

Counting on Change? What can we expect audit reform to look like following the General Election?

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As the UK heads to the polls in the 2024 general election and there is likely to be a change in leadership, the question of audit reform may once again be in the spotlight. Although not prominently featured in the Labour Party manifesto, indications from past statements and commitments suggest it could still be a significant agenda item should Labour come into power.

What are Labour's plans?

In the wake of various accounting scandals, the Government's White Paper, and the Sir John Kingman Review, those in the audit and accountancy space have been waiting with bated breath for the replacement of the FRC with the Audit Reform and Governance Authority (ARGA). Dropped from the Kings Speech in November 2023, and with no reference in either the Conservative's or the other political parties manifestos, the FRC was planning on the basis that ARGA may not be up and running until 2026 or 2027.

However, this may be different under a Labour government. While not explicitly referred to in the Labour Party's official manifesto, the party has expressed a strong commitment to enhancing the audit sector's regulatory framework. Shadow business secretary Jonathan Reynolds told the FT back in 2023 that Labour does indeed intend to *'replace the FRC with the new proposed ARGA, which will be the new body with teeth at the heart of this, which does require legislation'*.

In terms of timing, Jonathan Reynolds affirmed in a [statement](#) to the Institute of Chartered Accountants in England and Wales (ICAEW) that audit reform is a priority for Labour. He underscored that ARGA would play a critical role in the reforms that the party plans to implement during its first term, should they come to power. While he stressed that Labour is being cautious about what it commits to action in the first 100 days of government, he added the Audit, Reporting and Governance Authority would be part of whatever measures brought forward.

While this indicates a significant commitment on the part of Labour to push forward with establishing ARGA as a priority, it remains to be seen how speedily and in what manner this will come to fruition with Labour's intention to maintain stability to ensure the UK is perceived as competitive and as an attractive place to do business.

What about the other parties?

While the Conservative Party has supported the need for reforms in the audit sector to enhance business confidence and accountability, the Audit Reform and Governance Bill has been met by continual delays and at times concern from MPs. Some Conservative MPs have expressed concerns about finding the right balance between introducing robust regulatory measures and not overburdening businesses, especially in an economic climate still recovering from global disruptions from Brexit to Covid-19. Mark Pawsey commented [the following](#) during a Parliamentary debate on Audit Reform in 2023: *'Time and again, Opposition parties seek to wrap businesses up in red tape, whereas Conservatives are keen to cut red tape. Consultation with businesses revealed concerns about imposing additional reporting requirements, while the Government are looking to simplify and streamline existing requirements.'*

One to watch and wait...

Despite the absence of explicit mentions in the current election manifestos, the establishment of ARGGA and the broader issue of audit reform seem likely to be on the agenda of the next UK government. The exact timeline and the specifics of the implementation remain unclear and will depend significantly on the election outcome and subsequent priorities set by the winning party. Stakeholders in the audit and governance sectors should stay informed and prepared for potential legislative changes that could affect the landscape of corporate governance in the UK.

Audit reform in the UK remains a crucial issue for maintaining the integrity and reliability of financial reporting and corporate governance. As the political landscape evolves post-election, it will be important to monitor how these reforms are approached and implemented by the incoming government.