

BEIS consultation: Restoring trust in audit and corporate governance: CIOT and ATT response

Large Corporate

07 September 2021

The government's response to its concern about public trust in audit and corporate governance was set out in the consultation document entitled 'Restoring trust in audit and corporate governance' (see tinyurl.com/y3xp5kj4).

It stated: '...stakeholder and wider public trust in the credibility of directors' reporting and the statutory audit has been shaken by a succession of sudden and major corporate collapses which have caused serious economic and social damage ... [T]he audit regulator has in recent years found up to a third of audits carried out by the seven largest audit firms to be in need of improvement or significant improvement. There are also more longstanding concerns about a lack of competition and resilience in the statutory audit market covering the UK's largest companies, and a perceived failure of the audit product to meet the growing expectations of its users.'

Along with other measures to address these concerns, the government proposed giving the Financial Reporting Council's successor body, the Audit, Reporting and Governance Authority (ARGA), increased powers. The scope and role of ARGA was the subject of the consultation document.

Although at face value a consultation entitled 'Restoring trust in audit and corporate governance' would not appear to be of direct relevance to the tax advice market, the paragraph below prompted the CIOT and ATT to make a brief submission:

'There is some evidence to suggest the existing self-regulatory regime does not operate completely satisfactorily, for example the current system has been assessed as accommodating significant risks around money laundering as well as issues of tax avoidance and poor practices in the tax advice market. The government is already taking action to address these specific issues as part of the Economic Crime Plan, HMRC's work to improve standards among tax agents and ongoing efforts to tackle tax avoidance.'

We felt it important to make clear that we do not consider that tax should come within the scope of ARGA. This is on the basis that there was no direct correlation between the problems identified in trust and corporate governance and any which exist in the tax advice market.

We made the point that the tax profession is unregulated (save for the anti-money laundering supervision requirements) and that it is largely down to the professional bodies to take the lead in setting and enforcing standards; for example, through the rules on Professional Conduct in Relation to Taxation (PCRT). Indeed, HMRC adopted three of the five PCRT standards for tax planning as part of their standards for agents. The effectiveness of the professional bodies' approach is illustrated by HMRC having identified that 70% of the problems they experience with tax advisers come from the 30% of the tax agents who are not affiliated to any professional body. The biggest quality issue in the tax market is how to address that population; and that was (and continues) to be addressed in HMRC's call for evidence and subsequent consultation, 'Raising standards in the tax advice market', to which CIOT and ATT responded.

Our response can be found at: www.tax.org.uk/ref835.