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THE RT HON KWASI KWARTENG MP
Secretary of State for Business, Energy, & Industrial Strategy
Department for Business, Energy, and Industrial Strategy
1 Victoria Street
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Dear Mr Kwarteng,

Restoring trust in audit and corporate governance: IoD response to the consultation on the Government's proposals (CP 382)

About the IoD

The IoD was founded in 1903 and obtained a Royal Charter in 1906. It is an independent, non-party political organisation of approximately 21,000 individual members. Its aim is to promote good governance and ensure high levels of skills and integrity among directors of organisations. The membership is drawn from right across the business spectrum, as well as the public and third sector. 49% of FTSE100 companies and 45% of FTSE250 companies have IoD members on their boards, but the majority of members, some 70%, comprises directors of small and medium-sized enterprises (SMEs), ranging from long-established businesses to start-up companies. IoD members' organisations are entrepreneurial and growth-orientated, and more than half (61%) export goods and services internationally.

The IoD welcomes the opportunity to participate in this consultation on audit and corporate governance. Issues of this nature are of considerable interest to the IoD and its membership, and we are therefore pleased to present our views in respect of your proposals.

In the first section, we provide a summary of our key perspectives on the proposed reforms. Then we offer more detailed views in respect of each of the White Paper's 11 sections. At the end of our response, we provide details of a recent survey of IoD members which addressed some of the issues covered by the proposals, and which have informed our response.

Summary of the IoD view

- We support the desire of the Government to address recent failings in audit and governance. There is a pressing need to rebuild trust in UK business and make it fit for the future.
- Directors and Auditors are key players in the functioning of an effective governance system, and it is essential that they fulfil high standards in terms of competence, integrity, and accountability. To some degree, the proposals in this White Paper contribute to the achievement of these goals, **but we do have some concerns.**
- In particular, **we are worried about the viability of the proposed ‘managed shared audit’ concept – specifically the willingness and capacity of smaller challenger audit firms to take on major audits in partnership with the Big 4 audit firms.**
- Managed shared audit is a step into the unknown, and we feel that the concept needs to be properly tested before it is rolled out to the FTSE 350 as a whole (or beyond). The proposed new regulator, ARGA, should oversee a period of evaluation in which the capacity of challenger and Big 4 audit firms to work together through managed shared audit is assessed and clarified.
- We support the establishment of ARGA as a more robust replacement for the Financial Reporting Council. However, **it is important that ARGA does not cross the line into becoming a fully-fledged prudential regulator with an excessively intrusive approach to the oversight of boards of directors.**
- In particular, audit committees must be given the space to exercise discretion and professional judgment. **Permitting observers from ARGA to attend audit committee meetings would be a counterproductive step that would undermine the authority and collective responsibility of the board.**
- We agree that the scope of PIEs should be gradually expanded to the largest unlisted companies. But additional time should be given for newly affected categories of PIE to comply with any new requirements. We support the Government’s proposal to exempt newly-listed issuers from the full extent of the requirements for a temporary period.
- We are strongly of the view that the board as a whole should retain collective responsibility for oversight of the internal control, risk management framework and financial reporting as a whole. This responsibility should not be concentrated on specific corporate officers e.g. the CEO and CFO, as is the case with Sarbanes-Oxley in the United States.
- In order to ensure that the reforms are associated with improved underlying behaviour, rather than simply box ticking, **there is a clear need for a professional framework for directors to be introduced alongside the regulatory changes (similar to that proposed for corporate auditors).** This should encompass a code of conduct and high-level professional development aspirations for the board members of PIEs - such as that provided by the Chartered Director qualification.
- Such a framework would **provide a bridge into the boardroom for talented individuals from a more diverse range of professional backgrounds. Furthermore, it would increase the chance that the Government’s objectives in this White Paper are fulfilled in spirit, and do not simply result in a more costly and complex regulatory burden for board members.**

Detailed response

In the following section, we provide our views on the 11 constituent chapters of the White Paper.

