

## It's time for the Corporate Accountability Network

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I have already commented this morning upon the report from the BEIS committee on the future of auditing in the UK. There are two paragraphs I do, for personal reasons, wish to particularly highlight. [They are these](#):

*90. The Government cannot unilaterally change the international accounting standards, but it can seek to tighten the law. Stopping imprudent distributions makes companies more resilient and encourages management to think longer term and tackle problems earlier. The principle of prudence should be made explicit in the law and its interpretation.*

*91. The Government and the FRC should lead international efforts to improve accounting standards. If the Government wants to achieve its ambitions of a Global Britain advancing UK influence and interests, then it should be prepared to spell out how it wants to lead international standards on key sectors such as accounting and audit.*

I am now creating the Corporate Accountability Network. It would have been called the Accounting Standards Network if that had been possible, but under UK law it is not: the term 'accounting standards' is regulated, and reserved for use by those who it is clear have failed us, badly.

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The Corporate Accountability Network (CAN) will exist to challenge the accounting profession at its very core. It will seek to transform the way private sector companies, in particular, tell the world about their activities through the medium of their accounts.

As I have noted here of late, the way anyone sees the world very largely depends upon the stories that we tell. In turn, these stories depend upon both the perspective of the narrator and their intended audience. Nowhere is this more true than for private sector businesses. The stories they have to tell are delivered in their accounts. And current

accounting rules require that the story be narrated by the company and only to the providers of capital to it. No other perspective does matter according to the current rules of accounting. As a result little information of use to anyone but shareholders is included in accounts at present. Today's BEIS report highlights all the failings that flow from that.

The CAN thinks that the public purpose of accountancy, and so accounts, needs to be restored. This means that it must be recognised the providers of capital to a company are not the only group who have an interest in the activities that a company undertakes. The other stakeholder groups who we think should be considered when preparing accounts are:

- \* Those people a company does, or might, trade with;
- \* Employees, whether present or retired, and those looking for a job;
- \* Regulators;
- \* Tax authorities;
- \* Civil society in all its forms.

The Corporate Accountability Network (CAN) wants to change the way we see the activities, contributions and costs of companies by changing the way they present their accounts to the world so that all those companies' stakeholders can understand what they are doing. It is important to note that in 1975 the UK Accounting Standards Steering Committee agreed with this logic. It was only from 2005 that the restriction in scope to the providers of capital alone was adopted.

To achieve its goals the CAN will promote four strands of work:

- \* A new conceptual framework for accounting that takes the needs of all stakeholders into account;
- \* Promoting new sample accounting standards, focussing at first on the reporting required by smaller businesses and the reporting required to meet employee needs;
- \* A campaign to require that all accounts be published in full on public record;
- \* The creation of accounting tools to assist adoption of these approaches before they become mandatory.

To increase its chance of success the CAN proposes to work with:

- \* The accountancy profession;
- \* Accounting firms;

- \* Universities;
- \* The business community;
- \* Trade unions and other employee organisations;
- \* Government agencies;
- \* As wide a range of civil society groups as possible.

If the CAN succeeds these outcomes will be achieved:

- \* Accountancy's public purpose will have been restored;
- \* The risk from trading with limited companies will have been reduced;
- \* Local economies will have more data to appraise risk, and so be stronger;
- \* Companies will, by being more accountable to their stakeholders, change their behaviour.

The result should be:

- \* Improved trading relationships for both customers and suppliers;
- \* Better employee relationships, and maybe fairer employment practices;
- \* Better regulatory compliance;
- \* An improved understanding of the contribution business makes by paying and collecting taxes;
- \* A much-improved understanding of the role of business in the community, to the benefit of business themselves as well as to the communities that host their activities.

If you want to support this work, please let me know. If no one else will rise to the BEIS committee's challenge the Corporate Accountability Network will.