**UK TAXATION AND AUDITING**

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# Introduction

The government of the UK is focusing on gaining the trust of the population in the audit and “corporate governance” process. This study aims to develop an understanding of the role of the company directors as well as the management board towards the instruction of the “internal control reporting” process. The UK government is reforming proposals in order to restore the trusting process. The study also includes the identification of different difficulties faced by the government in this regard.

# Factors responsible for compromising audit reforms

In order to strengthen the auditing process, the government of the UK is focusing on publishing a new set of plans which includes “corporate governing” as well as improving the “corporate governance system”. There are different factors responsible for measuring the quality of audits such as the “***internal controls framework***”. Factors responsible for composing audit forms cover wide areas from “audit commit transparency” to the establishment of “effective communication”.

***Effectiveness of communication:*** In order to reform the audit committee, one important condition includes the effective flow of communication within the finance function, the board, and also with the “chief finance officer”. In the opinion of De Widt *et al*. (2022), the appointment of auditors with respect to local authorities of England accounts as the responsibility of the “audit commission”. It is essential to collect meaningful insight in order to evaluate the chance of occurrence of any form of emerging risk within a business.

***Finance functions strengths:*** The effectiveness of an audit committee lies in the process of delivery of risk management reports which can earn the trust of employees of the business. One of the important aspects of auditing is that it is responsible for enhancing the quality of financial reporting (Ifac, 2022). The finance function is mainly responsible for the development of auditable information which is eligible for external disclosure. As identified in the case scenario, it is important for company auditors to adopt “fraud” prevention measures. Herein, the most important measure is to select appropriate staff in order to ensure continuous development.

***Composition of the committee:*** It is important to select the right staff for the development of a new “audit committee” for the business”. In opinion Gelter and Gurrea-Martínez (2020), it is important to ensure that the population understands the importance of auditing in terms of the usefulness of auditing which further helps in increasing the confidence of investors. It is important to have audit members with diverse experience as well as expertise in the industry. It is the task of members of the audit committee to stay updated on current issues in the UK. The incorporation of training programmes is also essential in order to keep the members aware of the latest technological changes and improve the auditing process accordingly.

# Difficulties faced by Government

The UK government is aiming to reform the corporate governance system and also improve the audit process in the UK. In the opinion of Tidmarsh (2020), the intensification of audit culture focuses on monitoring the performance of providers. The government of the UK is facing high-profile failure issues in its approach to improving auditing practices. ***Increased conflict of interest*** between different hierarchies of management of companies is one of the biggest difficulties faced by the government. The influence of management over the auditor often results in harming the interest of auditors. ***Weak regulation*** across the supervisors highlights the important aspect in terms of managing resources or power within the work process. Implementation of auditory reforms included the creation of a system in teams of alignment of powers as well as responsibilities. The incorporation of new regulators can help in reducing the occurrence of any form of financial failure. In this regard, difficulties faced by the government are assessed by the publishing of high-level framework settings.

Accountancy firms in the UK are facing limitations in terms of ***a lack of competition*** in the market. The government of the UK is facing difficulties from “BIg four accounting firms” which are effectively shunning the audit reform (Commonslibrary, 2022). Ministers and officials are proposing “***managing shared audit***” in order to work with the small rivals. “Poor quality” and “inadequate” purpose are other difficulties identified when the government is proposing reform in audit and taxation policy. The “***Financial Reporting Council***” is failing to meet wider expectations and thus resulting in difficulties for the reform plan developed by the government. The audit industry is reforming in terms of improving the working process of the business department. Reformation includes increased accountability for different directors and thus highlights the need for the establishment of clear operational separation of the audit. As identified in the case scenario, one of the important pitfalls is an “***issue in terms of management of fraud***”. Company directors need to control the internal environment so that accurate assessment of financial reports becomes possible.

Expansion of the definition of “***Public Interest Entity***” is an important difficulty faced by the government of the UK. In the opinion of Elsayed *et al.* (2022), the incorporation of an independent audit committee helps in managing management pressure on the auditor. Incorporation of a new ***professional body for corporate auditors*** is another difficulty in this process. Lack of clarity regarding the establishment of such a professional body imposes difficulty. It is important for the Uk government to reduce the occurrence of any form of uncertainty in terms of expectations of driving better results by a professional body.

