



Developments in the audit market

HFMA CONFERENCE MARCH 2021

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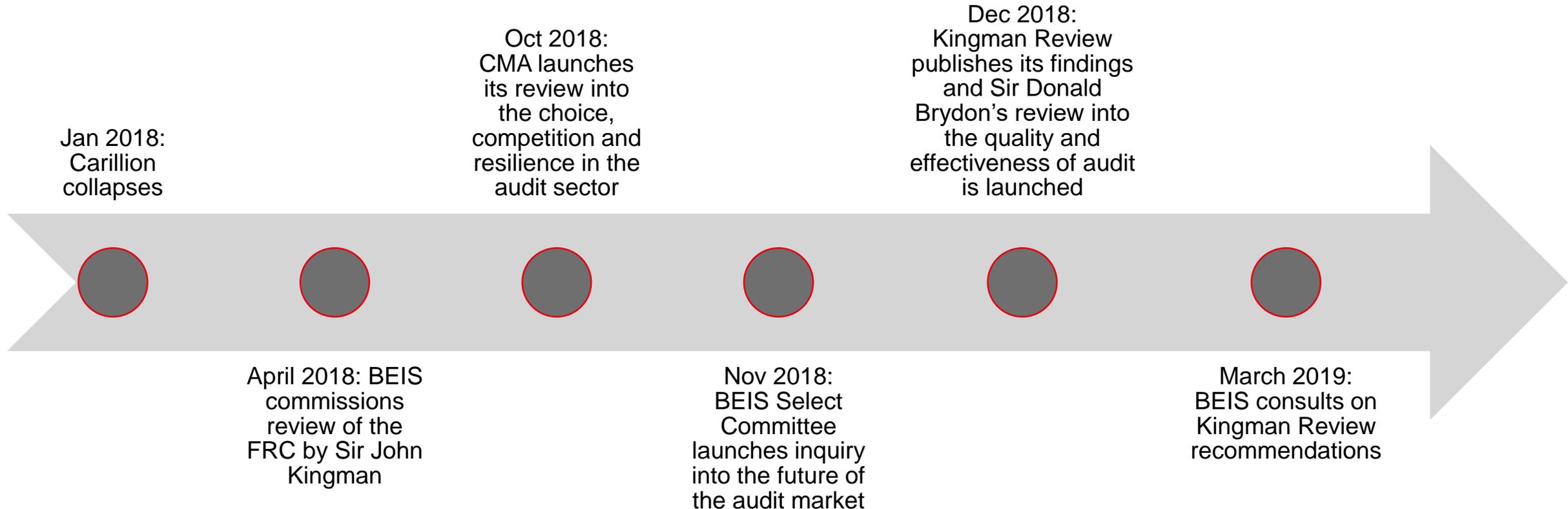
One Profession across practice,
business and public sector

Content

- 1) Audit reform timeline
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Audit reform timeline – part I



Audit reform timeline – part II

March 2019:
Public Accounts
Committee
report raises
concerns about
local bodies
audit

July 2019:
MHCLG
launches
inquiry into
local authority
audit led by Sir
Tony
Redmond

