2021

The Push for Independence: A Closer Look at the United States and United Kingdom Regulatory Environments

Nicholas Hardner
John Carroll University, nhardner21@jcu.edu

The Push for Independence:

A Closer Look at the United States and United Kingdom Regulatory Environments

Nicholas K. Hardner

School of Accountancy and Information Sciences, John Carroll University

AC 498/HP 450: Honors Senior Capstone Project

Mr. Donald J. Dailey, CPA and Dr. Mark D. Sheldon, CPA, CISA

May 2, 2021

Abstract:

The purpose of this research project is to examine the regulatory environments of both the United States (U.S.) and United Kingdom (U.K.) and to further compare and contrast the two. This comes in recent light of the prominent topic of the Big Four public accounting firms (i.e., Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers) being called to separate their audit practices from their other lines of service over independence concerns within the U.K. At the time of the creation of this project's focus, there had been public outcry for this action to take form after numerous audit failures, which came to fruition in July of 2020. The Financial Reporting Council (FRC), which governs the accounting industry within the U.K., has ordered the Big Four to separate their audit practices from the rest of the firms by June of 2024. How did the firms get to this point? Should the U.K. look at the profession's response to the collapse of Enron in the U.S. as a model or guide on how to navigate the current climate and obstacles that they face over the next few years?

The Creation of the Public Company Accounting Oversight Board

One of the very first lessons taught in a traditional introductory accounting course involves the Securities and Exchange Commission (SEC), the fall of Enron, and ultimately the loss of trust in the accounting profession. This large scandal is what led to the passing of the Sarbanes-Oxley Act (SOX) and the creation of the Public Company Accounting Oversight Board (PCAOB) in 2002. Prior to these events, the provision of significant non-auditing services to audit clients challenged appearances of independence among the firm and the client. The Enron scandal made it clear that there was a need for additional internal controls over financial reporting (ICFR) especially since Enron had been perceived as a financially sound company at the time. The Sarbanes-Oxley Act transformed the accounting profession by making a myriad of changes such as increasing corporate transparency to the shareholders, strengthening whistle-blower protections, increasing corporate accountability, and as previously mentioned the creation of the PCAOB.

The nineteen years since these changes were implemented have brought much higher audit success rates and a higher rate of identifying corporate fraud (Carlson). We are getting better at detecting fraud primarily due to the requirements SOX set for financial reporting and corporate executive accountability. A 2017 study conducted by the American Accounting Association (AAA) found that SOX delivered on its two main intentions. The first being reducing corporate fraud, and the latter being increasing investor protections.

One of the largest changes was the implementation of nine prohibited nonaudit services that are informally sometimes referred to as the "nasty nine." Auditors are prohibited from providing these services to any publicly held audit client. They include: (1) bookkeeping, (2) financial information systems design and implementation, (3) appraisal or valuation services, (4) actuarial services, (5) internal audit outsourcing services, (6) management functions or human resources, (7) broker-dealer, investment adviser, or investment banking services, (8) legal and expert services unrelated to the audit, and lastly (9) any other services that the PCAOB determines by regulation are impermissible.

That is not to say that SOX did not have opposition, but it does appear to have been effective in its intention to increase confidence in internal financial controls and in turn reduce the occurrence of fraud (Kim). It has been widely credited with the reformation of the accounting profession, specifically the financial regulatory environment. The critics will point to the costs that the companies are burdened with to implement their compliance processes, but it could also be argued that they are worth it in the long run. The SEC has been vigilant in monitoring the after-effects of SOX and even as recently as March 2020 voted to revise its definition of "smaller public companies" from having their internal controls over financial reporting from being audited (Cohn). The cutoff for being considered a smaller public company is now under $100 million in annual revenue and $700 million market cap. Should the Big Four in the U.K. analyze the impact that SOX had in the U.S. and consider implementing something similar in addition to their divergence plan? This is a primary question that will be further discussed throughout the research project itself.

