

Department for Business, Energy &
Industrial Strategy
1st Floor, Victoria 1
1 Victoria Street
London SW1 0ET

27 April 2021

By email to: audit.consultation@beis.gov.uk

Dear Sirs/Madams,

Zenith Audit Ltd is pleased to have the opportunity to respond to the consultation on ***Restoring trust in audit and corporate governance***. Although currently we do not audit public interest entities, our partners have experience with such audits.

Below is an executive summary of our vision for the future of audit.

- Corporate audit will be established as a new profession different from accounting. A new professional body for audit professionals will be established under the supervision of ARGA. There will be one set of auditing standards and ethical code for both PIE and non-PIE auditors. The audit scope will include statutory audit and wider assurance services as defined by ISA (UK).
- The Audit Committees role will be enhanced to act as conduit and guarantee for audit quality with more responsibilities before shareholders and other stakeholders. Shareholders will have the right to direct access to make enquiries to the auditors at annual general meetings, but they need to show engagement in the determination of the Audit and Assurance policies for PIEs.
- Challenger firms will be given the opportunity and stimulus to invest in joint audits along the Big 4.
- Structural separation for all audit firms which audit PIEs to ensure full independence and incentive to innovate and take new risks.
- Introduction of a new independent public body which will be funded by PIEs and their auditors. The Body will be responsible for: 1) appointment of PIE auditors through cost-effective tenders and enhancement of limitation of liability agreements; 2) resolution of fee and professional disputes, resignations, termination of auditors; 3) setting up and running a mutual insurance fund which will underwrite professional indemnity risks and pay claims.

Please see our responses in the following pages and incorporate our feedback in the new audit regime's design.

Your faithfully,

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Department for
Business, Energy
& Industrial Strategy

Restoring trust in audit and corporate governance

Consultation on the government's proposals

March 2021

Closing date: 8 July 2021

List of consultation questions and responses

- 1 The Government's approach to reform
- 1.1 The Government's approach
- 1.2 The timetable for change
- 1.3 Resetting the scope of regulation
1. Should large private companies be included within the definition of a Public Interest Entity (PIE)? Please give your reasons.
- Yes, due to their size they have multiple stakeholders (large number of employees, creditors, lenders) who have interest in the quality of their financial reporting.*
2. What large private companies would you include in the PIE definition: Option 1, Option 2 or another? Please give your reasons.
- Option 2 because only around 1,060 additional entities are being caught by the PIE definition. The audit market and ARGAs will face difficulty with a rapid increase in PIE entities under Option 1.*
3. Should AIM companies with market capitalisation exceeding €200m be included in the definition of a PIE? Please give your reasons.
- Yes. Such companies will have market capitalisation which is higher than some LSE traded investment and venture capital trusts of smaller size which are treated as PIEs.*
4. Should Government give newly listed companies a temporary exemption from some of the new reporting and attestation requirements being considered for Public Interest Entities?
- No, new entrants should be on the same level playing field.*
5. Should the Government seek to include Lloyd's Syndicates in the definition of a PIE? Please give your reasons.
- Yes, these are insurance undertakings which are very important for the global reinsurance market. Although they are heavily regulated by Lloyd's they should still follow the same governance and reporting rules as other insurers. As the syndicates usually do not have employees this will bring their managing agents into scope.*
6. Should the Government seek to include large third sector entities as PIEs beyond those that would already be included in the definitions proposed for large companies? If so, what types of third sector entities do you believe should be included and why?
- Yes – charities, higher education institutions, housing associations. They have multiple stakeholders and operate in a manner close to commercial businesses.*
7. What threshold for 'incoming resources' would you propose for the definition of 'large' for third sector entities? Is exceeding £100m too high, too low or just right?
- Just right.*
8. Should any other types of entity be classed as PIEs? Why should those entities be included?
- Yes. Companies of strategic, national or regional economic importance – power and utilities companies, transport companies, telecom operators.*
9. How would an increase in the number of PIEs impact on the number of auditors operating in the PIE audit market?
- More auditors, in particular mid-tier and challenger audit firms will have the opportunity to audit smaller PIEs.*
10. Do you agree that the Government should provide time for companies to prepare for the introduction of a new definition of PIE?
- No. Most of these companies are already audited.*
11. Do you agree that the Government should seek to offer a phased introduction for a new definition of PIE?
- No.*

