

Is the Financial Reporting Council doing enough to make...

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The [Financial Reporting Council](#) has issued its Annual Enforcement Review for 2020 this morning. It includes this statement, on page 42:

We continue to encounter cases where it is not possible to establish what audit procedures have been carried out because they are not recorded on the file. At the very least, this is a breach of the standards requiring appropriate documentation, but at worst raises the question of whether the work has been done adequately, or at all.

Let's stand back from what else this report might say (and I find much of it quite hard to reconcile with the recent damning reports from the same body on the work of the biggest secret auditors in the last year) and just consider this one issue.

How is it that in 2020 the FRC, which has been the audit profession's regulator for a considerable period, has not managed to ensure that three really basic things happen?

The first is the basic training of auditors by their professional bodies so that they all know that the basic recording of their work is so fundamental that it never occurs to them that they can omit doing so?

The second is the basic training of all audit partners so that they know that there is literally no circumstance in which they can permit this to happen, at pain of losing their audit licence?

The third is to ensure that charges of professional misconduct are always made against those who permit these failings, which I almost never see despite the fact that the FRC is saying that they happen?

The first failing suggests that the professional institutes are beyond the reach of the Financial Reporting Council.

The second suggests that audit partners think the FRC poses a hollow threat to them.

The third proves that is the case.

In that case at the most basic of levels - in requiring proof that an audit is actually done - the FRC has failed in its task.

What is really worrying is that the very clear tone of the report suggests that all the planned reform to audit regulation that was in progress a year ago - including the planned replacement of the FRC itself - is now on hold as a result of coronavirus, and that the FRC sees itself remaining in its current role for a long time to come.

When audit is at present probably harder than it has ever been - and when the FRC is admitting that there is already evidence that it is simply not being done and there is no evidence that they are taking effective steps to remedy this - this worries me a lot.

We need an audit regulator that is respected, and that can enforce its opinion. I am not convinced we have such a regulator at present. And when audit is so fundamental to the operation of financial markets that is really worrying.