Repeated Failures of Independence in the United Kingdom

As mentioned, there had been concerns with independence being upheld among the accounting profession in the U.K. dating back to at least 2018. It was becoming more and more evident that consulting and non-audit services were growing and making up more and more of the Big Four's revenue shares. This would not have been the biggest concern, if their share of the audit market were not also simultaneously growing. An increase in non-audit services and their share of the audit market indicated that the risk of a conflict of interest was very much present. This suspicion came true as audit failure rates continued to increase and was brought to the forefront with numerous high-profile accounting scandals including Germany's Wirecard.

This decision to order the Big Four to achieve operational separation directly impacts the accounting profession at its core. For the accounting profession to operate within its intended purpose, there must be trust that these auditors are maintaining independence and have the interests of the external users in mind. The FRC reported that nearly 60% of the audits that it had reviewed did not meet its required standards. The Big Four all made the headlines for the wrong reasons. These include Deloitte being fined a record $19M over audit failures, EY's client Wirecard collapsing, KPMG having nearly a 50% audit deficiency rate, and PwC for providing advice to executives of an audit client (Chapman; Kahn; Kinder; Ziady). From these issues listed, it is not difficult to recognize that these are not isolated instances, and that this behavior is unacceptable and occurring much too often.

Auditors Getting Caught Up in Advisory and Consulting Work

Arguably, one of the biggest concerns and reasons for this split was the fact that the Big Four had become much more focused on providing consulting work for U.K. companies. In 2018, the Big Four audited 81.8% of all UK-listed businesses despite 72% of their respective revenues stemming from non-audit work such as consulting (Bramwell). This issue is eerily like what led to the downfall of Enron and the distrust in the accounting profession within the United States. Therefore, it is a fair assumption that this type of split is in the best interest of all the parties involved. The United Kingdom, by making this decision, is trying to not shift the costs onto the FTSE 100 companies. If the decision was made to pursue more the route the U.S. took with Sarbanes-Oxley and the creation of the PCAOB, then these companies would be the ones who are burdening much of the costs. That does not seem appropriate as they are not directly responsible for these high-profile audit failures. This split will also force the firms to focus on providing quality audit and assurance services to their clients, as their revenue streams will be separated as well. This is all with the intention to remove the possibility for any conflicts of interest.

An unprecedented split this large will come at the expense of the public accounting firms themselves. A large disadvantage is the amount of uncertainty surrounding the logistics of how to proceed with such a split. The firms will be split into two separate business units (believed to be within the same parent company), which makes it unclear whether they will be able to share resources. It is practically unheard of before, and there is not much guidance to look to on how best to implement such a drastic change. There are many questions surrounding costs to the firms such as overhead and labor force. Critics could also argue that the firms will now be devoting more time and resources to implement this separation, as opposed to focusing on trying to improve on the high audit failure rates that have been occurring.

U.K. and U.S. Historically Taking Different Types of Approach

This is not the first time that the U.K. has opted to take a much more hardline approach to improve audit quality. In 2016, the European Union (E.U.) changed the requirement so that companies rotate their audit partner every six years and their audit firm every ten years, as opposed to the U.S. which just requires the audit engagement partner to rotate every five years, but with no restriction on rotating the audit firm itself (Tysiac). According to the E.U., "The intention of mandatory audit firm rotation is to improve audit quality by limiting risks of repeated inaccuracies, encouraging fresh thinking, and strengthening skepticism." This begs the question as to whether rotating firms within the U.K. will contribute to achieving a stronger level of independence or hurt the quality of the audit due to starting fresh (Brown). There is a possible tradeoff between familiarity and audit quality.

The Role of Brexit in the Separation

This opens another door of uncertainty, as what impact will Brexit have on the accounting profession and financial reporting standards in the U.K.? Brexit was the unexpected decision made by the U.K. to leave the E.U., which will further cloud the transition and separation of the audit practices moving forward. The withdrawal had been in the works as early as 2015 and the decision to follow through with it came as a shock to many around the world. The process was long and tiresome with the transition period officially concluding on December 31, 2020 amidst the global pandemic. E.U. Regulation 537/2014 addresses the rotation of the auditor and audit firms for FTSE 350 companies, but it remains to be seen how that will be handled moving forward.

Brexit's impact spans across every industry and field thought possible. The implications of the move have brought with it many new challenges and two questions for every one answer (Mauldin). It is impossible to boil down the exact reason why the U.K. voted to leave the E.U. as it was an economic, political, and social issue all in one.