2 Directors' accountability for internal controls, dividends and capital maintenance

2.1 Stronger internal company controls

12. Is there a case for strengthening the internal control framework for UK companies? What would you see as the principal benefits and disbenefits of stronger regulation of internal controls?

Yes, there is a case and it has been already implemented in other countries. The principal benefit is increasing accountability of the directors and enhancing the internal controls. Effective internal controls would allow audit firms to focus on controls testing and perform more efficient audits. Principal disbenefits will be additional costs for implementation of the enhanced controls framework but in the long term the benefit will outweigh the costs.

13. If the control framework were to be strengthened, would you support the Government's initial preferred option (Table 2)? Are there other options that you think Government should consider? Should external audit and assurance of the internal controls be mandatory?

No, we do not support the Government's initial preferred option. we support option C and mandatory external audit of the management statement over the effectiveness of the internal controls over financial reporting. The stakeholders need transparency and assurance of the highest level from independent auditors about the robustness of the internal control framework.

14. If the framework were to be strengthened, which types of company should be within scope of the new requirements?

All PIEs.

2.2 Dividends and capital maintenance

15. Should the regulator have stronger responsibilities for defining what should be treated as realised profits and losses for the purposes of section 853 of the Companies Act 2006? Would you support either of the two options identified? Are there other options which should be considered? What should ARGA consider when determining what should be treated as realised profits and losses?

Yes. We support the second option because it does not require amendments to the Companies Act 2006. ARGAs should adopt the existing ICAEW guidance to speed the implementation.

16. Would the proposed new distributable profit reporting requirements provide useful information for investors and other users of accounts? Would the cost of preparing these disclosures be proportionate to the benefits? Should these requirements be limited to listed and AIM companies or extended to all PIEs?

Yes, they would be useful. We do not expect higher cost in most cases. All PIEs.

17. Would an explicit directors' statement about the legality of dividends and their effect on the future solvency of a company be effective in both ensuring that directors comply with their duties and in building external confidence in compliance with the dividend rules? Should these requirements be limited to listed and AIM companies or extended to all PIEs?

We do not find any need for such an explicit statement; this is the directors' responsibility by statute. The auditors also inspect the legality of dividends.

18. Do you agree that the combination of recently introduced Companies Act section 172(1) reporting requirements along with encouragement from the investment community and ARGAs will be enough to ensure that companies are sufficiently transparent about their distribution and capital allocation policies? Should a new reporting requirement be considered?

Yes, that combination is sufficient.

3. New corporate reporting

3.1 Resilience Statement

19. Do you agree that the above matters should be included by all companies in the Resilience Statement? If so, should they be addressed in the short or medium term sections of the Statement, or both? Should any other matters be addressed by all companies in the short and medium term sections of the Resilience Statement?

We do not support the introduction of a new Resilience Statement. All these matters could be easily addressed by extending the scope of the Strategic Report.

20. Should the Resilience Statement be a vehicle for TCFD reporting in whole or part?

Please see response above.

21. Do you agree with the proposed company coverage for the Resilience Statement, and the proposal to delay the introduction of the Statement in respect of non-premium listed PIEs for two years? Should recently-listed companies be out of scope?

No, should it be adopted then all PIEs must be in scope.

3.2 Audit and Assurance Policy

22. Do you agree with the proposed minimum content for the Audit and Assurance Policy? Should any other matters be addressed in the Policy by all companies in scope?