1) THE GOVERNMENT'S APPROACH TO REFORM

Key Government proposals:

- The Government wants to make decisive changes to audit and corporate reporting based on the findings of the CMA, Kingman, and Brydon Reviews, and the findings of the 2019 BEIS Parliamentary Committee report.
- Proposed reforms will focus on the largest companies and are not intended to overlap the FCA's statutory role in ensuring market integrity.
- The new regulator replacing the Financial Reporting Council (FRC), ARGA¹, will be established on a statutory basis when parliamentary time allows. Other measures may be introduced on a phased basis or after a transitional period, e.g. for certain categories of company.
- The definition of Public Interest Entities, to which the measures will be applied, will be expanded to include large private companies and larger AIM-traded companies.

IoD view:

We support the desire of the Government to address the failings of audit and governance that have emerged over the last decade. But directors will need support in implementing the changes, and the reforms will need to be carefully tested and phased before being rolled out to their full extent.

The success of the reforms will ultimately depend on: 1) the ability of directors and auditors to adjust their behaviour in the light of the new regime, 2) the viability of the new 'managed shared audit' concept and 3) the manner in which the new regulator, ARGA, interprets and implements its new powers.

Given their systemic importance to the stability and performance of the UK economy – and to large numbers of employees, suppliers, investors and other stakeholders – **we agree that the scope of PIEs should be gradually expanded to the largest unlisted companies.** We agree that a reasonable new definition would encompass those privately-held firms already applying the Wates Principles and associated corporate governance reporting requirements, i.e. entities with more than 2000 employees or a turnover of more than £200m and a balance sheet size in excess of £2bn.

This would bring an additional 1960 companies within the scope of the measures. We also agree that AIM-traded companies with a market capitalisation exceeding £200m should be included, which would add 105 new entities.

However, we caution the Government against relying solely on numerical criteria to determine which companies should be defined as Public Interest Entities. A strictly mechanistic approach is likely to give rise to anomalies - whereby some companies are excluded from scope despite serving an obvious public interest (e.g. HS2 Ltd), whilst others whose connection to the public interest is more tenuous are included.

We suggest that an independent panel of experts should review which entities are included with the scope of PIEs. Within certain parameters, this panel should have the power to flex the criteria to reflect qualitative public interest considerations.

¹ The Audit, Reporting and Governance Authority.

In principle, we see the value of ultimately incorporating both the largest Third Sector entities and insurers into the new framework. However, careful thought must be given to appropriate size thresholds and other inclusion criteria. We feel it prudent to only consider this extension at a later stage when the reforms have proven themselves to be viable across large private entities.

Additional time should be given for newly affected categories of PIE to comply, e.g. at least 2 years more than would be required for premium listed entities. Furthermore, **we support the Government's proposal to exempt newly-listed issuers from the full extent of the requirements** for a temporary period, e.g. at least 3 years, thereby shielding this vital segment of emerging growth companies from any unintended consequences of the new requirements, and only encompassing them after the new framework has bedded in.

We are concerned, however, about the capacity of the audit firms (particularly challenger firms) to fulfil their statutory audit duties across a significant increase in the number of public interest entities. Even though the managed shared audit concept will only be applied to FTSE 350 companies, **there is a material risk that significant bottlenecks in audit capacity will emerge**. The audit firms' assessment of their own resources and capabilities, particularly the smaller challenger firms, will be crucial in determining how rapidly the new framework can be phased in (see section 8).

Overall, we view the phasing and timing of the proposals as being a key issue. In particular, **if managed shared audit is seen not to be working or causing significant issues for audit quality, the government should be ready to re-think its proposals**.

