Regulating the future of local public audit

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Presentation overview

- Summary of regulatory regime for statutory audits
- Regulating the future of local public audit

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Brief introduction to ICAEW

- founded in 1880
- 136,000 members and 16,000 students in over 140 countries
- largest professional body of accountants in Europe
- the ‘dual role’: public interest / member body
- Working in the UK and internationally in partnership with other regulators / oversight bodies to promote quality

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Summary of regulatory regime for statutory audit

Government

- Has ultimate responsibility and power to register, monitor and regulate auditors
- Delegates these powers to accountancy bodies, via FRC

FRC

- Sets accounting, auditing, auditor independence and corporate governance standards
- Monitors auditors of listed and certain other entities (via AIU)
- Investigates public interest complaints against members
- Oversees professional bodies activities

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Summary of regulatory regime for statutory audit

Profession

- Recognised supervisory bodies
- Registers and regulates auditors
- Monitors auditors of unlisted entities
- Investigates complaints against members
- Set ethics standards other than for auditor independence

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ICAEW Quality Assurance Department

- Firms registered with us for statutory audit
  - includes ‘big 4’ and 19 of top 20 firms
  - around 4000 audit registered firms in total
- Experienced monitoring team – all professionally qualified
- Focus on risk which assists in the raising of standards
- Effective, proportionate & uncompromising inspection
- But with emphasis on long-term and sustainable improvement

- Quality assurance of us and firm feedback
- Other monitoring activities including public sector

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Current role in the public sector

- Monitor is the independent regulator of around 140 NHS Foundation Trusts (NHSFTs)
- Monitor commissions ICAEW to undertake audit monitoring on its behalf
- How we assist Monitor
  - by giving an independent assessment of audit quality
  - through using a team of reviewers with extensive experience of audit monitoring and a good knowledge and understanding of
    - the *Audit Code for NHS Foundation Trusts* (which prescribes the way in which auditors of NHSFTs are to carry out their audit function)
    - the *NHS Foundation Trust Financial Reporting Manual* (which prescribes the way in which the financial statements are drawn up).
    - International Financial Reporting Standards and International Standards of Auditing

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Regulating the future of local public audit

- Overall aim - consistency with private sector model
- Financial Reporting Council oversight
- Delegation of registration monitoring and discipline to accountancy bodies
- Eligibility / public register
- Audit codes of Practice – National Audit Office
- Monitoring of audits
  - Public interest entities AIU all other audits accountancy bodies
  - Synergies / efficiencies linking to model for statutory audits
- Investigation of complaints / disciplinary cases

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