

## Corporate Accountability Network Audit Briefing: Accoun...

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As I [have noted previously on this blog](#), the [Corporate Accountability Network](#), which I direct, is publishing a series of Audit Briefings that discuss the need for audit reform in the UK. The [background to this series](#) is noted here.

In previous briefings, [I have addressed the question of what accounts are and what public interest entities, or \(PIEs\), might be](#). The issue as to [who the stakeholders of PIEs might be](#) has also been considered, as [has the question as to what information they might need](#) been addressed. All the [links are to be found here](#).

In [the latest briefing, I turn to another issue](#). In the first of two briefings on related themes, I look at the foundations for audit reform. In [this first one](#) I look at the long and complicated history of auditing and accounting, and how they relate to each other. My argument is that current audit reforms proposals are based upon the logic that:

- \* That there is such a thing as an audit independent of the accounting of the entity to which it relates;
- \* That in a commercial environment an auditor can form an objective opinion upon the accounts of their client;
- \* The auditor can report without asking whether the accounting framework used by the entity on whose accounts they are offering opinion is fit for purpose;
- \* The quality of an audit can be appraised independently of the accounts to which they relate;
- \* A structured form of audit opinion reporting can meet the needs of the users of accounts;
- \* The main stakeholder to whom the auditor need address themselves are the shareholders of the entity even though they comprise a subset of just one of the, at least six, stakeholder groups that can be identified for any entity.

To explore this issue and then consider the history of this relationship between two

intimately related accounting activities over a period of 170 years before concluding that the assumptions that are implicit within all the audit reform proposals that have been made by and to the government by officially created bodies are wrong in basing their thinking upon the above-noted assumptions and that they should, instead, have assumed:

- \* There is no such a thing as an audit independent of the accounting of the entity to which it relates;
- \* In a commercial environment an auditor cannot form an objective opinion upon the accounts of their client: that opinion must always, instead, be subjective, which subjective opinions are precisely what are required;
- \* The auditor cannot report without asking whether the accounting framework used by the entity on whose accounts they are offering opinion is fit for purpose;
- \* The quality of an audit cannot be appraised independently of the accounts to which they relate;
- \* A structured form of audit opinion reporting does meet the needs of the users of accounts;
- \* The stakeholder to whom the auditor needs address themselves are all those of the entity i.e. its:
  - \* Suppliers of capital, in all its forms;
  - \* Trading partners;
  - \* Employees, whether past, present or future;
  - \* Regulators;
  - \* Tax authorities;
  - \* Civil society partners, known and unknown to it.

Will they take note? I gather the planned announcement of reforms will be out soon. Then we might know.