Up until the conclusion of the transition period on December 31, 2020, all domestic companies whose securities traded in a regulated market were required to use International Financial Reporting Standards (IFRS) as adopted by the E.U. Moving forward, they are now required to use IFRS Standards as adopted by the U.K. This change in accounting standards and financial reporting can lead to differences down the road although they appear to remain very similar at least through 2021 (ICAEW.COM). One of its biggest impacts will be the way that standards are passed and become law. They will now be the responsibility of the Secretary of State for Business, Energy, and Industrial Strategy (BEIS), Kwasi Kwarteng, although the intention will be to delegate these functions to a newly formed independent U.K. endorsement body (GOV.UK). The U.K. Endorsement Board (UKEB) is expected to be established sometime during 2021 and will be overseen by the FRC although it is independent in its technical decision-making. The UKEB, per their official website (endorsement-board.uk), will be responsible for endorsing and adopting new or amended International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) for use by U.K. companies. There are also audit standard implications worth noting that began on January 1, 2021 and apply mostly to European Accounting Association (EAA) auditors and their continuing education requirements.

Much like one of the main objectives of Brexit was to gain full control over their economy, they will now have full control over their accounting standard setting. As previously mentioned, starting this year under Regulations 2019 No. 2019/685 the Secretary of State will have the power to endorse accounting standards (“The International Accounting Standards and European Public Limited-Liability Company”). These duties and power are expected to be passed to the UKEB this year. This is all in cooperation with the International Accounting Standards (IAS) and FRC to ensure a smooth transition. This is a big deal because there are numerous obstacles no longer in the way of the country from passing standards that might make more sense in their country than in other countries that are a member of the E.U. The idea is that they eliminated the middleman and can now choose which future IFRS standards they wish to adopt and adhere to. The creation of the UKEB seems to be great for the U.K. as they will be able to ensure that the potential IAS presented by the IASB are relevant and applicable to be adopted for use of U.K. companies. This new standard setting body resembles the Financial Accounting Standards Board (FASB) within the United States.

One of the initial takeaways is the fear that the U.K.'s divergence from E.U. IFRS could make their companies less appealing to international investors. As of now, they are remaining practically the same as E.U. IFRS, but it should not be surprising to see them split more as the U.K. proceeds to try and distance themselves from the rest of the E.U. The other issue may be the complications that arise from companies that are based in the U.K and have subsidiaries in E.U. countries and vice versa. These situations are going to bring with them many new issues and situations that have not been encountered in the past. On January 6, 2021, the Secretary of State for BEIS announced two changes for the newly U.K. adopted IFRS. The first change being phase 2 of Interest Rate Benchmark Reform, which brought amendments to IFRS 4, 7, 9, 16 and IAS 39. The second announcement being the Extension of the Temporary Exemption from Applying IFRS 9 and amendments to IFRS 4 (UKEB.com; FRC.org). This is being highlighted to show that the U.K. IFRS could begin to differ from E.U. IFRS very quickly.

The U.K. has opted to move towards their own form of national endorsement mechanism via the UKEB and Secretary of State for BEIS. I believe that the benefits of such a move outweigh the potential negatives. The biggest concern is the fear of U.K. companies losing credibility and interest from international investors as they move away from E.U. IFRS. The second concern is that many issues could arise from the U.K. version of IFRS diverging significantly from the E.U.'s version and the complications that could present to companies based in both areas. While those are valid concerns, I do not believe those issues should be blown out of proportion as it has already been noted that the UKEB will be working quite a bit with both the FRC and IASB. This leads me to believe that while the two forms of IFRS could begin to possess numerous differences that it should not lead to many radical divergencies or problems. Ultimately, the U.K. is content having control over their accounting standard setting with the help of the UKEB. They could even look to the U.S. and the way that GAAP has fared in relation to IFRS.