2) DIRECTORS' ACCOUNTABILITY FOR INTERNAL CONTROLS, DIVIDENDS AND CAPITAL MAINTENANCE

Key Government proposals:

- The Government wishes to increase director accountability for the internal control and risk management framework and draw on the lessons of SOX in the United States.
- A weakness of the current UK framework is that the relevant provisions in the UK Corporate Governance Code do not require the board to report their assessment of the effectiveness of the internal control framework.
- The Government's preferred proposal is for the board to publish a Director's Responsibility Statement in which they would disclose their assessment of internal control and any deficiencies. This would be a mandatory legal requirement for all PIEs, not just a 'comply or explain' Code requirement applying only to premium listed companies. The new regulator, ARGA, would investigate and sanction directors who failed to comply.
- Unlike with SOX, the Government is proposing that mandatory external assurance of internal control and risk management frameworks would only be required in exceptional circumstances e.g. where there has been a serious and demonstrable failure of internal controls.
- The Government also wishes to strengthen the law on dividend payments and capital maintenance – in the light of high-profile examples of companies paying out significant dividends shortly before profit warnings and, in some cases, insolvency. It is concerned that there is currently no fixed definition of realised profits and losses as a basis for dividend payments, or a requirement to disclose these figures, although the accounting bodies provide voluntary guidance on these matters.
- The Government proposes that the new regulator, ARGA, should be tasked with defining and enforcing an appropriate definition. Companies should also publish their distributable reserves in their annual report.
- Directors should also be required to formally attest that dividend decisions will not jeopardise the future solvency of the company, e.g. over the next two years.

IoD view:

We are in broad agreement with the Government's proposed approach. In particular, **we are strongly of the view that the board as a whole should retain collective responsibility for oversight of the internal control and risk management framework**, and that this responsibility should not be concentrated on specific corporate officers e.g. the CEO and CFO, as is the case with SOX.

In addition, **we agree that external assurance of the internal control framework should not be a mandatory requirement except in extreme cases**. However, companies should be encouraged to make use of external assurance where necessary in order to help build confidence in their governance.

We support the Government's proposed approach in terms of dividends and capital maintenance – in a recent survey, 71% of our members agreed that directors of large companies should be subjected to stronger personal accountability for the legality of dividend payments and their impact on the future solvency of their organisation (see Appendix).

However, notwithstanding the more measured approach in comparison with SOX, **there is little doubt that the new internal control regime will necessitate the commitment of significant new investment in compliance, given that directors will be subject to much greater external scrutiny from regulators, investors and other stakeholders**.

Directors will feel more vulnerable in terms of their personal liability and, perhaps, less inclined to take on such significant responsibilities in the first place. They are also likely to devote even more of their bandwidth to compliance activities rather than strategic discussions focused on the commercial success of their organisations.

While some may regard such a shift in focus as a necessary response to recent corporate failures, it is also important to recognise that **there needs to be a balance in the allocation of the board's limited time between reducing the risk of corporate failure – which can never be entirely eliminated - and driving the future success of the organisation**. If the attention of directors is excessively skewed towards the former activity, there will be a price to be paid in terms of UK business success and competitiveness.

3) NEW CORPORATE REPORTING

Key Government proposals:

- The Government proposes to introduce a statutory requirement for PIEs to annually publish a Resilience Statement that describes the company's short, medium, and long-term prospects for survival, combining the existing Going Concern and Viability statements into one statement.
- The new statement will require companies to assess their resilience over a 5 year time horizon and include at least two reverse stress testing scenarios.
- This new requirement would initially apply to premium listed companies for the first two years before being extended to all PIEs.
- The Government will require companies to publish an annual Audit and Assurance Policy describing how they intend to obtain assurance around their corporate reporting - including reporting which extends beyond the core financial statements. The policy must also set out planned auditing processes, e.g. around the role of internal audit and the external audit tendering process.
- The new requirement will apply initially to premium listed companies before being extended to PIEs after two years.
- At listed companies, the Audit and Assurance Policy would be subject to an advisory shareholder vote at the AGM.
- The Government is also proposing that PIEs report on supplier payment practices in their annual report. Currently, some companies state in their annual report if they comply with the Payment Practices Reporting Duty or are signatories to the voluntary Prompt Payment Code. But most do not provide detail on their supplier payment record over the previous year.