Having separate PIEs developing their own Audit and Assurance Policy will not achieve comparability across industry sectors and would not allow analysts and investors to rely on non-financial information – some PIEs will seek reasonable assurance, others just limited assurance or agreed-upon procedures performed by the statutory auditors. Therefore, ARGAs should adopt a UK standard or Practice statement with minimum requirements for each industry sector and the level of assurance over non-financial information in the Annual Report which should be followed by all PIEs and their auditors. After consultations with investors and key stakeholders the Audit Committees will be entitled to extend the scope for each specific PIE.

23. Should the Audit and Assurance Policy be published annually and subject to an annual advisory shareholder vote, or should it be published and voted on at least once every three years?

It should be published and voted annually at the AGM.

24. Do you agree with the proposed scope of coverage and method for implementing the Audit and Assurance Policy?

See response above – all PIEs in scope, same commencement date and requirements.

3.3 Reporting on Payment Practices

25. In order to improve reporting on supplier payments, should larger companies be required to summarise their record on supplier payments over the previous 12 months as part of their annual Strategic Report (applying at a group level in the case of parent companies)? If so, what should the reporting summary include at a minimum? Do you have alternative suggestions on how to improve supplier payments reporting?

Yes. No suggestions.

26. To which companies should improvements in supplier payments reporting apply: companies which are PIEs and already report under the Payment Practices Reporting Duty, or PIEs with more than 500 employees?

All PIEs.

3.4 Public Interest Statement

27. Do you agree with the Government's proposal not to introduce a new statutory requirement at this time for directors to publish an annual public interest statement?

Yes.

4. Supervision of corporate reporting

4.1 Background

4.2 Stronger powers for the regulator

4.3 Measures to strengthen corporate reporting review activity

4.4 Influencing the corporate reporting framework

28. Do you have any comments on the Government's proposals for strengthening the regulator's corporate reporting review function set out in this chapter?

No.

5. Company directors

5.1 Enforcement against company directors

29. Are there any other arrangements the Government should consider to ensure that overlapping powers are managed effectively?

No.

30. Are there any additional duties that you think should be in scope of the regulator's enforcement powers?

No.

31. Are there any existing or proposed directors' duties relating to corporate reporting and audit that you think should be specifically included or excluded from further elaboration for the purposes of the directors' enforcement regime?

No, the existing duties are adequate.

32. Should directors of public interest entities be required to meet certain behavioural standards when carrying out their statutory duties relating to corporate reporting and audits? Should those standards be set by the regulator? What standards should directors have to meet in this context?

All directors of PIEs should meet the same behavioural standards. These standards should be set in company law. Directors should also meet corporate governance standards set by the Institute of Directors.

33. Should the Government's proposed enforcement powers be made available to the regulator in respect of breaches of directors' duties?

No, we do not support ARGAs intervention with directors' duties, this is a matter for the law and the members.

5.2 Strengthening clawback and malus provisions in directors' remuneration arrangements

34. Are there other conditions that should be considered for the proposed minimum list of malus and clawback conditions? What legal and other considerations need to be taken into account to ensure that these conditions can be enforced in practice?

We do not support the wholesale introduction of malus and clawback conditions.

6 Audit purpose and scope

6.1 The purpose of audit

35. Do you agree that a new statutory requirement on auditors to consider wider information, amplified by detailed standards set out and enforced by the regulator, would help deliver the Government's aims to see audit become more trusted, more informative and hence more valuable to the UK?

Yes.

36. In addition to any new statutory requirement on auditors to consider wider information, should a new purpose of audit be adopted by the regulator, or otherwise? How would you expect this to work?

Yes, as defined in the Brydon report.

6.2 Scope of audit

37. Do you agree with the Government's approach of defining the wider auditing services which are subject to some oversight by the regulator via the Audit and Assurance Policy?

Yes.

38. Should the regulator's quality inspection regime for PIE audits be extended to corporate auditing? If not, how else should compliance with rules for wider audit services be assessed?

Yes.

39. What role should ARGA have in regulating these wider auditing services? Should its role extend beyond setting, supervising and enforcing standards?

