



Chartered
Institute of
Internal
Auditors

Parliamentary briefing:

Moving the Audit Reform and Corporate Governance Bill Forward

Date: September 2025

[Urgent Need for Audit and Corporate Governance Reform](#)

We welcomed the Government's commitment in last July's King's Speech to publish the draft Audit Reform and Corporate Governance Bill—an important step following years of delay. However, the draft Bill has yet to be published and appears to have stalled once again, with confirmation that it will not be brought forward for pre-legislative scrutiny during the current parliamentary session. This continued inaction raises serious concerns about the Government's commitment to reform and the lack of progress in strengthening audit and corporate governance in the UK.

The case for reform is now more urgent than ever. Strengthening audit and corporate governance is essential to laying the foundations for sustainable growth and economic stability. Investors, the public, and other stakeholders must be able to rely on accurate, transparent reporting from our largest companies, on both financial performance and other business-critical matters. This is fundamental to restoring trust and confidence in UK markets.

We also need an audit regulator with real authority, one that can hold company directors and audit firms to account when failures occur. Without this, the system remains vulnerable, as the regulator lacks the legal powers it needs to do its job effectively.

It is deeply concerning that over seven years have passed since the collapse of Carillion, yet no legislation has been brought forward, despite multiple independent reviews, a Government White Paper and an extensive public consultation. In the meantime, we have witnessed further high-profile corporate failures linked to weaknesses in audit and governance, including Patisserie Valerie, Bulb, Thomas Cook, Wilko, and ISG, making it clear that market oversight remains far from adequate. When companies collapse due to audit and governance failings, this has a devastating impact on people's jobs, pensions and smaller businesses in their supply chains. This is the polar opposite of economic growth.

In today's increasingly volatile geopolitical and macroeconomic environment, a robust and effective audit and corporate governance framework is not a luxury—it is a business necessity. The Audit Reform and Corporate Governance Bill represents a vital opportunity to legislate and regulate for growth, resilience, and accountability. We urge the Government to act without further delay and bring forward this long-overdue legislation.

The key facts on corporate collapses linked to audit and governance deficiencies in the UK:

- **Wilko:** Resulted in **12,500 job losses** and the closure of around **400 retail stores**.
- **ISG:** Resulted in **2,200 redundancies** and has delayed major public infrastructure projects including **new schools and prisons**, with **public sector contracts reportedly worth £1bn**.
- **BHS:** Loss of **11,000 jobs** and a **£571m pension deficit**.
- **Carillion:** Over **3,000 jobs lost**, affecting 30,000 sub-contractors, **costing taxpayers £148m**, and resulting in the cancellation of 450 construction projects including delays to schools and hospitals.
- **Patisserie Valerie:** Approximately **900 jobs lost** and **70 stores closed**.
- **Thomas Cook:** Led to **9,000 redundancies**, **555 store closures**, and left 1,286 businesses owed money.

Research by the Audit Reform Lab at Sheffield University, found that statutory auditors failed to raise the alarm before **three-quarters** of major UK corporate collapses since 2010.

Although previous reviews, such as Sir John Kingman's Independent Review of the Financial Reporting Council (FRC) and Sir Donald Brydon's Independent Review into the Quality and Effectiveness of Audit, laid important groundwork, legislation is now urgently needed to establish the robust regulatory system for audit and corporate governance that is essential for businesses, employees, and investors alike.

The Chartered Institute of Internal Auditors (Chartered IIA) has been a strong advocate for essential reforms to audit and corporate governance, recognising their role in supporting business resilience and delivering a more secure economy. Representing over 10,000 internal auditors across the UK and Ireland, we understand that trust in a robust audit and corporate governance framework is crucial to attracting investment and building business confidence. As well as vital for the health of the broader audit and governance ecosystem, of which the internal audit profession forms a part.

What the Draft Bill Proposes

The Draft Audit Reform and Corporate Governance Bill will deliver three key changes that are essential to rebuilding trust and helping to secure long-term economic stability:

1. Establishment of the Audit, Reporting, and Governance Authority (ARGA): The Bill replaces the Financial Reporting Council (FRC) with ARGA, a statutory regulator with the necessary legal powers to enforce high standards in corporate reporting and audit. ARGA will be equipped to carry out more effective scrutiny of company accounts, improving transparency and reducing the risk of serious failures going undetected.

2. Accountability for Company Directors: The Bill introduces measures that hold all company directors accountable for financial reporting failures, regardless of whether they are members of an accountancy body. This closes a significant loophole and ensures that directors could face consequences for false or inaccurate reporting.

3. Expanded Public Interest Entity (PIE) Status: The Bill proposes broadening the definition of PIEs to include the largest private companies, ensuring consistent regulatory oversight for businesses whose financial health has significant public interest implications. At present, major supermarkets like Tesco and Sainsbury's are classed as PIEs because they are listed on the main London Stock Exchange. However, Asda, a business of comparable size, operating in the same sector and serving millions of UK consumers, is privately owned and therefore not subject to the same audit and governance requirements. Similarly, when companies such as BHS, Bulb and ISG collapsed, they were large private companies, and Patisserie Valerie, listed on the Alternative Investment Market (AIM), was also outside the PIE regime. These cases highlight the urgent need to apply consistent standards to all economically significant companies, regardless of their ownership structure or listing status.

