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8 July 2021

Re: Restoring trust in audit and corporate governance consultation submission

The Association of International Accountants (AIA) welcomes the opportunity to participate in this important and wide-ranging consultation on restoring trust in audit and corporate governance.

As a Recognised Qualifying Body (RQB) for statutory auditors under Schedule 11 of the Companies Act 2006 the reforms set out within the white paper have a real impact on the AIA and its members; we have robustly set out our views on their behalf using our experience qualifying and training auditors.

In general, we support the Government's objectives to address recent failings in audit and governance and to rebuild trust and strongly recommend strengthening existing advantages within the framework while addressing outstanding vulnerabilities. However, there are significant weaknesses in the Government's proposed approach.

Where there are reforms with which we do not agree and which, in our opinion, create fundamental issues within the profession, we have set out why we disagree with these proposals and made practical and achievable suggestions aimed at strengthening audit regulation within the United Kingdom.

The Government's proposals present a real opportunity to build upon the experience, technical expertise, and reputation of the professional qualifications of RQBs which must be used sensibly. This would be lost with the introduction of a new corporate auditing professional body qualifying auditors and serving only to add confusion to the marketplace and restrict education of auditors.

We continue to believe strongly in the benefits of independent and transparent regulation, however inconsistencies in the proposals risk the creation of a profession that is graded on an opaque alternative to the easily comparable merits of recognised professional qualifications and standards, which is arguably in direct contradiction to the desired outcome of the Government's audit reform agenda.

We hope you have found our comments useful. If you require further information about our views, please do not hesitate to contact us.

Yours sincerely,



Shahram Moallemi
President



Philip Turnbull
Chief Executive

Consultation Response

*Restoring trust in audit and
corporate governance*

July 2021

AIA Response: Restoring trust in audit and corporate governance

Executive Summary

The Association of International Accountants (AIA) welcomes the Government's determination to strengthen the UK's audit and corporate governance framework. Ensuring the UK remains a trusted, and competitive destination for investment is key to the UK's future success.

We also continue to recognise our own responsibilities in offering a recognised professional qualification for audit and are committed to working with stakeholders to develop and improve the profession in which we operate, as is evident from the recent review and implementation of the AIA's new recognised professional qualification.

Whilst we support many of the consultation's aims and the underlying desire to increase confidence in the UK by improving standards for corporate governance, reporting, and audit, we also consider that a proportionate and pragmatic response will give the greatest possible chance of supporting the government's objectives in this regard.

We have therefore expressed concerns where in our opinion the reforms proposed would weaken future audit regulation and undermine the role recognised bodies play in protecting the public interest.

AIA is supportive of the need to achieve focussed improvements to regulation, however a fundamental lack of detail around some of the proposals and inadequate assessment of the subsequent risks arising from the proposed reforms result in significant concerns.

In summary:

- AIA supports the establishment of ARGAs as a more robust regulator with the potential to take a leading role in raising audit quality. It must also ensure that it does not widen its agenda to the point where it is not operating in a balanced, proportional, and targeted way.
- The consultation is unclear where the boundaries of ARGAs' remit will be drawn and whether it could potentially overlap with other relevant regulators; it could be questioned whether the objective set for the regulator is ultimately targeted enough.
- There is a risk that the central objectives of improving audit quality and standards of corporate reporting and governance could be overshadowed by secondary reforms, which fundamentally change the existing system of audit training and education without substantially explaining the value proposition.
- AIA welcomes the depth of the reforms for audit, but would question whether the creation of a new professional qualification for corporate auditors would truly help in achieving the central aims of the reforms and instead result in reducing the appeal of prospective auditors entering the profession.
- AIA would strongly urge the Government to resist implementing a system which would have the ultimate effect of ranking professional bodies based upon criteria unrelated to standards.
- AIA welcomes the Government's recognition of the importance of improving fraud education and has highlighted the key role Recognised Qualifying Bodies play in ensuring audit qualifications are fit for the future and adaptive to changing requirements.

AIA Response

This response is submitted by the Association of International Accountants (AIA) to the Government's consultation on 'Restoring Trust in Audit and Corporate Governance'.

AIA is a Recognised Qualifying Body (RQB) for statutory auditors in the UK and regulated by the Financial Reporting Council (FRC). AIA is a Prescribed Body under the Companies (Auditing and Accounting) Act 2014 in the Republic of Ireland. AIA is a supervisory body under the UK and ROI Money Laundering Regulations.

