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Industry Insights

MORE BITE: A New Statutory Regulator Is Coming

Oliver Wheeler • May 23, 2023

The UK Government has announced a major change to the UK's corporate reporting and audit regime. The current Financial Reporting Council (FRC) will be replaced with a new statutory regulator, called the Audit, Reporting and Governance Authority (ARGA).

The reforms aim to improve the audit regime and corporate transparency and provides the new regulator with stronger powers, including:

- To investigate and take civil enforcement action for breaches of corporate reporting and audit-related responsibilities by directors. Currently, the FRC is only able to pursue a director if they are a chartered accountant.
- To expand the definition of a Public Interest Entity (PIE) to include private companies and LLPs with both 750+ employees and an annual turnover of £750m+ .
- To introduce new reporting requirements for PIEs including an annual resilience statement and an audit & assurance policy to be published every three years. Profits and losses will be more transparent, providing investors and public with information on fraud prevention as well the effectiveness of other risk management procedures.

DIRECTORS FACE NEW THREATS:

ARGA will have the necessary powers to investigate and take civil enforcement action for breaches of corporate reporting and audit-related responsibilities by PIE directors.

WHEN IS IT COMING?

ARGA is not expected until 2024 at the earliest but companies should start considering the changes.

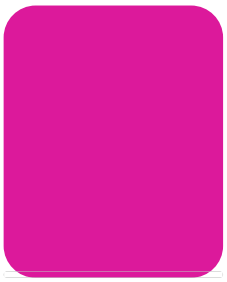
FINANCIAL INSTITUTIONS NEED TO COMPLY TOO

Financial Institutions will not be exempt from the added scrutiny, and

will need to ensure that their sometimes complex reports and rating metrics are thoroughly audited to comply with ARGA reporting requirements.

WHAT ELSE IS ON THE HORIZON?

It’s also worth noting that the new Economic Crime and Corporate Transparency bill is working its way through Parliament. It’s still a proposal and subject to debate and change, so now is not the time to pass comment but it could have implications in the future. We will keep you updated.



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