

STRATEGIC THEME ONE
Strengthen trust in ICAEW Chartered
Accountants and the wider profession

SUSTAINING CONFIDENCE IN THE PROFESSION

Conny played a pivotal role in ICAEW's involvement at an official B20 event promoting measures to combat Money Laundering and Terrorism Financing risks.

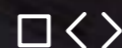
Conny Siahaan
Head of Indonesia, ICAEW

Gareth was a keynote speaker at our Public Sector conference and spoke on good governance in the public sector.

Gareth Davies FCPFA, FCA
Comptroller and Auditor General,
UK National Audit Office



Read more at: [icaew.com/technical/trust-and-ethics/](https://www.icaew.com/technical/trust-and-ethics/)



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We continued to contribute to fundamental reform of audit and corporate governance in the UK and sustain confidence in the continuing excellence of our members.

AUDIT AND CORPORATE GOVERNANCE REFORM

Draft Audit Reform Bill

The UK Government's proposed reforms of audit represent the most wide-ranging overhaul of the UK's corporate reporting ecosystem since the passing of the Companies Act 2006, impacting the work of our members and how they are regulated. In the face of recent economic challenges, the confidence which investors have in the resilience and reporting of companies is more important than ever. We believe reform is vital for restoring investor and public trust and confidence in businesses and their financial and non-financial reporting.

Following three major independent reviews and a further White Paper consultation, the government **announced** alongside HM the King's (then HRH Prince of Wales) speech in May 2022 that they would bring forward the Draft Audit Reform Bill during the forthcoming parliamentary session.

This announcement was followed at the end of May 2022 by the government publishing their **response** to the *Restoring trust in audit and corporate governance* White Paper consultation.

The consultation response, alongside the draft Bill, outlined government plans to: establish a new statutory regulator, the Audit, Reporting and Governance Authority (ARGA); provide new measures to open up the statutory audit market, including shared audits; enlarge the scope of public interest entities; and give the new regulator powers to enforce directors' financial reporting duties.

We welcomed the announcement, but recognised it was unlikely that this legislation would be published and passed during the parliamentary session, instead expecting it to spill over to 2023. There was also a risk that the Bill would deliver modest, lopsided reform which missed the opportunity to address wider issues in corporate governance.

Audit, Reporting and Governance Authority (ARGA) funding

ICAEW strongly believes that an immediate priority to restore investor and public confidence in the UK's audit and corporate governance regimes is to legislate for the new ARGA, providing it with the statutory basis for it to succeed.

Across 2022, we engaged closely with the Financial Reporting Council (FRC) as it takes forward government policy reforms ahead of legislation, and as it begins its transition into the ARGA. We **responded** to the FRC's initial consultation on its Draft Strategy, Plan and Budget for 2022-25, encouraging the organisations to produce more of a concrete plan for addressing issues identified by BEIS.

In developing our **response** to the FRC's second consultation on their funding plans, we engaged closely with our members and member firms, as well as business and investor groups, to understand how ARGA can best be established as a new statutory regulator, and the most appropriate funding model to sustain it.

In our response, we called for "stable, sustainable and independent funding" to ensure that ARGA can deliver as a strengthened regulator. We believe that new approaches will be needed to budgeting, outcomes appraisal and reporting, supported by robust stakeholder dialogue and underpinned by a framework based around four critical pillars:

- 1. strong** - through a funding model that supports stability, sustainability and independence;
- 2. proportionate** - by focussing on risk and minimising unnecessary costs;
- 3. constructive** - with funding based on efficient, targeted and well-developed plans; and
- 4. accountable** - as transparency and consultation secure strong stakeholder support.

EC consultation on corporate reporting

Our duty to help ensure that audit, accounting and corporate reporting standards continue to meet stakeholder expectations, reaches right across the globe.

In February, we **responded** to the European Commission's consultation, **Strengthening the quality of corporate reporting and its enforcement**.

To help inform our position, we held roundtables with members from across Europe, including those sitting on Audit Committees and audit partners in firms.

Further reading

Our **audit and corporate governance reform hub** brings together our technical analyses, reports and articles.

Our ICAEW Insights specials hub - **Restoring trust in audit and corporate governance** - brings to life discussion around the consultation and an exploration of what the restoration of trust means, through podcasts, videos and articles.

B20 Integrity and Compliance Task Force

The B20's Integrity and Compliance Task Force, which ICAEW is a member of, set out a policy paper outlining the actions that it believes will create a more responsible global business environment through encouraging more responsible and ethical decision-making.

ICAEW worked with the task force during 2022 to develop measures in areas which our members have consistently highlighted as important to them, and were pleased to see the task force recommend that G20 government take tangible action to:

- promote and accelerate the adoption of a high quality, globally converged and accepted sustainability reporting standard;
- strengthen board capacity and capability through empowering the role of Audit and Risk Committees, including by onboarding at least one independent committee member with relevant compliance, governance, internal control, accounting, and sustainability expertise; and
- enhance the ability and efficiency of money laundering threat identification, based on the risk-based approach.

What good looks like

Our "What good looks like" project forms part of our commitment to help auditors improve audit quality. Launched in 2021 by our Practice team, in conjunction with our Technical Advisory Services and Quality Assurance Department and with the support of member firms, the project demonstrates how auditors should approach real-world audit challenges by using practical case studies and guidance.

The first instalment, *the audit of going concern*, was launched in 2021 and has seen over 2,000 page views to date. This was followed in July 2022 with guidance relating to *the audit of accounting estimates*, demonstrating what a good audit file looks like following the issuing of the revised standard, ISA (UK) 540. Work on this project continues into 2023 to further support firms in the training and development of their staff in meeting these challenges.



Alex has helped develop our views on restoring trust in audit and corporate governance.

Alex Russell FCA
Head of Audit and Assurance Strategy,
ICAEW