IoD view:

The IoD agrees with the proposal for PIEs to publish a Resilience Statement. It has been clear for some years now that the Viability Statement has not worked as planned and has instead led to boilerplate statements that do not disclose adequate information about the viability of a company over an appropriate time horizon.

We also favour the inclusion of climate related reporting within the Resilience Statement, e.g. analysing the impact of climate change on the company in terms of its strategy, business model and ultimate viability on the basis of the TCFD² climate change reporting framework.

However, we remain concerned that Resilience Statements will still be afflicted by boiler plate disclosures. We are not convinced that the White Paper contains any proposals – aside from more rigorous scrutiny by the new regulator - that will make better disclosures any more likely or more meaningful.

We agree that an annual Audit and Assurance Policy will be a useful addition to annual reports, which may help investors gain a greater understanding of a company's approach – particularly in respect of external assurance beyond the financial statements.

However, we are sceptical about the introduction of an annual advisory vote for shareholders on the policy. Ultimately, we do not believe that a proliferation of shareholder votes on individual strategic issues is in the interests of good governance. The primary focus of shareholders should not be to second-guess the specific decisions of boards, but rather to determine if the appropriate directors have been appointed in the first place – and hold them accountable through the director election and re-election voting process.

² Task Force on Climate Related Financial Disclosures.

We agree that the requirement for both Resilience and Audit & Assurance Policy statements should initially be applied to publicly listed companies, but only be extended to newly-defined PIEs at a later date.

We are fully in agreement with the proposal that PIEs should publish details of their supplier payment record over the previous year in their annual report, including at Group level. We also agree that that this disclosure should appear in the Strategic Review.

We note that the Government is not minded at this stage to require companies to publish an annual public interest statement, as recommended by the Brydon Review. In our view, the way to modernise the reporting of corporate purpose and the firm's wider duties to society is **through a reform of section 172 of the Companies Act. The IoD is a supporter of the Better Business Act campaign³**, which would require directors to report on how they balance the interests of stakeholders in the context of their perceived duties to wider society (including the planetary environment).

4) **SUPERVISION OF CORPORATE REPORTING**

Key Government proposals:

- The Government proposes to define ARGA's powers in the light of the conclusion of the Kingman Review that the FRC's powers were insufficient.
- The existing Corporate Reporting Review (CRR) investigatory scope will be extended to the entire annual reports and accounts from its previous narrow focus on specific sections.
- ARGA will have the power to directly require changes to annual reports and accounts (rather than indirectly via a court order).
- ARGA will also be given the power to publish correspondence and summary findings as part of a CRR enquiry.

IoD view:

The IoD supports these proposals, although it will be important to ensure that sufficient checks and balances are put in place relative to the powers of ARGA – including an appropriate appeals process and regular parliamentary scrutiny.

³ <https://betterbusinessact.org/>

5) COMPANY DIRECTORS

Key Government proposals:

- At the present time, the FRC can only take enforcement action against a director registered with one of the accountancy bodies. ARGA will now have the power to investigate and sanction breaches of corporate reporting and audit-related responsibilities by any director.
- The Government proposes that directors of entities that are not companies, such as LLPs, will be within scope of ARGAs powers.
- The Government will strengthen the UK Corporate Governance Code's existing provisions on malus and clawback of executive remuneration. The Code will recommend that companies set trigger points for the initiation of clawback, a timescale of at least two years in which they can utilise such powers and will stress the need to reflect these measures in contractual remuneration arrangements.
- The Government does not propose to introduce an authorisation type scheme for company directors as it believes this would "represent a major extension of regulation and a disproportionate burden that potentially deters listing and investment in the UK".
- The Government is considering how to encourage improved behavioural standards in the way that directors carry out their duties relating to corporate reporting and audit (e.g. acting with honesty and integrity in the provision of information to the auditor). This might allow the regulator to take action against a director who failed to live up to those standards.

