

**Insights**

## **A NEW DAWN OR A FALSE DAWN FOR UK AUDIT ENFORCEMENT?**

Mar 12, 2021

### **SUMMARY**

The proposed replacement of the Financial Reporting Council by the Audit, Reporting and Governance Authority (ARGA) as the UK's new audit regulator should lead to a change in approach to audits and investigations of auditors. But will the UK's economic reality neutralise any such change?

A spate of audit failures in the past few years led to widespread calls for change in both the audit process and the way in which auditors were regulated.

Some high-profile reviews have proposed major changes, with the Kingman Review proposing the creation of a new audit regulator (ARGA). However there are questions as to whether the Government has the appetite to create an enforcement-heavy environment while dealing with the economic pressures of Brexit and Covid-19.

The Government may try to square the circle of ensuring auditors are held accountable for corporate collapses they should have seen coming, while not reducing the corporate attraction of the UK. They can achieve this by following in the footsteps of the financial services regulators, who have successfully driven culture change with the Senior Managers and Certification Regime.

How and when ARGA moves forward is still to be determined, but don't be surprised if there is a stronger approach to enforcement, and a focus on targeting senior individuals to drive cultural change.

Adam Jamieson, Joseph Ninan and Paul Bennett wrote about this in our Emerging Themes in Financial Regulation 2021 publication.

## RELATED PRACTICE AREAS

- Emerging Themes in Financial Regulation 2023
- Regulation, Compliance & Advisory
- Financial Regulation Compliance & Investigations
- Litigation & Dispute Resolution

## MEET THE TEAM



### Joseph Ninan

Co-Author, London

[joseph.ninan@bclplaw.com](mailto:joseph.ninan@bclplaw.com)

[+44 \(0\) 20 3400 4971](tel:+442034004971)

---

This material is not comprehensive, is for informational purposes only, and is not legal advice. Your use or receipt of this material does not create an attorney-client relationship between us. If you require legal advice, you should consult an attorney regarding your particular circumstances. The choice of a lawyer is an important decision and should not be based solely upon advertisements. This material may be “Attorney Advertising” under the ethics and professional rules of certain jurisdictions. For advertising purposes, St. Louis, Missouri, is designated BCLP’s principal office and Kathrine Dixon ([kathrine.dixon@bclplaw.com](mailto:kathrine.dixon@bclplaw.com)) as the responsible attorney.