

Christopher Thackray

[REDACTED]

[REDACTED]

31st January 2022

Mr Boris Johnson
Prime Minister
10 Downing Street
London
SW1A 2AA

Dear Prime Minister,

RE: Reform of the Financial Reporting Council and the UK audit sector

I have written to you, members of your cabinet and UK parliament on multiple occasions since 2018 to advocate for, and advise on, wholesale reforms to the standards, governance, and competition of the UK's audit sector.

Following three independent reviews led by Sir John Kingman (December 2018), Sir Donald Brydon (December 2019) and the Competition and Markets Authority (the "CMA", April 2019), the Government has so far failed to act upon any of the material recommendations. The CMA noted in evidence submitted to the Business, Energy & Industrial Select Committee in October 2020 that "Since the publication of the CMA's report, as well as the Committee's and the other reviews, the pace of reform has been slow. The delay in implementing a new stable regulatory framework risks exacerbating the current problems as well as creating uncertainty for challengers seeking to expand their operations and grow into a position to compete with the Big Four." Unfortunately, there has been no change in substance or pace to convince the public of the Government's desire for adequate reforms.

The Government is now faced with a very real threat of failing to propose adequate and proportional reform measures to address the severe acts of misconduct and the repeated failures in auditing standards and disclosures that have caused widespread harm to employees, customers, and investors. The Government is acutely aware of these failings demonstrated by threats in December 2021 to ban KPMG from future Government contracts.

I urge you to act swiftly and decisively to put forward extensive reforms, enacted by new legislation, to address the inherent weaknesses in the the UK's auditing standards, governance and competition. These reforms must include additional powers for the new Audit, Reporting & Governance Authority to hold auditors, directors, and financial professionals to the highest ethical standards. Failure to do so after repeated consultations and years of Government dithering will further jeopardise the reputation of the UK as a safe and trusted place to do business.

I remain open and willing to meet with you or members of your Government to discuss this topic further.

Yours sincerely



Christopher Thackray

CC – Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy
CC – Darren Jones MP, Chairman of the Business, Energy & Industrial Select Committee