Our response focuses on the proposals relating to the regulation and education of the UK accounting and auditing profession.

Whilst we welcome the range of the reforms in tackling multiple issues with the ultimate purpose of restoring trust and public confidence in the profession, the lack of detail, specifically around the formation of a new professional body for corporate auditing, makes it difficult to assess the impact of such proposals in a meaningful way or consider the realities, risks, and benefits of how the proposals might work.

AIA has significant concerns that require addressing for the proposals to work well in practice. Whilst we do not consider that it is the government's intention, there are unintended consequences to some of the proposals that will have a serious commercial impact and result in reduced choice in the market, limitations on career mobility and restrictions in the scope of work available for non-chartered accountants.

We note that in some aspects of the consultation that the interchange between 'chartered accountancy bodies' and 'the accountancy profession' is frequently used; it is important to point out that this is a misleading description which creates additional confusion when assessing the impact of any reform.

The UK accountancy profession is represented by several professional bodies – not all of which hold a royal charter – and it is vital that the full spectrum of the profession is heard, especially when some proposals give commercial advantage to one party over another. In addition, the UK audit profession is qualified and supervised by Recognised Bodies (Recognised Qualifying Bodies and Recognised Supervisory Bodies) which do not derive this recognition from royal charter but by meeting a standard legislated for within the Companies Act 2006.

This response builds upon [earlier submissions made to the consultation on Sir John Kingman's independent review of the Financial Reporting Council in 2018](#), correspondence with the Secretary of State for Business Energy and Industrial Strategy (BEIS), and separate discussions held with the Department, the Financial Reporting Council (FRC), AIA members and other professional body working groups and roundtables.

Resetting the scope of regulation

Should large private companies be included within the definition of a Public Interest Entity (PIE)? Please give your reasons.

Yes, we consider, on balance, that large private companies should be included within the definition of a Public Interest Entity (PIE).

It is hard to rationalise making an exception to large private companies where the failure of a such a company could have a significant impact on the public either through the impact on investors, shareholders, supply chain and employees or the effect on the economy. Therefore, despite the issues raised in the response to the following questions, there should be no discernible difference in the audit

and corporate governance regime for large companies whether publicly listed or privately owned.

What large private companies would you include in the PIE definition: Option 1, Option 2, or another? Please give your reasons.

There has been a steady decline in the number of audit firms in the UK over recent years and it is therefore questionable whether we have the skilled personnel available undertake PIE audits under either Option 1 (increase of 1960) or Option 2 (increase of 1060). A rapid extension of the market, alongside additional regulatory changes and requirements would create a burden on the profession which may cause the merits of extending the definition to be lost.

AIA would therefore propose further modelling is completed to properly assess the impact of these and other options.

The purpose of audit

Do you agree that a new statutory requirement on auditors to consider wider information, amplified by detailed standards set out and enforced by the regulator, would help deliver the Government's aims to see audit become more trusted, more informative, and hence more valuable to the UK?

In general AIA supports the Brydon Review's proposed purpose of audit which aims to see audit become more trusted, more informative, and therefore more valuable – these are undoubtedly positive attributes, and it is useful to implement a clear and unambiguous statement of what the purpose of audit should be both for users of audit and auditors themselves.

The purpose of audit has undergone incremental and sustained reform since its historic inception alongside changes not only to company law but also the duties and responsibilities of directors, how business is conducted in the 21st century and how financial statements and annual reports are used not only by investors and shareholders but also the wider public to answer increasing public interest concerns.

Although the consultation document states that change has not happened within the broad lines set out by the Brydon Review, there has undoubtedly been some change as auditors seek to leverage the benefits of enhancements such as artificial intelligence. However, there is more to do, and AIA agrees that it would be useful to implement a statutory obligation to address weaknesses set out in the consultation.

AIA agrees that a realistic audit would benefit for auditors being given a specific responsibility to consider relevant director conduct and wider financial information.

However, AIA would stress that the consultation document does not provide a robust evidence base from which these conclusions are drawn and would encourage the government to present in greater detail the assumptions it makes when drawing these required conclusions for reform.

In addition to any new statutory requirement on auditors to consider wider information, should a new purpose of audit be adopted by the regulator, or otherwise? How would you expect this to work?