ARGA should regulated the wider auditing services but its role should focus on setting, supervising and enforcing standards.

6.3 Principles of corporate auditing

40. Would establishing new, enforceable principles of corporate auditing help to improve audit quality and achieve the Government's aims for audit? Do you agree that the principles suggested by the Brydon Review would be a good basis for the regulator to start from?

We do not believe that the existing principles of auditing are flawed or incomplete. It is difficult to argue that any failures were due to lack of principles or wrong principles. The principles suggested by the Brydon report largely compile the principles contained in the auditing standards, FRC Ethical Code and the Audit regulations of each professional bodies. However, if a new audit-only professional body and profession is established, then these principles could be compiled in its charter which should be approved by ARGA to ensure consistency with auditing standards and ethical codes.

41. Do you agree that new principles for all corporate auditors should be set by the regulator and that other applicable standards or requirements should be subject to those principles? What alternatives, mitigations or downsides should the Government consider?

Please see response to question 39.

6.4 Tackling fraud

42. Do you agree with the Government's proposed response to the package of reforms relating to fraud recommended by the Brydon Review? Please explain why.

Yes. A good auditor should always endeavour to detect material fraud.

6.5 Auditor reporting

43. Will the proposed duty to consider wider information be sufficient to encourage the more detailed consideration of i) risks and ii) director conduct, as set out in the section 172 statement? Please explain your answer.

Yes, the auditor should give more consideration of the risks and the director's conduct. This will provide the investors with deeper understanding of the entity's financial position and performance.

6.6 True and fair view requirement

44. Do you agree that auditors' judgements regarding the appropriateness of any departure from the financial reporting framework proposed by the directors should be informed by the proposed Principles of Corporate Auditing? What impact might this have on how both directors and auditors assess whether financial statements give a true and fair view?

No, auditors should continue to apply the auditing standards when making judgments about the appropriateness of any departure from the financial reporting framework. In the vast majority of cases compliance with the requirements of accounting standards should be consistent with giving a true and fair view. We do not see the need for introduction of new Principles of Corporate Auditing when we have effective ISA and ethical codes in place.

6.7 Audit of Alternative Performance Measures and Key Performance Indicators linked to executive remuneration

45. Do you agree that the need for specific assurance on APMs or KPIs, beyond the scope of the statutory audit, should be decided by companies and shareholders through the Audit and Assurance Policy process?

No, this should be sector specific – for example all investment companies have to allow auditors to audit APM or KPI as defined by ESMA. The decision should not be left to directors, Audit Committee or shareholders. The rules should be uniform and set by UK industry bodies.

6.8 Auditor liability

46. Why have companies generally not agreed LLAs with their statutory auditor? Have directors been concerned about being judged to be in breach of their duties by recommending an LLA? Or have other factors been more significant considerations for directors?

The process is too complicated – LLAs should be agreed every financial year between the auditor and the shareholders and the LLA terms are required to be disclosed in the notes to the financial statement. Generally, the use of LLA is not a common practice for PIEs audits in the UK. Even if auditors manage to arrange for LLAs to be signed, this fact is not considered enough by the insurers in the calculation of the premiums for the professional indemnity insurance (PII). This undermines the good efforts of the auditors and their clients because in a tough PII market insurance premiums rise and where possible they are passed onto the audit fees of the audited entities.

47. Are auditors' concerns about their exposure to litigation likely to constrain audit innovation, such as more informative auditor reporting, the level of competition in the audit market (including new entrants) or auditors' willingness to embrace other proposals discussed in this consultation? If so, in what way and how might such obstacles be overcome?

Yes, this is an important factor for medium size audit firms to enter the PIE market. Their insurance cost will rise immediately. The wider assurance will increase the exposure, therefore the directors, the Audit Committees and the investors should consider LLA. However, there is decreased capacity in the PII insurance market and finding cover is difficult for mid-tier firms with PIE audits. Perhaps all PIE entities and their auditors could be part of a PII insurance mutual fund – this is similar to the concept of captive insurance for a group of companies.

