

Independent Review into the Quality and Effectiveness of Audit

Auditors' Advisory Group Meeting, 28 March 2019

Summary Minutes

Those present:

Sir Donald Brydon
Hywel Ball
Annie Graham
Gilly Lord
Maggie McGhee
Mark Rhys
Michael Izza
Phil Smart
Scott Knight
Steve Gale

Apologies:

None

Secretariat:

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

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| 1. | Introduction – competition, conflicts of interest and confidentiality arrangements |
| | <p>Sir Donald welcomed those present.</p> <p>Each attendee was provided with a short note addressing competition law protocol in the 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 and that each was present in a personal capacity, not as a representative of their respective firms.</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 and a list of all meetings and engagement with stakeholders 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 recommendations would be his and his</p> |

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| | <p>alone. The Advisory Board had been convened as a forum for open discussion and testing of ideas to assist with Sir Donald's process. In addition, offers of support in specialist areas were welcome.</p> |
| 3. | Call for Views discussion |
| | <p>Attendees had been asked in advance of the meeting to consider the questions which they would like the Review to explore. A number had submitted their thoughts in advance, and the meeting proceeded to discuss the questions put forward:</p> <ul style="list-style-type: none"> • Attendees were keen to understand the scope of the Review and whether it would consider the roles of the first and second lines of defence in audit quality as well the external auditor; • The expectations gap was discussed, and the extent to which auditors are able to think broadly enough to provide what the users of accounts want, within the existing frameworks in which they operate. There was general agreement that practical ways to address users' concerns were possible; • The work which auditors undertake to understand company culture as part of risk assessment and audit planning, largely goes unseen by external stakeholders; • There is scope for improvement in the way auditors communicate with investors and others. For example, via the extended auditor's report or at the annual general meeting; • The role of audit in wider forms of assurance, the impact of technology and audit skills and behaviours were also raised, and ideas offered and discussed. |
| 4. | AOB |
| | <p>It was agreed that a suitable date would be sought for a further meeting in early May.</p> <p>There being no further business, the meeting closed.</p> |