



National Audit Office

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Switchboard +44 (0)20 7798 7000

Facsimile +44 (0)20 7798 7070

Mr Gerben Everts
Chair
The Monitoring Group

By email to: MG2017consultation@iosco.org

Date 9 February 2018

Dear Mr Everts,

STRENGTHENING THE GOVERNANCE AND OVERSIGHT OF THE INTERNATIONAL AUDIT-RELATED STANDARD-SETTING BOARDS IN THE PUBLIC INTEREST

I welcome the opportunity to respond to this consultation. Robust public audit is a cornerstone of the arrangements that are needed to ensure that bodies that spend taxpayers' money are held properly and effectively to account.

As a Supreme Audit Institution (SAI) the National Audit Office (NAO) has a keen interest in ensuring that the auditing, assurance and ethical standards that apply to public audit are of an appropriately high quality and fit for purpose in the public sector. Therefore, the standard-setting arrangements on which the Monitoring Group is consulting must have a clear understanding of the public interest in effective auditing of public bodies.

In developing any revised governance model it will be essential to ensure that the perspectives of the public sector are properly and adequately taken into account in developing new auditing, assurance and ethical standards. I therefore welcome comments by the IFAC chief executive, Fayezul Choudhury, as reported in the UK in *Public Finance* this week, emphasising the importance of proper consideration of the impact of standard-setting on the public sector.

It will also be important that standard-setting can keep pace with developments across the auditing profession. Practitioners anticipate very significant changes in the coming years as a result of adopting new and emerging technologies to enhance, and potentially replace, traditional ways of working. The pace of this change is likely to increase as the profession continues to invest in research and development.

The extent of change – particularly in relation to applications arising from data analytics and 'machine-learning' – is likely to pose considerable challenges to the profession, and to standard setters, as we grapple with fundamental questions such as the nature of audit and assurance in a highly digital environment.

I note the concerns expressed in the consultation about the extent of professional involvement in the standards-setting process. While acknowledging these concerns, I would encourage the Monitoring Group to consider the need for the standard setting process to be able to respond to potential fast-moving and radical changes in the worlds of audit and assurance in an informed, authoritative and agile manner.

Understandably the consultation focuses on standards that relate to financial reporting. However, it will also be important to ensure that new arrangements take account of the potential implications of the increasingly wide range of reporting by bodies, to meet accountability requirements, including through developments such as integrated reporting and requirements to provide information that supports a longer term view of the impact and risks arising from decisions by organisations.

A sufficiently strong public sector perspective will be important in any new arrangements given the wide range of performance objectives that public bodies have to meet, and for which they are accountable in the public interest.

Yours sincerely

By email

David Aldous
Director, Financial Audit Practice and Quality