UKSA statement on Government dropping audit reform bill

On 20 January, the Government announced that it would not be proceeding with the long-awaited Audit and Corporate Governance Reform Bill. That Bill was presaged by a consultation that the Government originally began in 2021.

See 2021 our response to that consultation at https://www.uksa.org.uk/news/2021/07/06/uksa-sharesoc-have-responded-jointly-most-important-review-auditing-and-corporate

The Department of Business and Trade letter announcing that they were dropping the legislation is at https://assets.publishing.service.gov.uk/media/696e69f662bfa46d3881a299/Letter_from_Minister_McDougall_to_BTC_Chair_-_Audit_Reform_Legislation.pdf

We are deeply disappointed.

Our members risk their own money by investing in listed shares, which is something that the Government claims that it is eager to promote. This requires us to be able to rely upon companies preparing their accounts properly, and auditors auditing them rigorously.

In particular:

- The 2021 consultation pointed out that regulators could only take (non-criminal) action against directors who failed in their duties when those directors were members of regulated professional bodies. They had no power to act against other negligent directors. We consider that the law needs to change, as the 2021 consultation promised.
- Further action is needed to ensure that auditors are able to audit rigorously without fearing the loss of their audit contract.

The Government claims that its "priority is to promote economic growth and reduce administrative burdens."

We consider that major improvements can be made without imposing administrative burdens, and these would improve economic growth by reducing the risk of corporate collapses and by improving investors' confidence in corporate reporting.