

Press release: Audit regime in the UK to be transformed with new regulator

- New regulator will have a new mandate, new leadership and stronger powers set down in law
- recruitment for the new Chair and Deputy Chair launching immediately
- part of the UK's modern Industrial Strategy to ensure the UK is the best place to invest, start and grow a business

The Business Secretary Greg Clark will today (11 March 2019) announce a new enhanced regulator to transform the audit and accounting sector in response to the comprehensive Independent Review led by Sir John Kingman. As per the review's recommendations, the Financial Reporting Council (FRC) will be replaced with a new regulator called the Audit, Reporting and Governance Authority.

The government welcomes and shares the Review's vision for a new regulator with a new mandate, new leadership and stronger statutory powers and has published a consultation today on implementing these reforms. The government intends to move swiftly to implement these reforms and overhaul the sector. In the interim period until the new regulator is in place, we will be working with the FRC taking forward 48 of the Review's recommendations to address the shortcomings identified in the Review such as lack of transparency and to reinforce work to enhance enforcement activity.

Specifically, the new regulator will for the first time:

- be a statutory body with powers such as those to make direct changes to accounts rather than apply to court to do so, and more comprehensive, visible reviews for greater transparency
- have strategic direction and duties to protect the interests of customers and the public by setting high standards of statutory audit, corporate reporting and corporate governance, and by holding companies and professional advisors to account
- regulate the biggest audit firms directly (rather than those being delegated)
- have a new, diverse board and strong leadership to change the culture and rebuild respect of those it regulates

There will also be greater sanctions available in cases of corporate failure, including new powers to require rapid explanations from companies and in the most serious cases publish a report about the company's conduct and management.

Secretary of State for Business, Energy and Industrial Strategy Greg Clark said:

This new body will build on our status as a great place to do

business and will form an important part of strengthened public trust in businesses and the regulations that govern them.

I am most grateful to Sir John Kingman for his work in this area. Taken together with the CMA's market study and Sir Donald Brydon's review of audit quality and effectiveness, they will enable us to deliver a major set of reforms on the regulation of company audit, accounting and reporting.

The UK has always been a world leader in audit and accounting services, with world-class frameworks for corporate reporting, corporate governance and regulatory oversight. Our modern Industrial Strategy sets out our vision to ensure that the UK is the best place to invest, start and grow a business. The creation of a new regulator will ensure that the UK maintains and advances its status as a place of the highest standards in audit.

The government sees a tough and robust regulator, and an audit sector with the highest standards, as a key part of attracting investors, jobs and growth to the UK.

Sir John Kingman, Chairman of the Independent Review of the FRC said:

As I set out in my Review, we need a new audit regulator with a clear and precise sense of purpose and I am pleased that the government shares that vision.

I look forward to continuing to work closely with the Secretary of State as the Audit, Reporting and Governance Authority is established.

There is a range of important work taking place in relation to the audit market and the government looks forward to receiving the findings of the Competition and Markets Authority's market study and Sir Donald Brydon's Review into the quality and effectiveness of audit.

The establishment of new leadership at the top of the FRC, which will transition into the Audit, Reporting and Governance Authority will also begin, with the recruitment for the Chair and Deputy Chair opening shortly.

Consultation: [Independent review of the Financial Reporting Council: initial consultation on recommendations](#). It will run for 12 weeks and will close on 11 June

The Independent Review of the Financial Reporting Council (FRC) led by Sir John Kingman [published its report to government](#) on 18 December. One of the recommendations was that the FRC be replaced with a new regulator with new powers, accountable to Parliament and named the Audit, Reporting and Governance Authority.

The Government commissioned Sir John Kingman in April 2018 to make

recommendations on how to reform the Financial Reporting Council to ensure the UK has a world class audit and accounting regulator.

[Details for recruitment campaign for the Chair and Deputy Chair available](#)