This Bill could bring a range of broader benefits to businesses, employees, investors and the economy. These benefits highlight how the Bill will not only address the technical aspects of auditing and governance but also have far-reaching positive effects on the UK's financial and corporate environment. [Below are some of the key benefits that will emerge from this legislation:](#)

- **Restores trust:** Rebuilds investor and public confidence in audit, corporate governance, and business, supporting greater transparency and accountability.
- **Protecting constituents from avoidable company failures linked to audit deficiencies:** Safeguards jobs, pensions, and suppliers, including small businesses, thereby contributing to economic security.
- **Reinforces the UK's reputation as a world-leading destination for investment, supporting growth and prosperity:** Enhances the accuracy and reliability of financial statements through a more robust audit process supported by stronger regulatory oversight, increasing investor confidence in UK markets.
- **Supports businesses in uncertain times:** Strengthens financial resilience and security, providing directors and investors with reliable reporting to navigate risks.
- **Boosts regulatory oversight & strengthens the audit regulator with legal powers:** Empowers the audit regulator with new statutory powers to hold company directors accountable, enhancing protections against corporate failures linked to audit and governance deficiencies.
- **Transforms corporate governance:** Protects and enhances the UK's standing as a world leader in good corporate governance, supporting jobs and economic stability.

Supporting Audit and Governance Reform Through Secondary Legislation

In addition to progressing the Audit Reform and Corporate Governance Bill, the Government must also act on the outcome of its review of non-financial reporting requirements. This is expected to be delivered through secondary legislation and is essential to achieving a modernised corporate governance framework.

Key reforms we support include requiring large public and private companies, defined as public interest entities under a broadened definition, to publish an Audit and Assurance Policy and a Resilience Statement. These proposals, originally set out by the previous Government, would ensure that companies explain how they obtain assurance over the effectiveness of their internal controls, including whether they have an internal audit function and how they plan to strengthen it.

We believe all public interest entities should be required to have an internal audit function as part of a robust governance structure. Too many corporate collapses in recent years — including BHS, Bulb, FTX, Greensill Finance, ISG, and Patisserie Valerie — involved companies with no internal audit function, exposing serious gaps in internal oversight. We urge the Government to bring forward its proposals for non-financial reporting reform without further delay, alongside the Draft Audit Reform and Corporate Governance Bill.

[Why This Matters Now](#)

Urgent reform is needed to address persistent weaknesses in the UK's audit and corporate governance framework. The significant and recurring nature of corporate failures in the UK emphasises the need for a more robust and transparent audit and governance system to safeguard jobs and restore public trust.

The recent confirmation that the Draft Audit Reform and Corporate Governance Bill will not be published during the current parliamentary session marks yet another delay in a long series of setbacks. Repeated postponements have resulted in the inefficient use of government resources and public funds. These delays have sent mixed signals to businesses and global markets about the UK's commitment to reform, creating further uncertainty for business leaders and investors. Such uncertainty makes it difficult for businesses to undertake the strategic planning needed to support long-term economic stability, attract investment, and drive growth. [As the Chartered Governance Institute emphasised in its February 2024 open letter to the previous Government](#), this uncertainty directly undermines the UK's competitiveness as a listing destination and risks deterring companies from investing in the UK markets altogether.

In 2024, [nearly 90 companies delisted from the London Stock Exchange's main market](#), while only 18 joined — the largest net outflow since 2009. This trend reflects growing concerns among businesses about the UK's regulatory stability and long-term appeal as a capital market. In addition, according to the [Financial Times](#), the UK recorded just 1,375 new foreign direct investment (FDI) projects in the year ending March 2025 — the lowest annual total since the financial crash in 2007–08. This fall reflects waning investor confidence and reinforces the importance of a stable and strong regulatory environment.

Parliament now has the opportunity to reverse these trends. Advancing the Draft Audit Reform and Corporate Governance Bill would send a clear signal that the UK is serious about raising standards, restoring investor confidence, and supporting sustainable economic growth. Parliamentarians have a vital role to play in ensuring these long-promised reforms are finally delivered.

[Next Steps for Parliamentarians](#)

This legislation has waited long enough. We urge all Parliamentarians to play their part in ensuring the Draft Audit Reform and Corporate Governance Bill now moves forward. The Bill has long-standing cross-party backing and has been repeatedly called for by industry, including here at the Chartered IIA. With clear support already in place and its inclusion in the Government's legislative agenda, there is a clear path to delivering reform without any further delays.

The support of Parliamentarians is essential to advancing this Bill efficiently through both Houses. It will ensure the regulator has the powers it needs to enforce rigorous scrutiny, safeguard financial transparency, and build public trust in our most important businesses. This will not only help restore confidence in the corporate sector but also strengthen the UK's reputation as a world-leading destination for investment.

We urge Parliamentarians to advocate for the timely passage of the Draft Audit Reform and Corporate Governance Bill without further delay to ensure that ARGAs are established and operational as swiftly as possible. **You can do the following to help:**

- **Table a written or oral question** to press Ministers on when the Draft Audit Reform and Corporate Governance Bill will be brought before Parliament.
- **Add your name to our cross-party letter** calling on the Government to prioritise the Bill's passage in this session.
- **Write directly to the Secretary of State for Business and Trade or Prime Minister**, urging timely action to establish ARGAs and deliver the reforms promised in last year's King's Speech.
- **Use debates, committee work or media appearances** to publicly highlight the importance of audit and corporate governance reform in preventing future corporate failures and protecting the UK's economic reputation.

[Contact Us](#)

We hope this briefing has provided a clear case for the urgent need for the Audit Reform and Corporate Governance Bill. For any enquiries regarding this briefing or if you would like to arrange a meeting to discuss how we can further support your work as a parliamentarian, please contact [Gavin Hayes, Head of Policy and Public Affairs at \[gavin.hayes@charterediia.org\]\(mailto:gavin.hayes@charterediia.org\)](#).