The Role of COVID-19 in the Profession and Separation

As previously discussed, the U.K. has seen quite the hike in large scale audit failures. This separation is the beginning of the overhaul of the audit sector, which is also determining the best course of action to address the impact that COVID-19 will have on the companies and their operations. To try and combat these risks, the U.K. has put a plan into motion to create a new regulator called the Audit, Reporting and Governance Authority (ARGA). The FRC will remain in place as the current regulator until the ARGA launches around 2023. In the meantime, the FRC has asked that the companies provide extensive disclosures on the impact of COVID-19 on finances (Trentmann). They want to see more companies go beyond just the mandatory reporting requirements, so that investors and other users of the financial statements can have a better idea of what current and future earnings will look like.

COVID-19 has had many direct and indirect impacts on conducting audits. The primary way has been the way that most businesses are performing their operations. The pandemic has forced them to shift from their traditional office buildings to a remote “working from home” environment that has continued as of the writing of this paper in April of 2021. That is not to say that all companies have encountered issues to the same degree as many have been running somewhat normal as they were deemed “essential businesses” amidst the pandemic and shutdowns. There are, however, many businesses out there that have seen their fraud risk increase due to the nature of the audits both this past and current year. One of the areas that would be deemed high fraud risk is inventory due to the lack of physical inventory counts (Dohrer). Travel was heavily restricted throughout 2020. The American Institute of Certified Public Accountants (AICPA) has tried to stay ahead of the challenges by issuing COVID-19 Audit & Assurance resources to aid auditors. They released a resource titled "How auditors can test inventory without a site visit" at the end of March 2020. That is nearly only two weeks after COVID-19 struck the U.S. and for that the AICPA should be commended for their quick response. The fact of the matter is that the global pandemic made the regulatory environment even murkier. Further complications to an already complex environment mean the profession needs to continue to stay skeptical and remember to conduct an audit according to Generally Accepted Auditing Standards (GAAS).

Risks of the Separation

There has been vocal criticism for the decision to have the Big Four accounting firms split their U.K. auditing and consulting arms. The primary argument is that such a split is merely cosmetic and will not ensure an improvement in audit quality (Kapoor). The Big Four felt pressure from regulators to come to some type of agreement, but the FRC believes that it will be unenforceable. Many believe that this decision was agreed upon as the country and government was more focused on trying to deal with the issues presented by both Brexit and COVID-19. It had become very difficult to spend more time and resources on trying to negotiation something more enforceable, and therefore it is not backed by legislation.

Another red flag with the agreement is that it still allows staff to work between both the audit and consulting arms of the firm. This seems counterintuitive to the main intention of the separation and begs the question as to why that is allowable. This has led for many of the critics to refer to the agreement as "voluntary." It presents the appearance of independence rather than working to eliminate conflicts of interest. There will also be no separate pool of audit arm profits, so the audit partners will be paid out of the wider firm's cash pot. Meanwhile, the senior audit partners will still head both arms, audit and consulting, of the firm.

Deloitte U.K. made headlines for their decision to create an audit governance board to aid in their audit operational separation (Miller; Robertson). The board will "focus on the policies and procedures for improving audit quality." This move bolsters their credibility and willingness to adhere to the FRC's recommendations to accelerate and bolster their separation. This type of decision has grown popular among the Big Four firms in the U.S. as they also work to gain credibility among regulators and to improve audit quality.

It is worth looking at the stark difference in approach the U.S. took in response to their high-profile audit failures in the early 2000s. These decisions were backed by mandatory government regulation and legislation to ensure that something of that extreme would not occur again. The Sarbanes-Oxley Act is a federal law, which was put in place to counteract the corporate accounting scandals that had been occurring. Granted, the U.S. did not have to simultaneously deal with such large-scale issues such as a global pandemic and the country leaving the longest standing political and economic union. The fear is that the U.K. is still allowing the firms too much freedom and room for issues to arise. There should be more of a concrete plan on how they will proceed in October of 2021, and the hope is that the ARGA will eventually be able to tighten regulations within the accounting industry.