Sep 2020:
Sir Tony Redmond
publishes his
independent
review

April 2019:
BEIS issues
Future of Audit
report and CMA
publishes final
report

Dec 2019:
Sir Donald
Brydon
publishes his
findings

Dec 2020:
MHCLG issues
interim response
to Redmond
review

Key reviews → potential impact

FRC review of the collapse of Carillion – no published reports

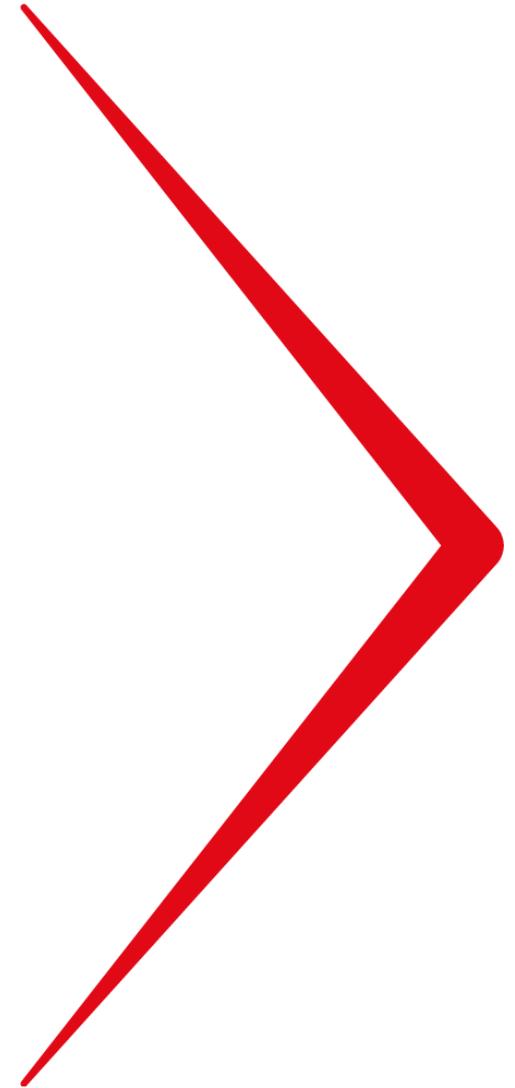
Kingman review - this review examined the operations of the audit regulator, the FRC. It was later extended in October 2018 to look at auditor procurement and remuneration.

CMA market study - this study looked at choice and competition, resilience of the audit sector, and incentives for producing robust audits.

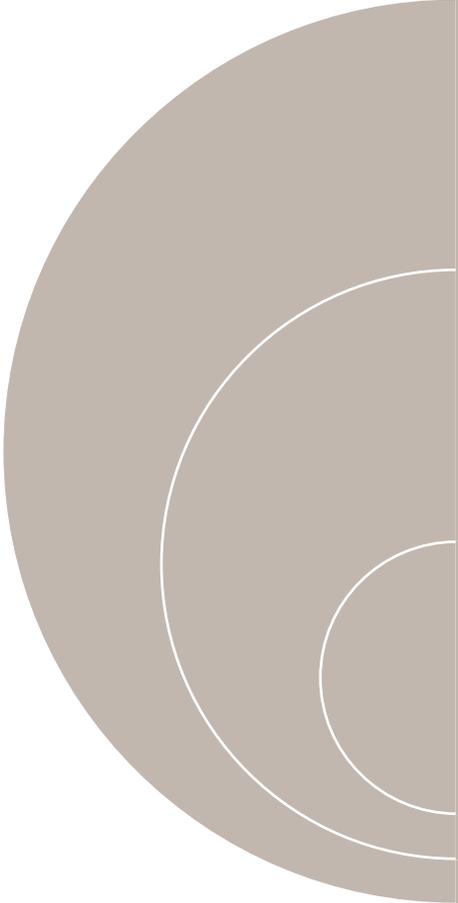
BEIS Future of audit inquiry - this focused on how to improve quality and competition in the audit market.

Brydon review - his review examined the quality and effectiveness of audit, and looked at stakeholder expectations, the scope of audit, and how to make assurance more effective for investors.

Redmond review – review into the oversight of local audit and the transparency of local authority financial reporting



Recent developments



MHCLG not in favour of a new regulator as recommended by Redmond. Full MHCLG response expected in the Spring.

FRC publishes principles for operational separation of the audit practices of the Big 4.

FRC issues results of local audit quality inspection
31/3/19 audits/Developments in Audit 2020

A look ahead – BEIS audit reform and governance

Audit Reform

- Reframing scope of audit?
- No joint audits?
- Broader scope of definition of Public Interest Entity?
- Separate corporate audit profession?
- Rebuilding trust in the profession

Directors

- All directors responsible?
- Sustainable dividend payments?
- Financial resilience?
- Public interest reporting?

A look ahead – other matters

Sustainability

- Risks and costs need to be considered
- Regulatory changes likely
- Mandatory reporting requirements

Balance Sheet management

- Infrastructure strategy
- Data assets
- Green book, levelling up fund etc

Public sector audit market

- Frailties in the public sector audit market, how to resolve?
- Attractiveness of public sector audit



Q&A

