

Strengthening the Governance and Oversight of the International Audit-related Standards-setting Boards in the Public Interest

Consultation response from Audit Scotland

Introduction

This response has been submitted on behalf of Audit Scotland. Audit Scotland works with the Auditor General for Scotland and the Accounts Commission to deliver public audit in Scotland:

- The Auditor General for Scotland is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit central government, health and further education bodies and report to Parliament on their financial health and performance.
- The Accounts Commission for Scotland is an independent public body appointed by ministers to hold local government to account.
- Audit Scotland provides services to the Auditor General and the Accounts Commission.

Public audit provides independent assurance that public money is spent properly and is providing value for money. We carry out this work through the annual financial audits of public bodies, performance audits on specific themes and subjects, and best value audits of councils and partnerships.

Audit Scotland welcomes the opportunity to respond to this consultation. As Scotland's public sector audit agency we are keen to ensure that arrangements for setting international standards are operating effectively in the public interest.

Consultation response

Our response to the consultation is limited to commenting on **Question 27: Do you have any further comments or suggestions to make that the Monitoring Group should consider?**

The Code of Audit Practice approved by the Auditor General and the Accounts Commission requires Audit Scotland to comply with the FRC's International Standards on Auditing (UK and Ireland) and Ethical Standards for Auditors. It is, therefore, very important to us that these standards are of the highest quality and adequately reflect the interests and differences between the public, private/corporate and charitable/third sectors.

The public sector represents a significant part of the economies of many countries that have adopted international auditing standards. Public spending in Scotland as a percentage of gross domestic product (GDP) exceeds 40%. In considering any revised governance model we would hope that the **perspectives of the public sector** are adequately represented and taken into account when developing new standards.

The consultation concentrates on standards that relate to financial reporting. While we agree that this is a fundamental area of focus, many organisations are increasingly moving to integrated reporting in evaluating longer term value propositions. We think that any new model needs to take

into account how to provide assurance on **integrated reporting frameworks** to build trust in the longer term sustainability of organisations. By way of example, the public sector audit approach in Scotland already provides assurance beyond financial reporting, covering financial sustainability, financial management, governance and transparency and value for money.

The accounting and auditing professions are beginning to experience significant changes as a result of adopting digital technology and capacity to enhance and/or replace traditional ways of working. The pace of change is likely to increase in the coming years. We think this poses challenges to the profession and to standard setters to adapt to **new ways of working**, while ensuring the highest standards of assurance to the public.

We note the concerns expressed in the consultation about the extent of professional involvement in the standards setting process. While we recognise these concerns, we also consider that an appropriate degree of professional involvement is essential to enable the standard setting process to respond to fast moving, complex and radical changes in audit and assurance in an informed and agile way.

Contact

Any questions or comments on this consultation response should be directed to:

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