Even without comparing the different courses of action taken in the U.K. to the U.S., many have come out and said the U.K.'s response is weak at its core. Many individuals, both inside and out of the accounting industry, believe that more will need to be done prior to the finalization of the split in 2024 for it to be successful and reliable long term. The obvious change will be to back the separation with a piece of legislation that changes it from voluntary to mandatory. Another concern is that many firms that just fall outside of the Big Four are not required to adhere to the FRC's separation decision. BDO LLP and Grant Thornton LLP, which are the fifth and sixth biggest firms in the U.K., have come out and said that they will "broadly" follow the terms of the FRC agreement (Kapoor). They are not required to present their plans for operational separation to the regulators in October, but have made it known that they are open to making moves that will help to improve overall audit quality. The role that the government hopes to play in the separation will be discussed in more detail in a subsequent section. The question remains as to if this FRC separation will achieve that sought after improvement.

Big Four: Accountants or Consultants?

A very important topic that has been raised in both the U.S. and U.K. is whether the Big Four can afford to sacrifice much of their consulting work to improve overall audit quality. There are well-documented concerns that their revenue streams continue to be dominated by consulting fees therefore raising questions of if independence could even possibly exist. According to *Bean Counters*, "The Big Four now style themselves as all-encompassing purveyors of 'professional services.' Their consultancy-driven slogans tell of transformation from financial watchdogs to professional jacks-of-all-trades, offering the answers on everything from complying with regulations to IT systems, mergers and acquisitions and corporate strategy." From an outside perspective, it is worth asking how the Big Four got to the point of providing such a myriad of different services (Brooks). To take it a step further, why has there been such an increase in their consultancy work? There are many world-renowned consulting firms such as McKinsey & Company, The Boston Consulting Group, and Bain & Company. What has motivated these former "financial watchdogs" to become "professional jacks-of-all-trades?"

This issue of independence remains in the U.S., U.K., and most parts of the world. The U.K. competition regulator said in a 2019 sector review: “The concern was that auditors may be reluctant to act objectively and robustly in their audit work for fear that this could be damaging to their relationship with the company management resulting in the loss of non-audit work,” (Kinder). If that quote does not scare the inner regulator within, then I do not know what will. The fact that auditors may be worried about doing their job properly because it may impact other lines of work that they provide the client is comical. The issue really stems because auditors work for the shareholders, not the client. Meanwhile, consultants work for management of the client. The two lines of service are fundamentally at conflict. The interests and their objectives are arguably opposites, and this amplifies the dilemma at hand.

Should the U.S. Follow Suit?

Following the fall of Enron, changes were made to protect the integrity of the audit. These, as previously mentioned, included SOX, the creation of the PCAOB, prohibited non-audit services, and many other changes to disincentivize unethical behavior. As it stands, public accounting firms in the U.S. are still allowed to cross-mingle staff between audit and consulting/other services. This is something that is still being permitted under the proposed U.K. separation plan. This has raised the question as to whether this is in the best interest of independence. Rule 2-01 of SEC Regulation S-X requires auditors to be independent both in fact and appearance. In addition, PCAOB Rule 3525 requires certain communications between the auditor and the audit committee that bear on whether independence existed during the engagement and at the time the audit report was issued. It has been up for discussion lately whether firms in the U.S. are misinterpreting or even blatantly ignoring these restrictions on nonaudit services for audit clients.

Large firms such as PwC and RSM, the fifth largest accounting firm in the U.S., have both gotten in significant trouble for violating Rule 2-02 (Mintz). Section b of this restriction prohibits exercising decision-making authority on behalf of the client, as well as, providing prohibited nonaudit services to an audit client. Both firms, as recent as 2019, fell under legal heat for their parts in these violations. PwC was found to have performed nonaudit services for 15 SEC-registered audit clients, and in turn their actions had created a self-review threat to independence. RSM was found to have violated Rule 2-02 in connection to over 100 audit reports involving at least 15 audit clients. So, while many within the industry view Enron's fall and SOX as being the best things to happen to the accounting profession, has it really had the intended impact? These restrictions were put in place to try and prevent history from repeating itself. Does it matter if firms will continue to try and play within the rules for their own gain?

With that question in mind, it is curious to say the least as to why the U.K. is going to continue to allow the cross-mingling of the staff between service arms. The firms there have already been heavily scrutinized for the high-profile audit failures, so it is surprising to think that that number will drop due to "operational separation." The FRC's current plan seems to be quite surface level and will need to be reinforced this upcoming year with legislation. With that point being made, the U.K.'s government should look at how the U.S. responded to Enron. The response included a plan for stronger regulation within the profession that was also backed by concrete legislation, which was the Sarbanes-Oxley Act.