6.9 A new professional body for corporate auditors

48. Do you agree that a new, distinct professional body for corporate auditors would help drive better audit? Please explain the reasons for your view.

Yes, we agree fully with Brydon review – audit should be a separate profession with its own body, training standards, exams, skills, mindset, data analytics, IT knowledge, forensic skills.

49. What would be the best way of establishing a new professional body for corporate auditors that helps deliver the Government's objectives for audit? What transitional arrangements would be needed for the new professional body to be successful?

We agree with government proposal for the regulator to set up the new professional audit body but once established with its constitution, departments, functions and leadership the new body should be self-governing and independent from the regulator. The first members will be the statutory auditors listed in the Audit register. The administration of the new body should initially consist of experienced managers from the existing RSBs to allow for smooth operation. The new body will fund its activities in the same way as the current professional bodies. It will be supervised and regulated by the regulator.

50. Should corporate auditors be required to be members of, and to obtain qualifications from, professional bodies that are focused only on auditing?

Yes, however the audit qualification should be recognized as adequate for other finance and accounting roles, otherwise auditors will be disadvantaged when applying for accounting or controlling jobs.

51. Do you agree that a new audit professional body should cover all corporate auditors, not just PIE auditors?

Yes, it should be one profession as auditors can audit both PIE and non-PIE entities.

7 Audit Committee Oversight and Engagement with Shareholders

7.1 Audit Committees – role and oversight

52. Do you agree that ARGA should be given the power to set additional requirements which will apply in relation to FTSE 350 audit committees?

Yes.

53. Would the proposed powers for ARGA go far enough to ensure effective compliance with these requirements? Is there anything further the Government would need to consider in taking forward this proposal?

Yes, the proposed powers for ARGA are deemed adequate.

7.2 Independent auditor appointment

54. Do you agree with Sir John Kingman's proposal to give the regulator the power to appoint auditors in specific, limited circumstances (i.e. when quality issues have been identified around the company's audit; when a company has parted with its auditor outside the normal rotation cycle; and when there has been a meaningful shareholder vote against an auditor appointment)?

Yes, in limited circumstances. The Audit Committees are sub-sets of management, they are paid by management and are predominantly made of retired Big 4 partners who may receive part of their pensions from their previous audit firms. In my experience they do not always provide robust challenge to the auditors or the Directors.

We still support the idea of PIE auditors being appointed by Independent PIE Board. It is disappointing that this concept was never discussed as an option. Experts-commentators like David Maister and Emile Woolf wrote articles on the importance of auditors being fully independent and appointed, paid and terminated by an independent public body. Such a body would be run by the investor and business community and funded by the audit firms.

55. To work in practice, ARGA's power to appoint an auditor may need to be accompanied by a further power to require an auditor to take on an audit. What do you think the impact of this would be?

This should happen in exceptional circumstances when it is obvious that only a big audit firm with a global network is capable of auditing a FTI100 global company. If the Big 4 and the challenger firms are conflicted due to providing non-audit advisory services, then ARGA should request that these services are discontinued, and the firm accepts appointment as auditor for the good of the public interest.

56. What processes should be put in place to ensure that ARGA can continue to undertake its normal regulatory oversight of an audit firm, when ARGA has appointed the auditor?

The appointment should be undertaken by a division of ARGA which is different from the Quality review team.

57. What other regulatory tools might be useful when a company has failed to find an auditor or in the circumstances described by Sir John Kingman (i.e. when quality issues have been identified around the company's audit; when a company has parted with its auditor outside the normal rotation cycle; and when there has been a meaningful shareholder vote against an auditor appointment)?

Those described make sense – obtaining a private report from the audit firm; helping the audit committee with organising an audit tender; getting a court order for appointment.

7.3 Shareholder engagement with audit

58. Do you agree with the proposals and implementation method for giving shareholders a formal opportunity to engage with risk and audit planning? Are there further practical issues connected with the implementation of these proposals which should be considered?

