



# *Audit Reform in the UK*

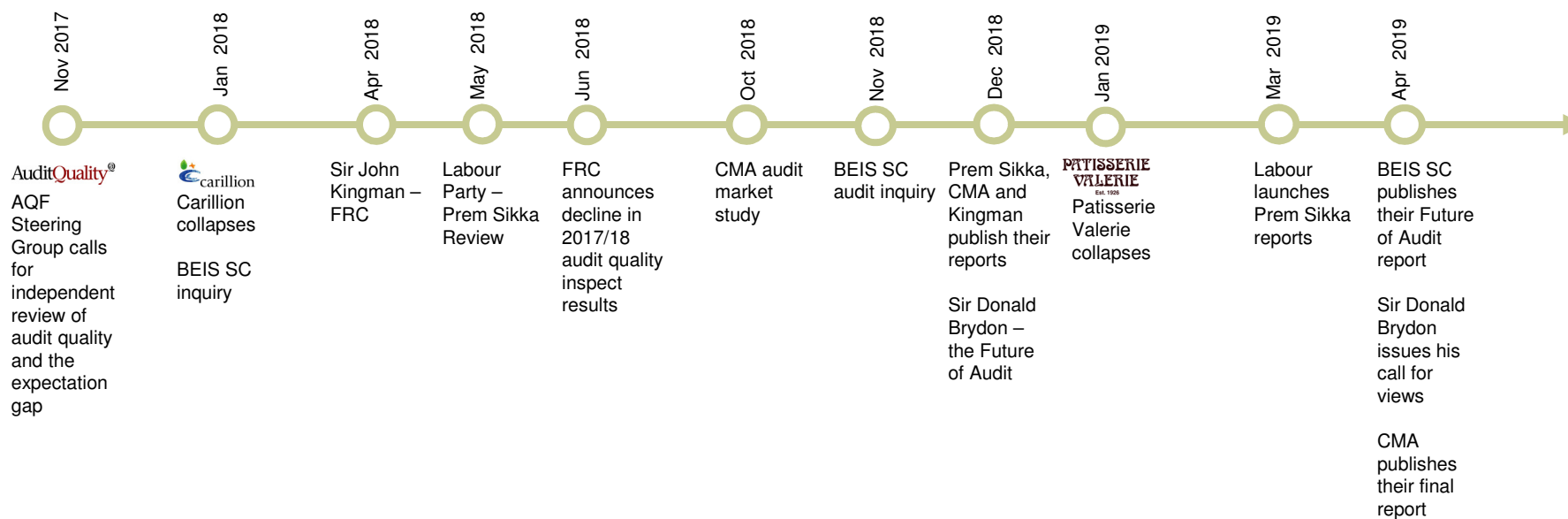
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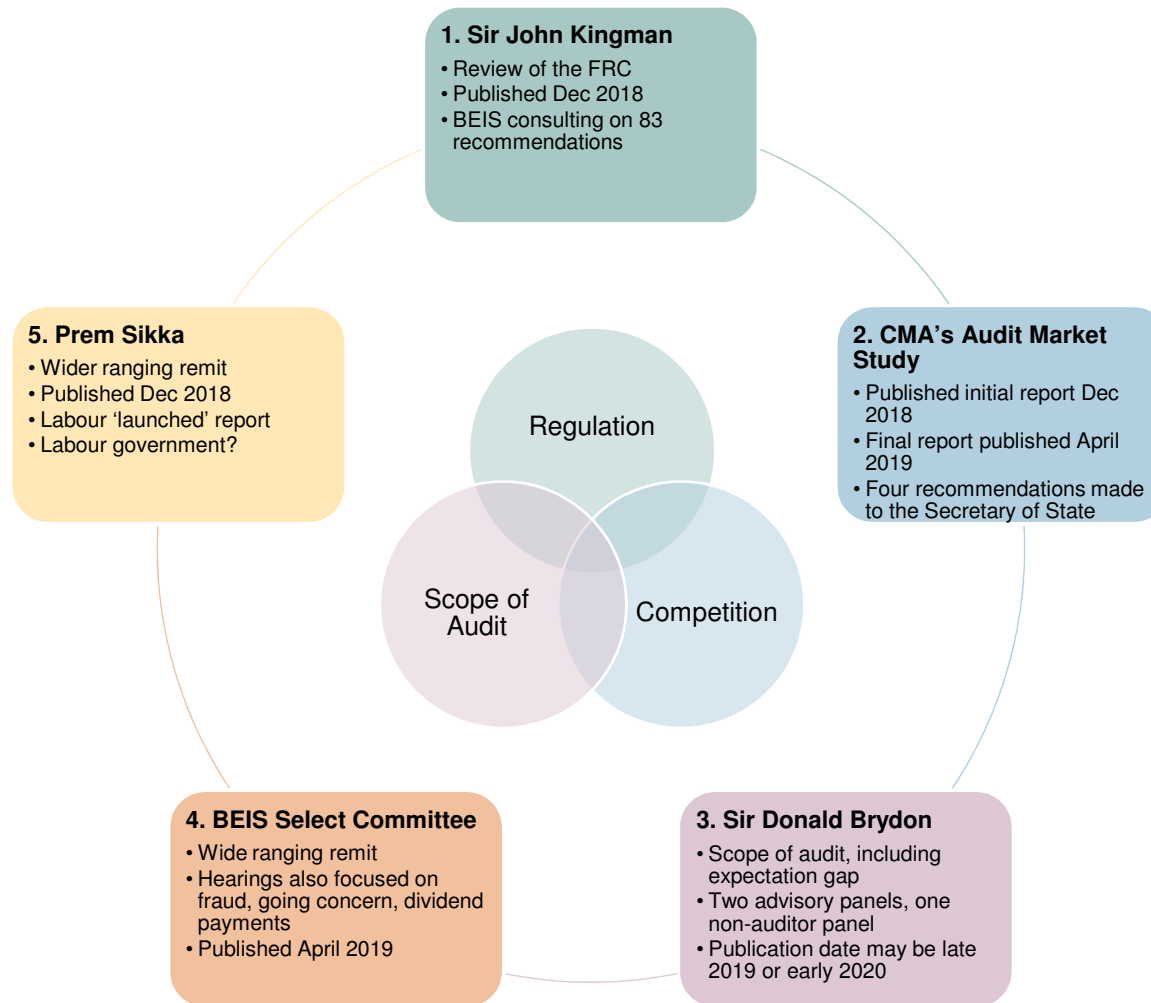
# *A time of change*