AIA is confident that the purpose of audit as envisaged by the Brydon Review should strengthen the confidence that investors may have in the financial statements / financial information / financial health of a company, however, would highlight that this should not work to undermine the responsibility that directors have to the company and its reporting. There should also be an indication that the purpose of

audit is underpinned by the principles of corporate auditing envisaged by the reforms set out within the consultation.

There must be an expectation, or requirement, that any amendment to the definition of the purpose of audit should be consulted upon publicly.

The scope of audit

Do you agree with the Government's approach of defining the wider auditing services which are subject to some oversight by the regulator via the Audit and Assurance Policy?

AIA would argue that it should generally be for companies and their shareholders to decide the scope of any external auditing which is obtained beyond the required statutory audit of the financial statements.

It would be reasonable for the regulator to have some oversight of a company's Audit and Assurance Policy – in the same way the Companies Act sets out requirements for Article and Memoranda – however this should be weighed against making any requirements too confusing or onerous. Establishing a clear framework of auditing or assurance requirements is more important than widening the scope beyond which is ultimately useful.

AIA supports the idea that a key feature of this proposed expansion is to ensure that it should be market-led beyond the key financial statements. It could be that adding flexibility to the process will allow companies to choose to audit wider information to provide additional confidence to investors and stakeholders. An absence of this additional assurance work would subsequently raise its own questions which may be raised or requested by shareholders.

However, there should be a clear expectation that clarity is given as to which parts of an audit have been undertaken in line with an Audit and Assurance Policy to give stakeholders accurate information when making investment decisions.

Should the regulator's quality inspection regime for PIE audits be extended to corporate auditing? If not, how else should compliance with rules for wider audit services be assessed?

The Government should pursue an inspection regime which would leverage a market-led approach to ensure that smaller companies with limited abilities to influence their own cost of capital are excluded as they are less likely to obtain any benefits identified by the Brydon Review.

AIA supports the position that a market-led approach is a flexible approach which can be reviewed at an appropriate future point.

It would be pertinent to consider that with an expansion in the regulator's role in quality inspection for PIE audits to corporate auditing there may be a significant gap in resourcing which would require addressing, either with a significant uptick in staffing or specialist skills.

What role should ARGA have in regulating these wider auditing services? Should its role extend beyond setting, supervising, and enforcing standards?

A focussed approach supports the aims of the consultation and AIA cannot see any particular reason why the role of ARGA should be extended beyond setting, supervising, and enforcing standards – however it should be noted here that the required standards for wider auditing services may need to be developed in conjunction with both users of the standards and those who will benefit from the extended auditing information available.

Principles of corporate auditing

Would establishing new, enforceable principles of corporate auditing help to improve audit quality and achieve the Government's aims for audit? Do you agree that the principles suggested by the Brydon Review would be a good basis for the regulator to start from?

AIA would argue that the overriding principle for corporate auditing should be to act in the public interest – and that all independent audit quality and confidence stems from this keystone.

Establishing new, refreshed, and enforceable, principles of corporate auditing would assist in improving audit quality. It would also reinforce the enforcement aspect of maintaining audit quality and provide an easily understood framework for both users of audits and those carrying out the audit. Any enforcement decisions which are publicised would be clearly set against these enforceable principles of corporate auditing.

AIA agrees that the audit principles suggested by the Brydon Review would be a good basis for the regulator to begin implementing new corporate auditing principles.

Do you agree that new principles for all corporate auditors should be set by the regulator and that other applicable standards or requirements should be subject to those principles? What alternatives, mitigations or downsides should the Government consider?

There may be downsides to prioritising judgement over rules-based decision making because interpretations may differ – this may result in subjective and unclear enforcement rather than transparent decision making.

However, AIA argues that in general any new principles for corporate auditors should be set by the regulator and that applicable standards should, where appropriate, be subject to those principles. This will require serious consideration as to whether existing rules and standards, including in an international context, are broadly compatible with new principles and clear guidance of where the regulator expects standards to be followed or superseded by principles-based decision making or audit conclusions.

Tackling fraud

Do you agree with the Government's proposed response to the package of reforms relating to fraud recommended by the Brydon Review? Please explain why.

AIA welcomes further discussion on fraud relating to financial statements, audit, and the wider financial services sector; as a professional body supervisor AIA has been working extensively with the Home Office, HM Treasury, and other stakeholders to drive forward reforms within the Government's Economic Crime Plan 2019-22, including providing evidence to the recent Treasury Select Committee inquiry into Economic Crime.