Yes, we agree. At the AGM for approval of the Annual Report and accounts the shareholders should be able to comment on the next year Audit plan and the proposed key audit matters agreed between the Audit Committee and the auditors.

59. Do you agree with the proposed approach for ensuring greater audit committee chair and auditor participation at the AGM? How could this be improved?

Yes, we agree. The shareholders could send their questions to the auditors in advance.

60. Do you believe that the existing Companies Act provisions covering the departure of an auditor from a PIE ensure adequate information is provided to shareholders about an auditor's departure? If you believe those provisions are inadequate, do you think that the Brydon Review recommendations will address concerns in this area? What else could be done to keep shareholders informed?

We agree with Brydon Review recommendations for management to keep the shareholders informed and hold an AGM.

8 Competition, choice and resilience in the audit market

8.1 Market opening measures

61. Should the ‘meaningful proportion’ envisaged to be carried out by a Challenger be based on legal subsidiaries? How should the proportion be measured and what minimum percentage should be chosen under managed shared audit to encourage the most effective participation of Challenger firms and best increase choice?

We do not support the recommendation of managed shared audit and we believe that the most effective and efficient solution is joint audits introduced in a managed way – through limitation of liability agreements; industry-wise specialization and flexible timeframe to allow the Challenger firms to gradually increased their market share and make the investment.

62. How could managed shared audit be designed to incentivise Challenger firms to invest in building their capability and capacity? What, if any, other measures, would be needed?

Please see response above.

63. Do you have comments on the possible introduction in future of a managed market share cap, including on the outlined approach and principles? Are there other mechanisms that you think should be considered for introduction at a future date?

The introduction of joint audits with involvement of challenger firms in all tenders would manage the market share cap without the need for any other mechanisms.

8.2 Operational separation between audit and non-audit practices

64. Do you have any further comments on how the operational separation proposals should be designed, codified (in legislation and regulatory rules), and enforced in order to achieve the intended outcome of incentivising higher audit quality?

The operational separation already exists. Only legal separation would resolve the independence, objectivity and conflict of interest issues and this would be addressed by the new corporate audit profession.

65. The Government proposes to require that all audit firms provide annual reports on their partner remuneration to the regulator. This will include pay, split of profits, and which audited entities they worked on. Do you have any comments on this approach?

We believe that this approach is proportionate and reasonable.

66. In the event that the Government wishes to go further than the existing operational split proposals in future and implement split profit pools in line with the CMA recommendation, do you have any comments on how these can be made to work effectively?

It is our belief that audit firms which engage in audits of PIEs should be fully independent and split legally and structurally from its non-audit practices with separate ownership. Both the audit and the non-audit firm will remain member firms of global accounting networks and will cooperate with each other as part of the same brand network.

67. The Government believes these proposals will meet its objectives. In the event that they prove insufficient to improve audit quality, and full separation of professional services firms is required, do you have any comments on how to make this work most effectively?

Please see the response to question 66.

8.3 Resilience of audit firms and the audit market

68. Do you have comments on the proposed measures? Are there any other measures the Government should consider taking forward to address the lack of resilience in the audit market?

We agree with the proposals.

8.4 Additional competition proposals from the CMA

9 Supervision of audit quality

9.1 Approval and registration of statutory auditors of PIEs

69. Do you agree with the Government's approach of allowing the FRC to reclaim the function of determining whether individuals and firms are eligible for appointment as statutory auditors of PIEs?

Yes.

9.2 Monitoring of audit quality

70. What types of sensitive information within AQR reports on individual audits should be exempt from disclosure?

Because of the subjective judgment on what constitutes sensitive and commercial information we do not agree with the proposed publishing and open disclosure of AQR reports on individual audits. The AQR reports should be provided by ARGA to the Chair of the Audit Committee who will be obliged to share it with shareholders who are interested in the audit quality.

71. In addition to redacting sensitive information within AQR reports on individual audits, what other safeguards would be required to offer adequate protection to the entity being audited whilst maintaining co-operation with their auditors?

