



PAPER 4.1

Policy and regulatory update

CORPORATE GOVERNANCE COMMITTEE (17 05 2023)

Author	John Boulton, Director, Policy
Date	11 May 2023

Governance relevant updates for 1 March – 11 May from [ICAEW Insights](#)

UK Fraud Strategy

The UK government published its [Fraud Strategy on 3 May](#), with the aim of reducing fraud and cybercrime by 10% by 2025. ICAEW's Trust and Ethics team have said that despite the proposed establishment of the National Fraud Squad, the fraud landscape remains complex, with many policy and operational responsibilities across various government departments and agencies. They feel that despite the complexities of navigating the law enforcement structure, the allocation of 400 officers to this specialist area is likely to fall significantly short of the resourcing required to achieve the improvement in law enforcement response. ICAEW will continue to work closely with government and other public and private sector stakeholders to establish practical and impactful approaches to reduce the scourge of fraud.

SEC Commissioner speaks at Chartered Accountants Hall

ICAEW hosted the US Securities and Exchange Commission's Mark Uyeda on 12 May as he made his only UK speech, on the theme of building trust and transparency in international markets. With the FCA publishing their proposals this week to streamline listing rules in the UK, it was an apposite time to consider how capital markets can attract a wide range of companies while securing investor confidence and trust. Commissioner Ueyda articulated the SEC's mission, which is clear and has been consistently applied since the 1930s. At its heart is the protection of investors and the primacy of high-quality, trusted financial information. The event gave members insights about how the SEC is pursuing its mission in 2023 and helped us consider how this experience might inform reform efforts in the UK."

IASB project considers climate-related risks in financial statements

The initiative follows [consultation results](#) indicating that companies tend to view climate risks as remote and long term in nature. IASB Chair Andreas Barckow clarified that this is a maintenance project, so any outcomes will be narrow in scope. What the project would not seek to do, he stressed, is develop a new IASB Standard on climate risks, or extensive application guidance on how to consider the effects of such risks when applying IASB Standards. However, Barckow noted, through its links to the work of the International Sustainability Standards Board (ISSB), the project would support 'connectivity' in reporting – given that financial statements (applying the IASB's Standards) and sustainability-related financial disclosures (applying the ISSB's) both focus on generating data to inform investment decisions. The Corporate Reporting Faculty has voiced support for the IASB's project to consider whether additional guidance is required, as well as its plans to coordinate with the ISSB."

Hefty executive payouts come under the spotlight

ICAEW insights interviewed Prof Sandy Pepper Emeritus Professor of Management Practice at the London School of Economics for an article on 5 April. The article was written as we await the verdict of the lawsuit challenging a \$56bn pay package from Tesla to Elon Musk by aggrieved shareholders of the carmaker. It asked whether enormous executive remuneration really necessary – or indeed ethical – in today’s market? It suggested that the rise and rise of environmental, social and governance may suggest a trend towards doing the right thing in business – but when it comes to executive pay packets, at first sight it’s every man or woman for themselves, if some of the eye-wateringly high pay awards to the C-suite are anything to go by.

Audit and Corporate Governance Reform

ICAEW received on 10 March a further invitation from the Department of Business and Trade to respond to a second 2-week informal consultation on the draft regulations paving the way for four new statements: Resilience Statement, Audit and Assurance Policy, directors’ statement on fraud, and distribution statements. ICAEW has also been asked for views on current thinking on implementing the UK Government’s extension of the definition of ‘public interest entity’ to very large private companies and LLPs. This continued dialogue reflects the expertise within R&I and ICAEW’s membership, and our ability to provide a safe space to receive advice.

FRC Forward Plan

The FRC shared with ICAEW, as well as other bodies and firms, a timeline of key activities across 2023, including its planned consultation on the Corporate Governance Code (due May) and the publication of major reports. This development reflects ICAEW’s recommendation in its submission to the FRC’s Draft 3-Year Plan consultation for the organisation to provide greater detail on priorities and their phasing across the coming year.

National Security Bill

The UK Government amended the National Security Bill on 7 March 2023 to focus the Foreign Influence Registration Scheme on arrangements involving foreign powers. This follows concerns raised by the UK professional services bodies, including ICAEW, about the possible ‘chilling effect’ the original proposals would have had on the sector. ICAEW will continue to monitor the Bill’s remaining progress and will update members on new requirements arising from the legislation.

Local Audit Memorandum of Understanding

The Department for Levelling Up, Housing and Communities and FRC jointly published a Memorandum of Understanding setting out the latter’s responsibilities as shadow system leader for local audit. The FRC will take on this role later in 2023. ICAEW welcomes this development which will support action being taken to resolve the crisis in local audit, and will continue to engagement with policymakers to ensure that the FRC, and ARGAs, have the required powers to fully deliver on its responsibilities.