Key foundations for high-quality reporting: Good practices of monitoring and enforcement, and compliance

Presented by

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Compliance, monitoring and enforcement in the UK

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The UK: Overview

- Sixth largest economy in the world
- One of the world's largest financial centers
- High standards of corporate governance
- Longstanding supporter of international standards and codes
- All but the smallest companies will soon be required to apply either IFRS or UK standards based on the IFRS for SMEs
The UK: Overview (continued)
International co-operation
Financial Reporting

- FRC via its Conduct Committee monitors annual reports and accounts
- Focus on entities of economic significance
- Risk-based selection + complaints
- Formal enquiries passed to the FRC’s Financial Reporting Review Panel – the peer review principle
- Legal action possible, but voluntary revision the norm
- Press notices or ‘committee references’ may result
- The Financial Reporting Lab
Auditing

- FRC monitors PIE audits through its Audit Quality Review (AQR) team – risk-based selection
- Overall, audit quality found to be good and improving
- AQR also monitors the policies and procedures of the major audit firms every 1-3 years
- FRC also recognises and supervises ‘Recognised Supervisory Bodies’ (RSBs)
- The 4 RSBs authorise members to carry out audits and publish audit regulations
- RSBs monitor the quality of non-PIE audits and firm-wide procedures at non-major firms
Professional Conduct

• Primarily the responsibility of the accountancy bodies
• Exams, work experience
• CPD, practicing certificates
• Internationally-based principles for ethical behaviour
• FRC ethics for auditors
• Disciplinary action
Lessons Learned

An integrated oversight body

Ethical behaviour as badge of honour

Balance of power

International outlook

Prevention vs. punishment

Principles-based approach

Effective enforcement

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Prevention vs. punishment
Future Developments?

- Smaller listed companies
- New EU Directives
- Regional and global co-ordination of enforcement
- Strong national enforcement bodies
Any Questions?
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