It should not go unnoticed that the ability to cross-mingle staff between the service lines of the firm does present benefits. For example, many auditors are usually constrained to the industry that is dominant in their geographic area (e.g., manufacturing in the Midwest). The auditor will not have much prior exposure and knowledge of a foreign industry. This is where it is to everyone's benefit for the auditor to reach out to a specialist that has invaluable knowledge of the topic area. A large pool of knowledge is something that cannot have a value placed on it. So, while there are concerns that independence can be compromised by cross-mingling staff, there are benefits to doing so. These benefits do seem to improve overall audit quality, but the issue is figuring out where to draw the line. There is no concrete way to draw the line where the utilization of the consulting arm will compromise the independence of the audit.

Relationship between Big Four and Government

The U.S. Government Accountability Office (GAO) is one of the "watchdogs" within the U.S. They have conducted research in the past pertaining to the Big Four and what types of impact they have on the overall market. A report that they conducted in 2003 following the Enron scandal found that most U.S. large companies will not even consider hiring an auditor from outside the ranks of the Big Four. This is the exact opposite conclusion that many members in academia hypothesized. Many of them believed that by having so few choices in auditors, that it hurt overall audit quality and that by reducing concentration that audit fees would decrease (Chasan). The GAO found that this was not the case although many companies said they would prefer having more than four. The report revealed that smaller public companies believed that they had many choices for their auditor, while the large ones believed they had three or fewer. With the U.K. moving forward with their separation plans, it would be an ideal time for the GAO to do some research pertaining to the thoughts that the U.S. companies and firms have on the proposed plan. Would this type of extreme separation be feasible in the U.S.?

The U.K. government has begun to come out with more concrete and specific ways that they hope to make the separation more enforceable. The goal is to "restore confidence" much like it was in the U.S. following Enron. They hope to do so by taking measures, if needed, such as implementing a cap on the number of companies on the FTSE 350 index that the Big Four may be allowed to audit (BBC News). Sir Donald Brydon, a former chairman of the London Stock Exchange, says “People want to know three things about a business – how it is performing, is it honestly run, and will it survive. And auditors are key to answering all three.” The steps taken to repair trust and confidence in the profession will not happen overnight as seen in the U.S. The U.K. and BEIS Secretary Kwasi Kwarteng appear to be moving in a promising direction. The creation of the ARGA to replace the FRC, the potential for stronger regulation, and a strong emphasis on transparency will go a long way in making amends for large failures of companies like Thomas Cook, Carillion and BHS.

Final Thoughts and Concluding Remarks:

A key observation from this research project is that the U.S. and U.K. would benefit from learning from each other’s experiences with their accounting professions. In doing so, each country could avoid disruptive issues that have already been addressed by the other. The inherent conflict of interest that arises due to the nature of auditing versus consulting is what could very well lead to the demise of the profession itself. Independence is compromised by this conflict of interest, and without it, the profession is nothing. Independence is what separates CPAs from doctors and lawyers.

The main intention of the FRC’s decision is for operational separation of the Big Four’s audit practices from their other lines of service. It is still early to be dismissive of the possible alternatives that could arise soon, but as it stands, I believe that this split is in the best interest of the FTSE 100 companies, the accounting firms, and the accounting profession as a whole.

Likewise, I believe that this split should increase confidence for the investing public and stakeholders of these companies. After examining the aftermath of the Enron scandal in the United States, this is an issue that the FRC could not afford to allow to continue unresolved. The trend of the firms' revenues stemming from non-audit work increasing while maintaining such a large percentage of the audit market had disaster written all over it. While on the surface this decision may appear to be extreme, I believe that the firms will have enough time to work out the kinks that will be encountered along the way. Ultimately, it will lead to higher quality audit and assurance services, and renewed trust in the accounting profession within the United Kingdom.

Works Cited

BBC News. "Accountants: Government to Break up Dominance of Big Four Firms." *BBC News*, BBC, 18 Mar. 2021, www.bbc.com/news/business-56435732.

