

Audit Firm Supervision Team

FRC



By email: registrationconsultation@frc.org.uk

The Investment Association

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Dear FRC - Audit Firm Supervision Team

RE: Investment Association Response to the Consultation on Proposed Public Interest Entity (PIE) Auditor Registration Regulations

The Investment Association (IA) welcomes the opportunity to respond to the FRC's consultation on proposed Public Interest Entity (PIE) Auditor Registration Regulations. The IA and our members have encouraged the implementation of the recommendations made by the Kingman Review, and the BEIS White Paper on Audit and Corporate Governance Reform. The IA welcomes the FRC consultation on assuming responsibility for PIE Registration.

Investors rely on the quality and robustness of the audited information companies report to the market when making investment decisions and holding company management and boards to account. High quality audits are vital to ensure the markets trust and have confidence in the information companies report, conversely low quality undermine market integrity and can have significant adverse implications on the real economy.

The IA agrees with both the Kingman Review and BEIS White Paper, that the current system of self-regulation, whereby the registration of PIE auditors is delegated to the trade association of audit firms, is not the best approach to ensure that audit firms are held accountable for systemic quality issues. The role that the audit of PIEs plays in the proper functioning of public markets and in the wider economy demands a more robust registration process of both audit firms and individual auditors, overseen by a strong independent regulatory body with the remit, and appropriate powers, to uphold audit standards and formally intervene where necessary.

As such, the IA encourage the FRC to implement the reforms set out in this consultation. The IA has been consistent in its calls for a stronger regulator. As part of this, the regulator should reclaim the function of determining whether individuals and firms are eligible for appointment as statutory auditors of PIEs. In carrying out this function, the FRC can look to



the approach of other regulators, including the FCA, who approve firms and individuals to conduct regulated activity.

As the White Paper notes, “an important cause of poor-quality audits is weak performance by the lead auditor”. As such, we agree that the regulator should directly approve the individuals, as well as the firms, carrying out PIE audits.

However, we note that taking on the responsibility for PIE auditor registration from the Recognised Supervisory Bodies will be a significant undertaking. Ensuring that it can perform this responsibility and hold auditors to account will require the FRC to be appropriately resourced and have sufficient capabilities to oversee the Registration process.

Yours Sincerely,

Rhydian Campbell,
Policy Adviser - Stewardship & Corporate Governance