IoD view:

The IoD recognizes that more meaningful oversight by ARGAs over the fulfillment of director duties relating to corporate reporting and audit is appropriate. According to our recent survey, 56% of IoD members support the expansion of ARGAs powers to meaningfully investigate misconduct or non-compliance by company directors in respect of corporate reporting and audit (see Appendix).

However, it is essential that ARGAs adopts a measured and proportionate approach to its investigative and enforcement activities. **An overly prescriptive or punitive approach relative to other major jurisdictions would exert a chilling effect on UK business.**

One of the IoDs main concerns with the White Paper is that **minimal attention is paid to the underlying drivers of director behavior**. There is an implicit assumption that the solution to the governance shortcomings of recent years is simply tougher regulatory enforcement.

In our view, and in the opinion of our members, this is an extremely short-sighted perspective. Alongside the White Paper's regulatory proposals, **there is a clear need for a professional framework for directors – encompassing a code of conduct and professional development requirements.**

Relevant professional qualifications, such as the Chartered Director designation, have an obvious role to play in ensuring that the board members of PIEs have understood and mastered the complexities of their ever more challenging role.

They also provide a bridge into the boardroom for talented individuals from a more diverse range of professional backgrounds.

The IoD supports the proposed strengthening of the UK Corporate Governance Code's malus and clawback provisions relating to executive pay arrangements. **If trust is to be restored in UK Plc, executive pay must be seen to be justifiable and should never reward failure.**

6) AUDIT PURPOSE AND SCOPE

Key Government proposals:

- The Government proposes to give auditors a specific statutory duty to consider relevant director conduct and wider financial or other information when reaching their judgements.
- The Government does not plan to introduce a mandatory requirement to extend the scope of external assurance beyond the statutory audit of the financial statements.
- It will be left to the company and its shareholders to determine if external assurance of additional aspects of corporate reporting is required. However, where a company does choose to extend the scope of audit, it will be overseen by ARGA.
- The Government will introduce a requirement for PIE directors to report how they have prevented and detected material fraud within their companies.
- The Government also proposes to create a separate audit professional body for external auditors.

IoD view:

The IoD agrees that ARGA should oversee audit activity beyond the financial statements and directors' reporting of how they have prevented and detected material fraud within their companies.

We support the establishment of a new corporate external audit profession – according to our recent survey, 61% of our members agreed that a new professional body for auditors would improve audit standards (see Appendix).

In addition, we wish to highlight **the importance of internal audit as a professional group** alongside that of external audit. Internal audit plays a crucial role in providing expert and independent assurance to directors around internal control, risk management, and many other aspects of corporate functioning. In particular, they will play an important role in supporting directors in fulfilling their new duties in respect of preventing and detecting material fraud.

As we have emphasized above, **the factors justifying the establishment of a corporate audit profession are equally applicable to directors**. Just like auditors, directors need to develop an ethos of professional scepticism, independence and integrity.

There is also a pressing need for directors to acquire a more diverse skillset (e.g. relating to ESG, digitalization, cyber-security, corporate culture, etc), all of which are crucial in the direction of a modern corporation.

60% of our members believe that a professional framework for company directors – equivalent to that proposed in the White Paper for auditors - would improve the quality of directorship in UK companies (see Appendix). Such a framework should incorporate a code of conduct for the directors of PIEs and meaningful requirements in terms of director education and CPD.

The IoD's Chartered Director qualification is an example of a 'gold standard' training process for directors which, if encouraged and on a wider scale at major companies, would substantially improve the capacity of boards to respond in a substantive manner to the White Paper's objectives.

7) AUDIT COMMITTEE OVERSIGHT AND ENGAGEMENT WITH SHAREHOLDERS

Key Government proposals:

- The Government proposes giving ARGA powers to oversee audit committees in the undertaking of their duties.
- This will include the power to require information and/or reports from audit committees, and a power to place an observer on audit committees if necessary.
- It intends to introduce a mechanism for shareholder views to be sought by audit committees on their plans for audits.
- ARGA will not, however, be given independent power to appoint auditors.