Bramwell, Jason. "BREAKING: The Big 4 Audits a Lot of Companies in the U.K." *Going Concern*, Going Concern, 30 Oct. 2019, www.goingconcern.com/breaking-the-big-4-audits-a-lot-of-companies-in-the-u-k/?doing_wp_cron=1611787122.4061799049377441406250.

Brooks, Richard. *Bean Counters: The Triumph of the Accountants and How They Broke Capitalism*. Atlantic Books, 2019.

Brown, Maripat. "Mandatory Audit Firm Rotation in the FTSE 350." *Audit Analytics*, 26 May 2020, blog.auditanalytics.com/mandatory-audit-firm-rotation-in-the-ftse-350/.

Carlson, Rosemary. "The Sarbanes-Oxley Act and Corporate Fraud." *The Balance Small Business*, 16 Nov. 2019, www.thebalancesmb.com/sarbanes-oxley-act-and-the-enron-scandal-393497.

Chapman, Ben. "PwC, KPMG, Deloitte and EY All Fail to Meet Audit Quality Targets." *The Independent*, Independent Digital News and Media, 10 July 2019, www.independent.co.uk/news/business/news/pwc-kpmg-deloitte-and-ey-audit-quality-failure-frc-report-a8998321.html.

Chasan, Emily. "US Watchdog Says, 'Big 4' Audit Firms Enough for Now." *Reuters*, Thomson Reuters, 11 Jan. 2008, www.reuters.com/article/accounting-gao-idUSN1048519820080111.

Cohn, Michael. “SEC Rolls Back Audit Requirements for Smaller Companies' Internal Controls.” *Accounting Today*, Accounting Today, 13 Mar. 2020, www.accountingtoday.com/news/sec-rolls-back-audit-requirements-for-smaller-companies-internal-controls#:~:text=The%20Securities%20and%20Exchange%20Commission,reporting%20by%20an%20outside%20auditor.

Dohrer, Bob. “How Auditors Can Test Inventory without a Site Visit.” *Journal of Accountancy*, Journal of Accountancy, 26 Mar. 2020, www.journalofaccountancy.com/news/2020/mar/auditing-how-to-observe-inventory-during-coronavirus-pandemic.html.

FRC. “Big Four Audit Quality Review Results Decline.” *News I Financial Reporting Council*, The Financial Reporting Council, 18 June 2018, www.frc.org.uk/news/june-2018/big-four-audit-quality-review-results-decline.

---. “Endorsement of IAS.” *Endorsement of IAS I Financial Reporting Council*, Financial Reporting Council, www.frc.org.uk/endorsement-of-ias.

---. “UK-Adoption of Amendments for IBOR Phase 2 and Amendments to IFRS 4.” *News I Financial Reporting Council*, Financial Reporting Council, 6 Jan. 2021, www.frc.org.uk/news/january-2021-(1)/uk-adoption-of-amendments-for-ibor-phase-2-and-ame.

GOV.UK. “Secretary of State for Business, Energy and Industrial Strategy.” *Secretary of State for Business, Energy, and Industrial Strategy - GOV.UK*, www.gov.uk/government/ministers/secretary-of-state-for-business-energy-and-industrial-strategy.

ICAEW. “New FRC Chairman Backs Big Four Split.” *Institute of Chartered Accountants in England and Wales*, ICAEW, 7 Nov. 2019, www.icaew.com/technical/audit-and-assurance/inquiry-into-audit/commentary-on-audit-reviews/new-frc-chairman-backs-big-four-split.

---. “Transition Period Ends: New UK Audit Regulations.” *ICAEW*, Institute of Chartered Accountants of England and Wales, www.icaew.com/insights/viewpoints-on-the-news/2021/jan-2021/transition-period-ends-new-uk-audit-regulations.

---. “UK-Adopted IFRS: What Will It Look like?” *ICAEW*, Institute of Chartered Accountants in England and Wales, www.icaew.com/insights/viewpoints-on-the-news/2020/mar-2020/ukadopted-ifrs-what-will-it-look-like#:~:text=UK%2Dadopted%20IFRS%20will%20be,period%20comes%20to%20an%20end.

IFRS. “United Kingdom.” *IFRS*, www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/united-kingdom/#endorsement.