AIA agrees with the Brydon Review that responsibilities surrounding fraud, including those of auditors, is complex and often misunderstood, however the reforms do not give a detailed response to the problem of fraud. AIA does agree that requiring a strong statement on fraud to be published will focus directors' attention on the action required to guard against fraud within the company. Requiring directors to implement a fraud risk assessment (along the lines of the current Money Laundering Regulations requirement for a firm-wide risk assessment) would be a key strategy to implement robust internal controls to detect and prevent fraud.

Detecting material fraud requires developing education for members (and prospective members) and working with other public-private partners to develop both high-level and specific indicators of fraud; this would be useful to both the regulated and the regulator as prevention of fraud would be more effective and efficient than reacting to fraud which has been detected after accounts are filed or investment decisions made.

Ensuring adequate training around countering and detecting fraud will therefore result in an increased reliability of financial statements which should be strongly welcomed.

However, more work needs to be undertaken to address the exact size and nature of the problem the consultation question is trying to answer.

As a Recognised Qualifying Body AIA looks forward to working with the new regulator and Government to implement the actions needed to continue to strengthen the Recognised Professional Qualification by embedding fraud awareness training, both within the qualification itself and throughout auditors' careers.

A new professional body for corporate auditors

Do you agree that a new, distinct professional body for corporate auditors would help drive better audit? Please explain the reasons for your view.

The consultation document provides insufficient detail relating to the creation of a new professional body for corporate auditors, particularly how this would impact current Recognised Bodies, the rationale and need for change or, importantly, an indication of cost.

The impact of this change is also not explored sufficiently within the Brydon Review or BEIS's Impact Assessment which sits alongside this consultation document, which forms an incomplete picture for the changes proposed here.

Given that the consultation seeks to widen the definition of a PIE to include a significantly larger number of businesses and the concerns about whether the UK has the skills and talent to accommodate growth in this area, now would not be the time to restrict the market in terms of Recognised Qualifying Bodies with the capacity to train auditors nor to add additional confusion to the marketplace.

The professional qualification is the core component of any RQB and as such significant resources have been invested into the development, creation, and review of the recognised professional qualification for statutory audit. In the case of the AIA, a full syllabus review resulting in the launch of a new professional qualification concluded in 2021, which maintains the standard and requirements of Schedule 11 of the Companies Act 2006 and will be undertaken shortly by students.

AIA has invested substantial resources in ensuring its professional qualification creates auditors which reflect the required competencies and standards of the modern audit profession, including developing and introducing an intensive ethics and professional practice module. Ethical issues can arise in all settings where professional accountants (or auditors) may work, whether in professional practice, business, the public sector, or charities. The aim of this paper is to provide tools and skills for auditors in all forms of organisation. This development work is indicative of the complex and sustained work that current recognised bodies are undertaking over long lead times to refresh and adjust professional qualifications.

There is no indication within the consultation document that individuals currently undertaking recognised qualifications have been considered and creating uncertainty around the current viability of these qualifications, for instance will they still be able to seek employment with a current audit qualification, is not conducive to confidence.

It is concerning that the current framework, which requires significant lead time to implement changes to qualifications and processes, appears to have received minimal focus in comparison to the goal of creating an entirely new profession – itself a not inconsiderable, nor resource-lite, task.

AIA would reiterate that the impact of these changes on current Recognised Bodies will be substantial, disproportionate, and unnecessary.

Although AIA is supportive of the need to introduce audit reform, there is a significant risk that the introduction of a new body will take a considerable amount of time and serve only to create a drain of resources which could be far better employed building upon and enhancing the current framework.

Far from restricting the market AIA believes the government should be embracing the breadth and depth of current qualifying bodies which offer a wide range of opportunities for prospective auditors. Creating additional complexity and regulatory burden is directly opposed to the government's wish to level up the UK economy and increase competitiveness.

Should the government be minded to implement change to the current qualification and supervision framework then AIA would argue strongly for the maintenance of current Recognised Professional Qualifications delivered by Recognised Qualifying Bodies and the new corporate auditing professional body to hold responsibility for registering and supervising auditors who have achieved an RPQ with a current RQB listed in the Companies Act 2006.¹



AIA believes that the government should work with the UK's recognised professional bodies to deliver audit reform so that we can work together to produce a profession which showcases the government's new vision of corporate audit and results in better audit quality.