IoD view:

The IoD supports the role of ARGA in overseeing to some degree the activities of audit committees and reviewing their reporting.

However, it is important that ARGA does not cross the line into becoming a fully-fledged prudential regulator, as in the financial sector, with an excessively intrusive approach. Such an intrusive approach would not be proportionate and is likely to be counterproductive. As the Government itself points out, audit committees must be allowed to exercise discretion and professional judgment.

There is no evidence to suggest that ARGA employees are better placed than professional board members to fulfil the judgements required of audit committees. **In particular, we are highly sceptical of the proposal to allow ARGA to appoint an observer to an audit committee. That would be an excessive and intrusive step which would encroach onto the board's own responsibilities.**

It would also create the legal risk that the ARGA observer might be viewed as a 'shadow director' of the company – **as well as encouraging boards to abdicate their responsibility over key business judgements to a regulator.**

8) COMPETITION, CHOICE, AND RESILIENCE IN THE AUDIT MARKET

Key Government proposals:

- The Government proposes to introduce a managed shared audit concept which is applicable at all UK-registered FTSE-350 companies.
- Companies would be required to appoint a challenger audit firm if they also appointed a Big Four audit firm to conduct a meaningful proportion of the statutory audit, typically 10-30%.
- If managed shared audit is unsuccessful in building up the capacity of challenger audit firms after a reasonable period of time, the Government could activate a reserve power to introduce a market cap for audit firms.
- The Government will require the operational separation of the audit and non-audit practices of larger audit firms, including separate financial statements.
- ARGA will oversee the governance of audit practices, including the remuneration structures of audit partners.
- ARGA will be able to carry out market studies of the audit market (in partnership with the CMA), make referrals to the CMA for a full market investigation, and commission an expert review of the audits of PIE firms.

IoD view:

We support the Government's desire to reduce concentration in the audit market - it is a longstanding problem that has been a feature of the audit market since the collapse of Arthur Andersen in the early-2000s.

However, **we have significant concerns about the viability of the managed shared audit proposal** – in particular, **the willingness and capacity of the challenger audit firms to take on the role that is envisaged by the Government**. As recognized in the White Paper, it will take the challenger audit firms considerable time to expand their capacities, resources and expertise in order to fulfill this role.

Furthermore, there is also uncertainty about whether the challenger firms themselves are willing to take on this role. Although they will not share joint and several liability for the entire audit, challenger firms will still be liable for their own audit segment. They may find this potential liability to be unattractive – particularly as it will be associated with significant regulatory scrutiny from ARGA.

Questions remain over how the managed shared audit would work in practice with a Big Four firm, particularly whether the challenger firms would be allocated the less desirable or higher risk aspects of an audit. The challenger firms could also face the prospect of their auditors being poached by their larger competitors.

It is also possible that the Big Four could lack confidence in the audit quality of a challenger firm and feel that they have to repeat the work, which would impact on the client and increase the audit costs. Challenger firms may also be able to offer fewer consultancy services to clients for whom they have conducted a managed shared audit, which could make it a less commercially viable proposition for them.

Our view is that the managed shared audit concept needs to be properly tested before it is rolled out over a large number of companies. Currently, its viability is too uncertain. Our proposal is for the regulator to oversee a pilot programme in which managed shared audit is properly assessed, and any issues ironed out before extending to the rest of the FTSE 350. This may mean that the implementation period for the White Paper proposals are phased over a long period of time than currently envisaged.

Unfortunately, none of the proposals in the White Paper, including the power to introduce market caps on audit firms, offer an easy solution to the problem of audit market concentration.

9) SUPERVISION OF AUDIT QUALITY

Key Government proposals:

- The Government will return a power to ARGA (currently held by the accountancy bodies) to determine the eligibility of appointment of an auditor or audit firm to a PIE.
- ARGAs will have the power to publish Audit Quality Reports on individual audits without needing the consent of the audit firm or audited entity.

