

Press release: Government takes next step in improving standards of UK audit market with new independent review into audit standards

- high quality audit work is critical to financial markets and the economy – this review will consider standards being delivered by UK auditors and what more can be done to make them more effective and reputable
- review will look at what the standards and requirements should be for the UK audit profession in the future
- the Brydon Review into UK Audit Standards comes as the CMA publishes its interim findings on competition in the market and Sir John Kingman publishes his proposals for replacing the FRC with a strengthened watchdog

The government will today (Tuesday 18 December) launch a new independent review into standards in the UK audit market, with the outgoing Chairman of the London Stock Exchange tasked with recommending what more can be done to ensure audits meet public, shareholder and investor expectations.

The review will be led by Donald Brydon, chairman of the Sage Group, who has extensive experience within the finance and audit sector and will be supported by an advisory board which he will appoint.

The Brydon Review into UK Audit Standards will build on the findings of two parallel reviews looking into: the independent review by Sir John Kingman of the industry's scrutiny body – the Financial Reporting Council (FRC); and the Competition and Market Authority's (CMA) market study looking at the effectiveness of competition in the audit market, both published today.

The CMA paper identified serious competition concerns in the audit sector, as well as proposing changes to legislation to improve the audit sector for the benefit of companies and investors alike. It is now putting these proposals out for public consultation. Meanwhile Sir John Kingman's independent review has recommended to government that the FRC be replaced with a new independent regulator with clear statutory powers and objectives.

Business Secretary Greg Clark said:

The UK is rightly recognised internationally for our outstanding business environment and responsible business practices, both of which are fundamental reasons why we are one of the best places in the world to work, invest and do business.

I'm delighted that Donald Brydon will be leading this review,

following the important work of Sir John Kingman and the CMA, and his work should help us improve and restore confidence in the quality and rigour of audit companies.

Audit companies need to learn the recent lessons from high profile audit failures and reform to regain public confidence, or they will be forced to do it.

This new review, building on the work of the FRC and CMA reviews, will now consider audits as a product and what the future, standards and requirements should be for audits in the future. To ensure the UK's audit sector remains world leading by constantly looking to upgrade standards, the Brydon Review into UK Audit Standards will consider:

- how far audit can and should evolve to meet the needs of investors and other stakeholders, putting the UK at the forefront;
- how auditors verify information they are signing off;
- how to manage any residual gap between what audit can and should deliver; and
- what are the public's expectations from audit.

The new Review will also test the current model and ask whether it can be made more effective as well as looking at how audit should be developed to better serve the public interest in the future, taking account of changing business models and new technology.

The review is part of the government's modern Industrial Strategy – a long term plan to build a Britain fit for the future through a stronger, fairer economy.

It comes as part of a wider package of corporate governance reforms recently introduced by the government.

A detailed Terms of Reference and project plan will be published in the New Year.