AIA is a professional body with significant experience in creating, delivering, and updating professional qualifications – we currently ensure that auditors are trained and qualified to the highest level required by legislation. AIA believes that RQBs are best placed to strengthen the education of auditors, instil the standards required by the current proposals and make audit more robust for all users and stakeholders of the future.

The proposed role of ARGAs is substantial and clarification is required as to how all proposed reforms could be delivered efficiently and with high quality. Implementing the change as suggested by AIA and set out above will maintain the high-quality of Recognised Professional Qualifications and leverage the historic resources, systems, and processes of current RQBs to transform the education of audit within the UK using a solid foundation, thus significantly reducing the risk.

What would be the best way of establishing a new professional body for corporate auditors that helps deliver the Government's objectives for audit? What transitional arrangements would be needed for the new professional body to be successful?

Establishing a new professional body for corporate auditors, alongside an entirely new professional qualification, would be prohibitively complex and provide insufficient justification for public investment.

¹ Association of Chartered Certified Accountants (ACCA), Association of International Accountants (AIA), Institute of Chartered Accountants in England and Wales (ICAEW), Chartered Accountants Ireland (CAI), Institute of Chartered Accountants of Scotland (ICAS)

It is arguable that, in terms of creating a new corporate audit qualification, and therefore encouraging future talent to specialise at an early stage may have the reverse effect of reducing the numbers choosing to enter audit due to the limits on career options this may produce.

AIA's preferred vision for the establishment of a new professional body for corporate auditors would be to utilise the existing framework of RQBs for qualification and training purposes, allowing the new professional body to undertake the role of supervision only.

Working collectively with government and regulators, the RQBs can assess the addition of a capstone qualification for corporate auditors that could be added to existing qualification routes, making use of the existing expertise, qualification structure, learning materials, and assessment mechanisms already successfully established within the RQBs to meet the additional training requirements set out in the consultation. This would ensure a smoother transitional process, delivering the aims of the consultation without public expenditure to duplicate existing frameworks and allow for swifter completion of the government's reform agenda.

Should corporate auditors be required to be members of, and to obtain qualifications from, professional bodies that are focused only on auditing?

AIA would question whether the establishment of a new professional qualification for corporate auditors would enhance audit quality or trust in auditors due to the extensive lead times required to implement change. However, we do acknowledge that there may be work we can engage in using the existing structure and framework to introduce audit reform.

Whilst the argument has been made that audit should be a distinct and separate profession, those taking a recognised professional qualification cover many of the same core competencies, principles, and values in the early stages of qualification as those that become qualified accountants.

These core competencies and training requirements are set out within Schedule 11 and 12 of the Companies Act 2006 and include a list of 'prescribed subjects' which are required to be examined at a minimum of university degree-level standard.

The repeated terminology within the consultation appears to favour the use of a Royal Charter as a mark of recognition and standard; AIA would argue that to avoid further complicating public perception within the accountancy and audit fields, all bodies that currently offer a recognised qualification route for audit should be granted a Royal Charter.

Do you agree that a new audit professional body should cover all corporate auditors, not just PIE auditors?

AIA consider that the scope of the proposed new professional body is too wide, and that a narrow focus on audit supervision across all auditors would allow it to play a greater independent role in improving trust and managing their ethical and public interest obligations.

A strengthened regulator

Do you agree with the proposed general objective for ARGA?

AIA would argue that setting up a new regulator is a necessary step to achieving effective and efficient reform, however the new regulator must be equipped with an appropriate range of statutory powers to enable it to do its work.

AIA agrees that the proposed general objective is useful for providing an overview of the role that the government expects ARGA to fulfil, however the broad nature of the objective leaves significant room for interpretation regarding prioritisation of activity.

As proposed within the consultation it remains unclear where the boundaries of ARGA's remit will be drawn and whether it could potentially overlap with other relevant regulators; it could be questioned whether the objective set for the regulator is ultimately targeted enough.

Do you agree that ARGA should have regard to these regulatory principles when carrying out its policy-making functions? Are there any other regulatory principles which should be included?

AIA is broadly supportive of the regulatory principles outlined, however there are some key divergences from those principles set out within the BEIS Regulators' Code, which highlight the need for regulators to carry out their activities in a supportive way to those they regulate to assist compliance and promote growth. AIA believes that the principles behind any new regulator should be drawn from that ethos, backed up by effective enforcement.