IoD view:

The IoD supports these proposals.

10) ESTABLISHING THE REGULATOR

Key Government proposals:

- The Government will establish ARGA in legislation and define its objective as: "to protect and promote the interests of investors, other users of corporate reporting and the wider public interest."
- The FRC's existing functions will be transferred to ARGA.
- ARGA will be funded by a statutory levy on market participants, replacing the mix of statutory and voluntary funding that the FRC is currently funded by.

IoD view:

The IoD supports the creation of ARGA, and we urge the Government to lay the relevant legislation as soon as possible. We urge ARGA to remain flexible and stakeholder oriented. It is important that it is established with appropriate checks and balances, and an effective appeals process in relation to its decision-making.

We are concerned that ARGA may not have the necessary levels of resources and expertise to fully realise its objectives. In many respects, ARGA is tasked with responsibilities similar to those of the SEC and PCAOB in the United States – but with far fewer resources.

We wish to emphasize, once again, that ARGA's role is not to create a prudential regulatory regime as established in the banking and financial sector. Public Interest Entities are important components of the UK economy, **but they should never be viewed as too big to fail.** They are market players who from time to time may fail as part of the normal Schumpeterian process of creative destruction.

As a result, the regulatory regime that is overseen by ARGA should be meaningful but not disproportionately restrictive. **Finding the right balance between maintaining high standards of corporate behaviour whilst at the same time permitting longer-time market forces to operate will be a key judgement for the ARGA leadership.**

11) ADDITIONAL CHANGES IN THE REGULATOR'S RESPONSIBILITIES

Key Government proposals:

- ARGA will continue to oversee the chartered accountancy bodies, and will be able to take enforcement action regarding accountants.
- ARGA will establish a standardised code of ethics that chartered accountants will be required to comply with.
- ARGA will also regulate the actuarial industry.
- ARGA will be able to require an expert review where it has identified concerns that a PIE's corporate reporting and audits do not comply with its requirements, and it will have the power to publish a summary of that report.

IoD view:

We support these proposals.

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

With kind regards,

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Appendix – IoD Policy Voice Survey Results, conducted June 2021

The following survey questions were addressed to IoD members in June 2021, and attracted 651 responses.

Should directors of larger UK companies be subject to stronger personal accountability for the legality of dividend payments and their impact on the future solvency of the organisation than at present?

Total: 651 responses

	Total
Total	651
Yes	71%
No – current levels of accountability are sufficient	25%
Don't know	5%

The government is proposing the establishment of a new statutory regulator, ARGAs, which will replace the Financial Reporting Council (FRC). Should ARGAs have significantly more powers to investigate and undertake enforcement action against company directors than is currently the case?

Total: 651 responses

	Total
Total	651
Yes	56%
No – the potential liabilities of directors are already sufficient or excessive	33%
Don't know	12%

Do you think that the establishment of ARGAs as the UK's new audit market regulator will increase the quality of company audits?

Total: 651 responses

	Total
Total	651
Yes it will likely increase	39%
No difference	34%
There will be a negative impact on audit quality	4%
Don't know	24%

Do you think that a new professional body for auditors, separate from the accounting profession and encompassing a wider range of skills beyond just financial knowledge, e.g. IT, ESG, etc., would improve audit standards?

Total: 651 responses

	Total
Total	651
Yes	61%
No difference	16%
No	11%
Don't know	12%

Would the creation of an equivalent new professional framework for company directors (e.g. encompassing mandatory training and a code of conduct) improve the quality of directorship at UK companies?

Total: 651 responses

	Total
Total	651
Yes	60%
No difference	18%
No	14%
Don't know	8%

Should smaller, 'challenger' audit firms be encouraged to undertake the audit of large UK companies alongside the Big 4 audit firms - along the lines of the White Paper's 'managed shared audit' concept?

Total: 651 responses

	Total
Total	651
Yes	74%
No	10%
Don't know	16%