# The approach adopted by government

The government of the UK is adopting significant approaches in order to address the dominance of big firms and thus effectively restore the trust of big businesses. According to Humphrey *et al*. (2021), the evolution of audits is essential in order to enhance the efficiency of audits and thus enhance capability in order to serve the interest of the public. The primary approach adopted by the government of the UK is to ***reduce the risk of sudden collapse of businesses***. The government is committing to ***review different corporate-related reports*** which can further help in maximising the profit of the business. In order to revamp the auditing regime, one important step taken by the government is to address the dominance of Big audit forms in the UK. ***Effective reporting of corporate activities*** helps in the prevention of any form of collapse of business. This further helps in supporting confidence across the business and also creating jobs effectively.

There are different factors that are considered in the process of developing reforms in auditing. In the opinion of Johnsen (2019), the expansion of audit activities creates scope for the development of business. The government is adopting an approach in terms of creating transparent business activities and thus highlighting profit and loss happening in the business. One of the important conditions is not distributing any dividends when any business is on the brink of collapse. Adoption of strategy in terms of ***providing more information to investors*** helps in reducing the occurrence of fraud in the business. It is essential for businesses to curtail the dominance of any form of audit firm. The government is focusing on the incorporation of a new regulator which can help in meeting challenges within business. The UK government is planning to establish a corporate reporting regime and thus establish new leaders for auditing. The government is also updating the definition of “micro-enterprise”.

The government of the UK is focusing on taking actions and thus establishing a new set of rules. Approach adopted by the government includes reviewing business proposals and thus maximising benefits from “Brexit” (Gov, 2023). The reform strategy adopted by the government is focusing on the growth of UK companies while the process of bolstering “investment” in business. The government is updating new proposals for business and thus regulating in a proportionate manner. Preparation of accounts to detail the needs of big companies can further help in improving the quality of work. The government of the UK is focusing on reviewing accounts of large firms and thus settling a global standard.

# Improving confidence in financial statement users and in capital market

One of the important ways of improving the quality of audits is to scrutinise transactions happening within a business and reduce the chance of occurrence of failure. According to the opinion of La Torre *et al.* (2020), increasing transparency of accounting activity helps in rebuilding the trust of investors in the business. It includes the conduction of an analysis of traditional accounting systems, thus further fostering trust and accountability and establishing accounting as well as reporting practices. Provision of auditing services includes boosting the quality of audits and thus restoring the confidence of investors in the UK market of UK. In order to strengthen the audit of the UK, the government is establishing a corporate governance framework. It is important to restore trust in the auditing process, one important condition is to ensure quality as well as the accuracy of information shared and thus reporting about the activities of the company (Block *et al*., 2021). It is important to highlight improvements resulting in the business from improving the business practice.

The establishment of independent regulators in the audit helps in high-quality regulation and setting standards as well. In the opinion of Krasodomska *et al.* (2021), directors are held accountable in terms of the occurrence of failure in the business. Auditors need to set high standards while working under high-standard regulators and thus subjecting professional bodies to better oversight by new governance techniques. The imposition of new strong rules helps in achieving the best outcome for the business. The government of the UK is focusing on investing in the business and thus ensuring the growth of the business under every circumstance. Regulations imposed for smaller entities are also retaining EU laws and thus resulting in developing the existing auditing situation. In order to restore trust in audit, the government is ensuring accountability in terms of obtaining new investments for the business. In order to conduct that, the government of the UK is approaching to ensure new freedom in business.

One of the significant approaches adopted by the UK government is to introduce as well as maintain a high standard of cost. In view of Dumay *et al.* (2019), the establishment of the right framework for an independent regulator includes amending EU laws that are not suitable for the UK. The creation of scope for adjustment of the framework helps immediate reform where it is necessary. Proportionality accounts as a key theme of response which helps in looking at opportunities for developing solutions in order to survive the market. The establishment of a new “statutory instrument” includes the preparation of a new draft for regulating business operations. The government is reviewing the regulatory framework and using legislation to enable necessary improvements made.

# Conclusion

The study concludes that the adoption of effective approaches such as improving finance function strength and communication can result in improving the auditing process. It is important for directors of the company to manage resource distribution within the company and also balance work distribution-related approaches. The study concludes adoption of a new framework can help in establishing a new auditing framework. Assessing the difficulties faced by the government helps in managing different approaches adopted by the government in this regard.

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