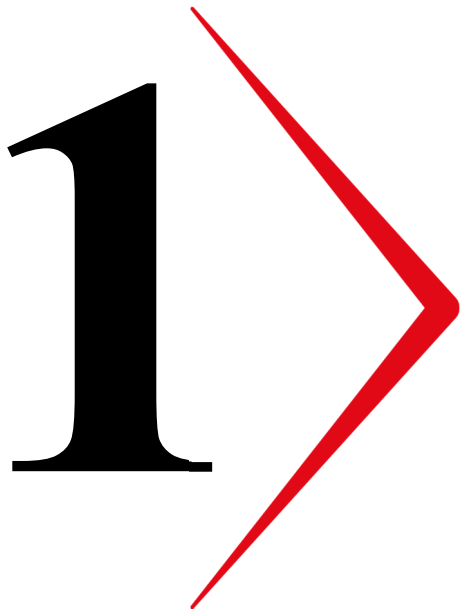
# *Multiple UK inquiries*



# Overview



# *Regulation*



## *New, stronger regulator*

- Structural changes to increase powers and independence
- Proactive, forward looking market analysis
- Publication of Audit Quality Reviews
- Ability to direct reporting changes without court intervention
- Powers to hold directors to account

# *Competition*



## *Intervention to increase market choice*

- Audit committee scrutiny
- Increasing choice and resilience through
  - Mandatory joint audit for most large companies
  - Peer reviews for largest companies
  - Mitigate against Big Four failure
- Big Four operational splits
- Five-year review of progress by the regulator

# *Scope of audit*



## *Expanding the scope, to decrease the gap*

- Increasingly forward looking - duty of alert, going concern and viability statement reforms
- Graduated audit findings
- Potential UK Sarbanes-Oxley equivalent

Subject to the Brydon Review

# ***Brydon Review***

- Call for views issued 10 April
- 60 questions on:
  - Purpose
  - Scope
  - Quality
- Aims to clarify:
  - Needs and expectations of users
  - Improvements to process/product
  - Legal/regulatory changes required
  - Other forward looking forms of business assurance
- Further calls for views to come!

## **INDEPENDENT REVIEW INTO THE QUALITY AND EFFECTIVENESS OF AUDIT**

**CALL FOR VIEWS  
LAUNCH DATE: 10 APRIL 2019  
RESPOND BY: 7 JUNE 2019**



# *International impacts?*

ISA consistency

Group audit  
reporting  
requirements

Audit scope  
consistency

Reviews  
underway in  
other  
jurisdictions

# *Other challenges*



Could increased regulator powers undermine efforts to reduce barriers to entry?

How might increased competition affect audit quality?

Could changes to what auditors/regulators do potentially *increase* the expectations gap?

Impact on non-PIE audits and the attractiveness of the profession?

Need for reform of auditor liability?

# *Next steps*

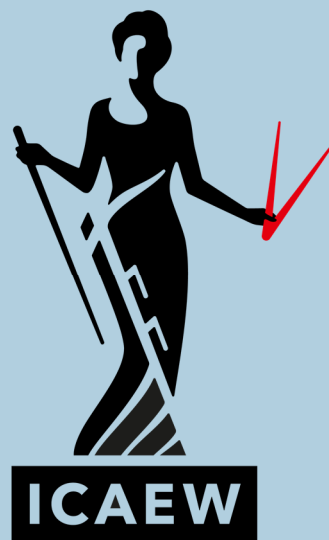


- Respond to the Brydon Call for Views (7 June 2019)
- Respond to the Kingman Consultation (14 June 2019)
- Respond if/when BEIS consults on implementing the CMA final report and remedies (TBD)
- Inaugural Audit Conference – 4 October 2019
- ICAEW events and webinars
- Thought leadership – ‘Future of Audit’ series launched March 2019
  - Next topics to include ‘what auditors do’, technology, people, joint audit and going concern

## ***Further resources***

ICAEW hub on inquiry into audit:

[www.icaew.com/technical/audit-and-assurance/inquiry-into-audit](http://www.icaew.com/technical/audit-and-assurance/inquiry-into-audit)



[icaew.com](https://www.icaew.com)