



BUSINESS AND TRADE SELECT COMMITTEE EVIDENCE SESSION: DELIVERING AUDIT REFORM

Written joint submission by ICAEW ICAS and The Investment Association.

2/05/24

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The Institute of Chartered Accountants England and Wales (ICAEW), Institute of Chartered Accountants Scotland (ICAS) and the Investment Association were pleased to give evidence to the recent Business and Trade Select Committee session on delivering audit reform, which also covered improvements to corporate governance frameworks more widely. Following that session, we are writing jointly to emphasise our view that the most pressing element of proposed audit and corporate governance reform remains the establishment of the new regulator, the Audit, Reporting and Governance Authority (ARGA).

Legislation establishing ARGA, providing it with a statutory basis for its funding and powers to take effective enforcement action against all directors of UK public interest entities would, at a stroke, accelerate efforts to achieve and sustain a step-change in trust, transparency and accountability in UK companies and capital markets. This would reduce the risk of unexpected business failure and reinforce the UK as a trusted location for foreign direct investment. Without this change, we believe that the impact of further steps by the FRC, the audit firms, professional bodies, and others to achieve the aims of the proposed reforms will be limited and momentum will be lost.

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About ICAEW, ICAS and the Investment Association:

About the Institute of Chartered Accountants England and Wales (ICAEW):

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 166,000 chartered accountant members in over 146 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards

About Institute of Chartered Accountants Scotland (ICAS):

We're ICAS, a global professional membership organisation and business network for Chartered Accountants. We're also an educator, regulator, examiner and a professional awarding body. Our motto is 'seek the truth' and we've been doing so since we were founded in 1854. As the world changes, the importance of doing the right thing doesn't. As ethical leaders, the business community looks to us and our members to uphold standards and cultivate trust in everything we do. That ethos is enshrined in our respected Code of



Ethics – which applies to all our members, student members and member firms – and is underpinned our Royal Charter commitment.

Our CA members form a vibrant global community of finance and business professionals united by a commitment to ethical leadership. Educated, regulated and led to the highest standards, they transform business and support one another, for the greater good. We work with our members, businesses, government, regulators, politicians and policy makers. And we strive to support, nurture and empower that community by delivering high-quality membership, connection and relevant and rigorous career-long learning.

About the Investment Association (IA):

The IA champions UK investment management, supporting British savers, investors, and businesses. Our 250 members manage £8.8 trillion of assets and the investment management industry supports 126,400 highly skilled jobs across the UK. The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks and shares ISAs. The UK is the second largest investment management centre in the world, after the US and manages 37% of all assets managed in Europe.

Our mission is to make investment better. Better for clients, so they achieve their financial goals. Better for companies, so they get the capital they need to grow. And better for the economy, so everyone prospers.

Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital.