

Progress on reforms in the public interest



Financial Reporting Council



During these challenging times for the UK economy it is even more important that investors and other stakeholders have confidence in the UK as a great place to do business, and the information companies are providing to support economic recovery.

What we do

The Financial Reporting Council (FRC) regulates auditors, accountants and actuaries in the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them.

We monitor and take enforcement action where things do go wrong to ensure the proper operation of the market and confidence in the UK economy and the UK's international reputation as a great place to do business.

The FRC and Government have responded to several drivers for change - including corporate failures and the need to increase the quality of audit, as well as an increasing interest in non-financial reporting.

Background to reform

In the last few years, three independent reviews were commissioned by the Secretary of State: into audit regulation (Sir John Kingman); the nature and scope of an audit (Sir Donald Brydon); and the audit market (Competition & Markets Authority). Between them, they made a series of recommendations to improve the quality of audit and confidence in the audit market and wider corporate governance. The creation of a new regulator, the Audit, Reporting and Governance Authority (ARGA) will underpin the system and act in the public interest, with increased powers to raise standards and hold those we regulate to account.

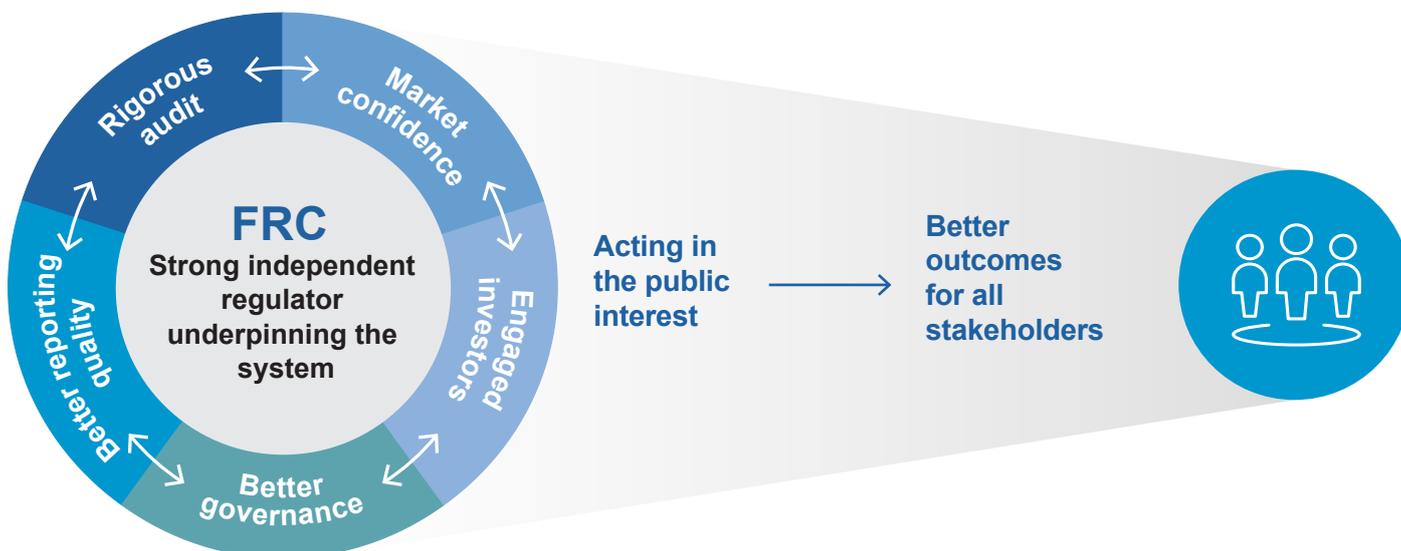
Government has now consulted on the proposed changes in its White Paper "Restoring trust in audit and corporate governance". The next step is to feed back on responses and set out the policy framework and legislative agenda for reform, which the FRC stands ready to support and implement.

Reform in the public interest

A strong regulator is central to confidence in the UK market and to protect stakeholders, from workers to investors. We all have an interest in this working well and the FRC underpins this virtuous circle in the UK market.

We are also clear that audit and wider corporate governance reform is necessary to continue to deliver trust in the quality of corporate governance, corporate reporting and audit.

The virtuous circle underpinning deserved confidence in the UK market:



Our progress to improve outcomes

The FRC is already delivering on its commitment to change, implementing reform across a variety of business areas where the work is within our control, or where we have existing statutory powers, including operational separation of the Big Four and strengthening enforcement with record fines.

We have new leadership at the FRC, including a new (interim) Chair, new Executive Leadership Team and new policy leads in key areas such as audit competition, audit quality reviews and audit firm supervision. The independent reviews have also enabled us to make progress in advance of legislation in other areas, most notably the operational separation of the audit practice of the largest audit firms.

There is more to do. We are committed to keeping up the momentum of change and building on our world-class financial reporting system through the creation of ARGA. This cannot happen without legislation.

Without legislation, there can be no ARGA, no new powers or obligations to act in the public interest in a timely way, with appropriate levers and transparency to build the deserved confidence of our stakeholders. In addition, high stakeholder expectations have been created through the independent reviews, and so any lengthy delays further risk frustrating key stakeholders and their strong buy-in to the proposed reform measures.



*May also require legislation to fully complete.

Moving forward together

We continue to work actively with colleagues from BEIS to support the policy-making necessary to develop legislative proposals. These reforms are vital to protect and improve the status of the UK as one of the best places in the world to to invest and do business.

All stakeholders need to embrace this change: investors; companies; auditors; and the FRC. We cannot deliver all the change recommended without raising standards, being more transparent and driving improvement.

We are committed to



Supporting the creation of a new regulator, the Audit, Reporting and Governance Authority (ARGA), which will be a strong and fit for-purpose regulator and provide increased confidence in the UK market.



Protecting and improving audit and reporting quality.



Making company reporting fit for the future.



Supporting the creation of the audit of the future.



Ensuring that the world-leading UK Corporate Governance and Stewardship Codes make the UK a great place to do business, helping support Covid-19 recovery and UK prosperity.

Find out more

To find out more about the FRC, see our 2021/22 strategy [here](#) and this year's Annual Report [here](#).

To read our response to the BEIS Select Committee enquiry of the Future of Audit, please see [here](#).

Please see www.frc.org.uk or contact us at enquiries@frc.org.uk or email [Rachel Atkinson](#), Head of Public Affairs for further information or to set up a meeting with our specialists.



Financial Reporting Council