Please see the response above.

9.3 Regulating component audit work done outside the UK

72. Do you agree with the Government's approach to component audit work done outside the UK? How could it be improved?

No. Such powers should be extended to the FRC only in exceptional cases where FRC is conducting an investigation and strictly under a reciprocal agreement with the foreign regulator of the overseas component auditor. If the UK group auditor has not complied with ISA (UK) 600, we do not see any reason for the FRC to waste public money to investigate further.

9.4 The application of legal professional privilege in the regulation of statutory audit

73. Do you agree that it is problematic if documents that the auditor reviewed as part of the audit are unavailable to the regulator because of the audited entity's legal professional privilege? If so, what could be done to solve or mitigate this issue while respecting the overall principle of legal professional privilege?

It is problematic, the regulator should be given legal powers to review all documents.

10 A strengthened regulator

10.1 Establishing the regulator

74. Do you agree with the proposed general objective for ARGAs?

Yes.

75. Do you agree that ARGAs should have regard to these regulatory principles when carrying out its policy-making functions? Are there any other regulatory principles which should be included?

Yes, we agree. We propose inclusion of the principle "value for money with ARGAs being proportionate, having regard to the size and resources of those being regulated and balancing the costs and benefits of regulatory action".

10.2 Governance

10.3 Funding: a statutory levy

11 Additional changes in the regulator's responsibilities

11.1 Supervision: Accountants and their professional bodies

76. Should the scope of the regulator's oversight arrangements be initially confined to the chartered bodies and should they be required to comply with the arrangements?

Yes and the chartered bodies should comply.

77. What safeguards, if any, might be needed to ensure the power to compel compliance is used appropriately by the regulator?

A Memorandum of understanding should be put in place, however the chartered bodies operate to a high standard and FRC intervention would be extremely rare.

78. Should the regulator's enforcement powers initially be restricted to members of the professional accountancy bodies? Should the Government have the flexibility to extend the scope of these powers to other accountants, if evidence of an enforcement gap emerges in the future? What are your views on the suggested mechanisms for extending the scope of the enforcement powers to other accountants (if it is appropriate at a later stage)?

Yes, the FRC should deal only with the professional accountancy bodies. We doubt there are a lot of PIEs that use the services of non-chartered accountants.

79. Should the regulator be able to set and enforce a code of ethics which will apply to members of the chartered bodies in the course of professional activities? Should the regulator only be able to take action where a breach gives rise to issues affecting the public interest? What sanctions do you think should be available to the regulator?

Yes, having one unified Code of Ethics for all accountants, auditors, actuaries from all professional bodies covering PIEs and non-PIEs would be a big step forward to have consistent and harmonised rules. We suggest the IFAC Code of Ethics is adopted with a UK appendix for specific guidance on PIEs. Currently firms must comply with more than one Code of Ethics.

11.2 Oversight and regulation of the actuarial profession

No comments on section 11.2.

11.3 Investor stewardship and relations

11.4 Powers of the regulator in cases of serious concern

94. Are there other matters which PIE auditors should have to report to the regulator? Could this duty otherwise be improved to ensure that viability and other serious concerns are disclosed to the regulator in a timely way?

No.

95. Should auditors receive statutory protection from breach of duty claims in relation to relevant disclosures to the regulator? Would this encourage auditors to report viability and other concerns to the regulator?

Yes.

96. How much time should be given to respond to a request for a rapid explanation?

Three days.

97. Should the regulator be able to publish a summary of the expert reviewer's report where it considers it to be in the public interest?

No. This is unlikely to be understood by the wider public and by a lot of the media. The continual singling out of the audit profession by the media can become disproportionate and unhealthy.

98. Are there any additional powers that you think the regulator should have available where an expert review identifies significant non-compliance by a company in relation to its corporate reporting and audits?

The proposed powers are sufficient.

11.5 Local audit

11.6 Independent supervision of the Auditors General

11.7 Whistleblowing