Additional changes in the regulator's responsibilities

A note on terminology

Although Section 11 'Additional changes in the regulator's responsibilities' gives the impression that these proposals relate to miscellaneous modifications to the FRC's role and responsibilities, in reality the chapter sets out changes which will have a far-reaching, unintentional, and serious, impact.

AIA would also note at this early stage before answering the questions posed within Section 11 that the terminology used throughout this section is highly misleading.

'Professional accountancy bodies' and 'chartered accountancy bodies' should not be viewed as interchangeable terms; we would urge caution in suggesting the latter is used as a proxy term for the whole profession.

Qualification and supervision of auditors in the UK is undertaken by Recognised Qualifying and Supervisory Bodies (RQBs and RSBs) which apply standards and requirements set out in the Companies Act 2006. AIA is a Recognised Qualifying Body and does not hold a royal charter.

It should be noted that AIA members undertake qualifications of the same standard as chartered bodies, undergo monitoring and supervision of practices to the same standard as chartered bodies, and are subject to complaints and disciplinary processes of the same standard as chartered bodies.

Recognition as a Recognised Body is not based on royal charter and there is a real danger in the proposals to create a new regulator and enhance effectiveness of the audit market that unfocussed terminology results in disproportionate and discriminatory reform.

Should the scope of the regulator's oversight arrangements be initially confined to the chartered bodies, and should they be required to comply with the arrangements?

No. AIA strongly opposes the oversight arrangements being limited to chartered bodies.

The outcome of these proposals leads to a semi-regulated profession that, in conjunction with partial regulation in other legislation (such as supervisory status under the Schedule 1 of the Money Laundering Regulations 2017), creates a mismatched, incoherent, and confusing profession which serves to act against the public interest.

This proposal would have additional regulatory considerations and give commercial advantage and significant dominance to a select number of professional accountancy bodies. As noted in section 6.9.19 it is not the government's desire to create a two-tier audit profession, and as such that desire should also be extended to the accountancy profession. Putting in place measures which have the effect of stifling competition is not in the public interest.

Section 11.1.25 refers to the wide-ranging oversight arrangements that will be required which extend to all aspects of the professional bodies' regulatory functions: training and qualifications, licensing, practice assurance, complaint handling, disciplinary procedures, and governance arrangements. This signifies a significant depth of oversight and dilute the regulator's focus from audit quality.

AIA operates within the regulated sector as a non-chartered body; its qualification, disciplinary processes, regulatory and ethical standards, and robust membership requirements, are on par with those of the current chartered accountancy bodies. Therefore, we consider confining oversight to the current chartered bodies would restrict the recognition of professional qualifications and trade in professional services for non-chartered bodies and limit job mobility and trade in services, both of which matter a great deal to AIA members.

It is important at this point to clarify the current framework where there is a misleading pronouncement in Section 11.1.19. Members of a chartered accountancy body are only able to undertake statutory audit work because they are supervised by a Recognised Supervisory Body (RSB) under the Companies Act 2006 and because they have successfully completed a Recognised Professional Qualification (RPQ) delivered by a Recognised Qualifying Body (RQB). They are not able to undertake audit because they are members of a 'chartered' body as the recognition comes from the standard of the RPQ and subsequent RSB supervision.

In addition to AIA's recognition within the Companies Act 2006 as an RQB, the new AIA professional qualification has been independently assessed by the UK National Information Centre (UK ENIC, formerly NARIC) for global qualifications and skills, to ensure it remains at the appropriately high specification and therefore those using the services of its members can expect the highest standards.

When determining the scope of regulation, professional bodies should be assessed on the standard of their qualification and membership requirements. It is contrary to the aims of the consultation to purposefully exclude accountants qualified with a recognised body, working in senior positions, and holding a professional level qualification, in favour of a title which does not reflect the standard of a qualification.

11.1.21 states that the government does not consider giving the regulator stronger powers to oversee the professional accountancy bodies itself justifies requiring that eligibility to carry out all 'accountancy' activities be dependent on membership of those bodies. However, it should consider that by limiting the oversight to chartered bodies it is creating a segregated profession. Consideration should therefore also be given to the likelihood of industry stakeholders (banks, building societies, insurance companies, government departments and employers) using bodies within the regulated sector to determine which qualifications they choose to recognise. This will have a serious commercial impact resulting in reduced choice in the market, limitations on career mobility and restrictions in the scope of work available for non-chartered accountants.

