Views which would be published in due course.</p> <p>There followed a wide-ranging discussion on each of the topics referenced within the executive summary. The following points in particular were highlighted:</p> <ul style="list-style-type: none"> • It was generally accepted that extensive use of boilerplate wording in auditor's reports hampers useful insights that might otherwise be gained from them. The Review should therefore return to first principles – what is audit and for whose benefit is it conducted? • The balance of responsibility between directors and auditors is important and should not shift away from directors, thereby making them less accountable. These boundaries are sometimes unclear; • The structures within which audit is commissioned and delivered were discussed, including the skills and experience required for statutory audit and other forms of assurance and which elements of the audit process are or should be readily observable to stakeholders; • A perceived lack of investor engagement may not reflect less interest in auditor reports, but the manner in which they are consumed. Often, machine-reading is the primary form of consumption; • Technology will be an important area for future discussion due to its increasing prominence in the audit process and therefore potentially also the overall audit product; • Whilst not a core focus of the Review, a good understanding of the current perception of audit as a profession, and the behaviours to which young auditors joining the profession might seek to aspire would be useful context for the Review's work in understanding those behavioural elements which drive a high-quality audit product.
4.	AOB
	<p>It was agreed that a suitable date would be sought for a further meeting in early May.</p> <p>The being no further business, the meeting closed.</p>