



26 November 2018

## **The Future of Audit: a message from Kevin Ellis**

In a time of economic, political and technological upheaval, where expectations of all businesses are shifting rapidly, the auditing profession is under great scrutiny and has become a subject of much debate and commentary in the public arena. Important questions are being asked on matters of quality, independence and choice. At PwC, we have said publicly that we believe our sector is at a watershed moment – and we’re open to change. We’re committed to working hard and constructively with regulators and Government on the areas under review.

We believe there’s also an urgent need to explore the broad issue of how auditing needs to evolve for the future. Whilst audits perform a critical role in underpinning confidence in financial reporting and are valued by many stakeholders, it’s evident that the audit has not kept pace with society’s expectations. Those of us in the audit profession must acknowledge that our current critics have raised valid concerns. More stakeholders than ever depend on the accuracy of financial reporting; shareholders rely on a far wider set of performance information than is included in the “back half” of a set of accounts; and there’s rising demand for auditors to give a more forward-looking assessment of an organisation’s health, whether in the public, private or the third sector. None of these areas are tackled in today’s audit model.

So, the onus is now on our sector to work with clients, the investment community, regulators and other stakeholders to find solutions. There are no easy answers and we don’t believe that a single remedy, or a single participant, can resolve the challenge.

As one of the leading firms in the sector we have been considering these issues deeply ourselves. In our view, a few big questions can act as a framework to open up the many issues involved:

- **Who should the audit be for?** Just equity shareholders? Or should a wider range of stakeholders be able to rely on our work?
- **What should the audit cover?** Today, our audit opinions cover historical financial performance – but is assurance needed over future viability, operational risks, or non-financial performance?
- **Should the focus continue to be on a binary “true and fair view”?** Or instead on a more subjective account of significant business and financial risks?
- **Does one size of statutory audit fit all organisations?** Should our largest listed companies, with the greatest public interest, face a greater degree of scrutiny than a smaller, owner-managed business?
- **And finally, how will technology enhance the future of the audit?** Would automated assurance over real-time data free up human auditors to concentrate more on exercising judgement over a refined set of information?

In the light of all that, we will be launching a series of roundtable discussions across the UK, starting in Birmingham on 14 December. We will also engage digitally with those who have a stake in the debate. We will bring together the themes and views that emerge from these dialogues in an event in London on 11 February, and also make them openly available through a white paper.

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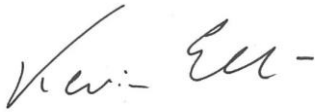
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As an important stakeholder of PwC, your perspectives on this are very important to us. So, I would like to keep you abreast of what comes out of this process – but I'd also welcome your input to the debate and we hope you will join us in this endeavour. We will follow up shortly with details about how you can participate – either in person, online at [pwc.co.uk/futureofaudit](http://pwc.co.uk/futureofaudit) or through your existing relationships with the firm. We feel strongly that the right answers will only emerge if we work in collaboration with you and others in the design of an audit that is fit for the future.

Audits help underpin trust in UK business and in wider society. We are committed to evolving the audit to ensure that stakeholders receive the independent assurance they need.

I would value your engagement on this topic and look forward to working with you.

Yours sincerely

A handwritten signature in black ink, appearing to read "Kevin Ellis". The signature is written in a cursive style with a long horizontal stroke at the end.

Kevin Ellis  
Chairman and Senior Partner