“The International Accounting Standards and European Public Limited-Liability Company” (Amendment Etc.) (EU Exit) Regulations 2019.” *Legislation.gov.uk*, Queen's Printer of Acts of Parliament, 2019, www.legislation.gov.uk/uksi/2019/685/contents/made.

Kahn, Jeremy. “Wirecard Shows Once Again That Audits Are Broken. Here's Why-and How to Fix Them.” *Fortune*, Fortune, 25 June 2020, fortune.com/2020/06/25/wirecard-auditing-is-broken-fintech-ey-ernst-and-young/.

Kapoor, Michael. “U.K. Audit Separation Plan for Big Four Panned as Cosmetic.” *Bloomberg Industry Group News*, 7 July 2020, news.bloombergtax.com/financial-accounting/u-k-audit-separation-plan-for-big-four-panned-as-cosmetic?context=article-related.

Kim, Seil. “AAA > Outreach > Newsroom > Press Releases > 11-1-17 Longstanding Mandate.” *AAA*, 1 Nov. 2017, aaahq.org/Outreach/Newsroom/Press-Releases/11-1-17-Longstanding-Mandate.

Kinder, Tabby. “PwC Accused of Conflict over Dual Role at Thomas Cook.” *Subscribe to Read | Financial Times*, Financial Times, 20 Oct. 2019, www.ft.com/content/576b01d4-f18a-11e9-ad1e-4367d8281195.

Mauldin, John. “3 Reasons Brits Voted for Brexit.” *Forbes*, Forbes Magazine, 20 Apr. 2018, www.forbes.com/sites/johnmauldin/2016/07/05/3-reasons-brits-voted-for-brexit/?sh=7097fd7b1f9d.

Miller, Hugo. “U.K. Regulator Tries to Put More Space Between ‘Big Four' Units.” *Bloomberg.com*, Bloomberg, 23 Feb. 2021, www.bloomberg.com/news/articles/2021-02-23/u-k-regulator-tries-to-put-more-space-between-big-four-units.

Mintz, Steven M. “Now Is the Time to Operationally Split Audit and Nonaudit Services.” *The CPA Journal*, The CPA Journal, 2 Dec. 2020, www.cpajournal.com/2020/12/01/now-is-the-time-to-operationally-split-audit-and-nonaudit-services/.

Robertson, Harry. “Deloitte Starts Audit Split – the First of the Big Four to Do So.” *CityAM*, 11 Sept. 2020, www.cityam.com/deloitte-first-big-four-firm-to-start-audit-split/.

Trentmann, Nina. “U.K. Audit Regulator Asks Companies for More Details on Covid-19 Impact.” *The Wall Street Journal*, Dow Jones & Company, 21 July 2020, www.wsj.com/articles/u-k-audit-regulator-asks-companies-for-more-details-on-covid-19-impact-11595354170.

---. “U.K. Audit Regulator Issues Revised Rules to Reduce Potential Conflicts of Interest.” *The Wall Street Journal*, Dow Jones & Company, 17 Dec. 2019, www.wsj.com/articles/u-k-audit-regulator-issues-revised-rules-to-reduce-potential-conflicts-of-interest-11576613554.

---. “U.K. to Launch New Audit and Accounting Regulator Amid High-Profile Scandals.” *The Wall Street Journal*, Dow Jones & Company, 11 Mar. 2019, www.wsj.com/articles/u-k-to-launch-new-audit-and-accounting-regulator-amid-high-profile-scandals-11552330150?mod=article_inline.

Tysiac, Ken. “Mandatory Audit Firm Rotation Rules Published in EU.” *Journal of Accountancy*, Journal of Accountancy, 28 May 2014, www.journalofaccountancy.com/news/2014/may/201410229.html.

UKEB. “Welcome to the UK Endorsement Homepage.” *UK Endorsement Board*, 2021, www.endorsement-board.uk/.

Ziady, Hanna. “The Big 4 Audit Firms Keep Failing. Now They're Being Forced to Change.” *CNN*, Cable News Network, 6 July 2020, www.cnn.com/2020/07/06/business/uk-big-4-accountancy-firms-frc/index.html.