



Regulatory Developments

STATUS

1. The report is open but the appendices are considered confidential.

EXECUTIVE SUMMARY

2. The board has asked for a summary of key regulatory developments of possible relevance to the activities of Professional Standards and the development of policy. This includes consultations and consultation feedbacks that have recently been published. This report provides a summary of these in the appendix and has provided some further commentary on those documents that are considered of immediate interest.
3. This document discusses the following in more detail;
 - a) The EU consultation on corporate reporting and audit
 - b) The BEIS publication of the responses to the better regulation consultation
4. A further consultation by the LSB on ongoing competency is the subject of a separate board paper.

RECOMMENDATIONS

5. The board are asked to note the content and the appendices and to ask questions of staff where further information is required.
6. The board are asked to approve the classification of the paper as open and identify where redaction may be appropriate, as has been highlighted in yellow. Also agree to the non-disclosure of the appendices.

EUROPEAN CONSULTATION ON AUDIT REFORM

7. The EU commission issued a public consultation and a call for evidence on improving the quality and enforce of corporate reporting. The consultation was presented as directly feeding into an impact assessment that will be prepared by the Commission services in 2022 with a view to (a) assessing problems with the quality of corporate reporting and (b) comparing possible options to remedy identified problems. The consultation questionnaire is divided into 5 parts covering;
 - a) **Part I - The EU framework for high quality and reliable corporate reporting** – seeking views on the overall impact of the EU framework on the three pillars of high quality and reliable corporate reporting - corporate governance, statutory audit and supervision – as well as on the interaction between the three pillars

- b) **Part II - Corporate governance** – insofar as relevant for corporate reporting, with a focus on the functioning of company boards and audit committees – the questions also centre on issues related to internal control
 - c) **Part III - Statutory audit** – including views on the effectiveness, efficiency and coherence of the EU audit framework. The section also focuses on the changes brought by the 2014 audit reform, with input sought how to improve the functioning of statutory audit
 - d) **Part IV** - Supervision of PIE statutory auditors and audit firms
 - e) **Part V** - Supervision and enforcement of corporate reporting
8. The response has been coordinated by the ICAEW technical team in Brussels and includes noting the opportunity of launching a period of reflection as to how to encourage a more consistent and comparable regulatory regime for companies and audit firms active in the internal market, as well as some more specific points on quality assurance and oversight frameworks (audit and corporate reporting). It has also picked up some of the messaging from the BEIS White Paper response on the importance of ‘improvement regulators’.
9. Comments we have contributed from Professional Standards have included a number of themes from our response to the BEIS White paper that include;
- a) Accountability of ultimate competent authorities
 - b) Enforcement arrangements for regulations pertaining to management
 - c) The need for proportionality to be better recognised
 - d) The effect of publication of misdemeanours on public trust without balancing positives
 - e) Risk on recruitment to audit committees if over-regulated
10. The submission date is 3 February 2022. The approach of the EU may influence the progress and content of the next BEIS White paper on audit if and when that gets published.

BETTER REGULATION CONSULTATION

11. On Monday 31 January 2022 the UK government announced its intent on the how they would follow through the Brexit dividend of less regulation, including the introduction of a “Brexit Freedom Bill”. As part of the support for this initiative the results of the consultation in July 2021 (to which ICAEW responded [here](#)) were set out in a summary issued the following day. At the same time BEIS sent a covering note to all regulatory bodies, a copy of which is attached at appendix B.
12. The conclusions point to better proportionality and the need for a better accountability process, both of which we asked for in the representation. It is also points to the need to better explore alternatives to regulation to secure certain outcomes which also resonates with the way we prefer to operate as an improvement regulator. However, at this stage the findings appear couched in very generalised tones and a clear path is not evident. [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

APPENDICES

	Appendix Name	For consideration or for reference	No of pages
Appendix A	Review of consultations and feedback	Reference	2
Appendix B	Email from BEIS re Better Regulation	Reference	1

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