Inevitably the unintended consequences of this would be a ripple down affect that would deliver significant disruption to accountants operating outside the scope of the oversight and impact both their livelihoods and that of the businesses that they serve.

What safeguards, if any, might be needed to ensure the power to compel compliance is used appropriately by the regulator?

A written regulatory framework would offer the most transparent view of the proposed regulatory requirements, required codes of practice and regulatory guidance, and would mitigate the risk of the oversight objectives not being met.

Should further safeguards be required, and in line with other regulators, judicial review can be applied, and an independent and robust appeals procedure implemented for enacting dispute resolution.

Should the regulator's enforcement powers initially be restricted to members of the professional accountancy bodies? Should the Government have the flexibility to extend the scope of these powers to other accountants, if evidence of an enforcement gap emerges in the future? What are your views on the suggested mechanisms for extending the scope of the enforcement powers to other accountants (if it is appropriate at a later stage)?

'Professional accountancy bodies' and 'chartered accountancy bodies' should not be viewed as interchangeable terms; we would urge caution in suggesting the latter is used as a proxy term for the whole profession.

AIA would again strongly urge the government to resist implementing a system which would have the ultimate effect of ranking professional bodies based upon criteria unrelated to standards. Doing so will harm the commercial stability of established members of non-chartered bodies engaged in providing services to the public and seriously damage both the reputation and job prospects of these same members.

If, as this question suggests, there are concerns that the proposals in the consultation do not adequately cover the accountancy profession (which extends to recognised bodies not holding a charter), adjustments should be made now rather than introducing additional mechanisms to extend the scope of enforcement powers at a later date.

There is a key discriminatory weakness in this reform in that all members of recognised bodies are not captured, despite undertaking work for the public, having a recognised qualification and being subject to an independent complaints and disciplinary framework. Members of the public expect accountants with recognised qualifications to be subject to the same oversight and there is a key public interest argument for extending this disciplinary framework to include AIA.

Notwithstanding the above, AIA has significant concerns regarding the treatment of accountants who have subjected themselves to the rules, requirements, and regulations of a professional body and who may find themselves subject to further oversight when the reforms fail to address the issue of unqualified accountants providing services to the public and sit outside any regulatory regime.

Should the regulator be able to set and enforce a code of ethics which will apply to members of the chartered bodies in the course of professional activities? Should the regulator only be able to take action where a breach gives rise to issues affecting the public interest? What sanctions do you think should be available to the regulator?

All professional bodies that offer a Recognised Professional Qualification, including AIA, have adopted the International Ethics and Standards Board for Accountants (IESBA) Code of Ethics promulgated by the International Federation of Accountants (IFAC), which sets internationally recognised standards for professional accountants.

All RQBs can enforce the Code for members who act contrary to its standards and leverage a range of sanctions – including expulsion or monetary fines. These enforcement actions are also overseen by other regulators including the Irish Auditing & Accountancy Supervisory Authority (IAASA) and Office for Professional Body AML Supervision (OPBAS) which cover the majority of recognised bodies.

AIA agrees that the current broad sanctions available under the current voluntary scheme are appropriate, however would continue to question the scope of the disciplinary arrangements as argued throughout this consultation response. Restricting the definition of professional accountants to chartered accountants, and excluding individuals qualified to an appropriate standard mandated within Schedule 11 of the Companies Act is neither practicable nor proportionate.

About AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and promotes the concept of 'international accounting' to create a global network of accountants.

AIA is recognised by the UK government as a recognised qualifying body for statutory auditors under the Companies Act 2006, across the European Union under the mutual recognition of professional qualifications directive and as a prescribed body under the Companies (Auditing and Accounting) Act 2014 in the Republic of Ireland. AIA also has supervisory status for its members in the UK under the Money Laundering Regulations 2017. AIA is a Commonwealth Accredited Organisation.

AIA believes in creating a global accountancy profession and supports the International Federation of Accountants (IFAC) in their vision of a global accountancy profession recognised as a valued leader in the development of strong and sustainable organisations, financial markets, and economies. AIA has adopted IFAC's Code of Ethics for professional accountants and incorporates IFAC's International Education Standards (IES) into its qualifications and policies.

AIA has members working throughout the whole spectrum of the accountancy profession. Many of our members are at the top of the accountancy industry, from senior management to director level. Conversely, significant numbers of our members work in small and medium sized businesses (SMEs), and we strive to champion the importance of SMEs and their needs.

Further Information

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

If you require any further information, please contact:

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