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FAO Daniel Ellis and Jamie Symington, The Financial Reporting Council, 13th Floor, 1 Harbour Exchange Square. London E14 9GE

Response sent to: E2Enforcementreview@frc.org.uk

Dear Daniel and Jamie

Audit Enforcement Procedure

Consultation on proposed updates to the FRC's routes to resolution

1. Introduction

The views and comments that are expressed in this response to the consultation on proposed updates to the Audit Enforcement Procedure (AEP) are those of the UK Shareholders' Association (UKSA or UK Shareholders) (see appendix for about).

We are pleased to be able to respond to the FRC's consultation on proposed updates to the audit enforcement procedure. We are also grateful to the FRC for arranging the roundtable discussion on 19th December to explain the proposed changes and discuss the rationale behind them. This engagement has been very helpful and we repeat below our views expressed in the meeting on the proposed changes to the AEP.

We believe that the FRC's decision to review and update its audit enforcement procedures is appropriate and timely. We recognise you will have learnt much since the current enforcement procedures were first introduced in 2016 and updated in 2021/22 and 2023. We also support the FRC's objectives in deciding to review the procedures on the basis of:

- Introducing new and additional routes to resolution designed to allow proportionate and targeted regulatory responses to cases across the spectrum leading to more timely (and potentially cost-effective) outcomes for the FRC and those it regulates.
- Ensuring that, where the FRC does take action, its response is robust, transparent and effective whilst also ensuring that intervention is proportionate and focuses on the salient issues arising in any given case.
- Ensuring that, as appropriate, information is made publicly available for the benefit of other audit firms and to reinforce awareness that it is up to firms to look after their own reputations.

UK Shareholders has had little direct involvement in the working of the current enforcement procedures. We are not able therefore to give detailed feedback on the proposed changes. However, we note that the procedures will be reviewed again in 2028 providing the opportunity to consider and update the procedures again in the light of experience and possible changes in the wider regulatory landscape.

We support fully the changes proposed. We would be happy to provide any further input to your deliberations if needed before implementation from 1st July this year and in your post implementation review in 2028. If required, please contact the signatory, Ian Brindley, our Head of Policy.

2. Answers to specific questions

1. Do you have any comments on the proposed changes to the AEP described in Chapter 3 and set out in Appendices A and B?

We have no further comments to make beyond those shown in the Introduction to our response.

2. Do you agree with the proposed amendments to the AEP?

Yes.

3. Do you have any general comments on the amended AEP?

We support the proposals for amending the AEP. We think that the FRC's approach to amending the AEP based on current experience in use is pragmatic and sensible. Other general comments are summarised in the Introduction to our response to the consultation.

However, our quick assessment of Appendix A of the consultation has resulted in a question whether paragraph 43 on page 11 of the consultation document on the members of the Conduct Committee being FRC non-executive directors (NEDs) is consistent with the reference in Appendix A to 'the Conduct Committee as established by the Board under the FRC's Articles of Association'.

4. Do you have any other comments on the issues raised in this consultation?

We noted in our discussions with the FRC that it intends to develop a number of KPIs to assess the effectiveness of amendments to the AEP once they come into force in July 2026. We believe that this would be worth doing. Five or six well-chosen KPIs should suffice.

We also believe that the FRC's intention to review the AEP again in 2028 (or shortly thereafter) is an important part of the change-process which will provide useful information for further development in future.

Yours sincerely

Ian Brindley

UK Shareholders Head of Policy email: admin@uksa.org.uk Tel: 07528 038833

APPENDIX – ABOUT UKSA

UKSA (United Kingdom Shareholders' Association)

1. UKSA is the oldest shareholder campaigning organisation in the UK, with 11,000 members. We are a not-for-profit company that represents and supports shareholders who invest in the stock market.
2. There are many agents and intermediaries active in financial markets. Unlike them, we are an organisation solely representing people who are investing their own money.
3. UKSA was formed to provide individual shareholders with a voice, influence and an opportunity to meet like-minded fellow investors. It is structured as a non-profit making company with annual subscriptions. An elected Chairman and Board of Directors (all volunteers and individuals with a wide range of backgrounds and experience) monitor a regional organisation. Each region benefits from oversight by an elected regional Chairman and Committee.
4. We build relations with regulators, politicians and the media to ensure that the voice of individual shareholders is reflected in the development of law, regulation, and other forms of public policy. See www.uksa.org.uk