

Rt Hon Boris Johnson MP
Prime Minister
10 Downing Street
London
SW1A 2AA

23 September 2020

SENT BY EMAIL AND MAIL

Dear Prime Minister,

RE: "Serious and serial failures in discharge of public duty" – Financial Reporting Council

I am writing to stress the critical importance of the UK Government acting upon the recommendations for audit sector reform provided in three independent industry reviews. The Financial Reporting Council's recently announced sanctions on Deloitte and two of their audit partners underscores the serious and serial failings by another "Big Four" auditing firm¹. However, the significance of the sanctions imposed on Deloitte still fail to address the magnitude of an \$8.8bn write-down in the value of Autonomy by Hewlett-Packard after HP acquired Autonomy based on fraudulent accounting practices.

From Autonomy to Carillion, Patisserie Valerie, Thomas Cook, and now Wirecard, the significant and repeated failings of the Big Four auditing firms continue today to cause material harm to consumers, shareholders, and employees, notwithstanding the trust placed in the financial resilience of public companies.

It is tantamount to ignorance on the part of the Government to have been provided recommendations for audit sector reform in three independent reviews and to have not yet acted upon these recommendations in Parliament.

The already substantial and ever-mounting evidence of the case for audit reform leads to one simple question: How many other firms might still get away with negligence and serial misconduct whilst the Government continues to fail to take action? In February 2020, a letter from the Government's Department of Business, Energy & Industrial Strategy (BEIS) to Periculum Associated Limited ("Periculum") said, "The Government is committed to acting on the recommendations of these reviews, including legislating to

¹ Refer to the Financial Reporting Council's announcements dated 17th September 2020, available at: [https://www.frc.org.uk/news/september-2020-\(1\)/sanctions-against-deloitte-and-two-audit-partners](https://www.frc.org.uk/news/september-2020-(1)/sanctions-against-deloitte-and-two-audit-partners)

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create a tougher, stronger regulator.” Sadly, this commitment does not appear to have materialised into action.

On 1st September 2020, Periculum submitted evidence to the BEIS Select Committee that outlined our recommendations for audit reform. Our history of communication with the Government, including this evidence, can be found on our website at <http://periculum-associates.com/championing-uk-audit-reform/>.

I urge you, Prime Minister, to personally act defiantly against this ceaseless pattern of malfeasance in the quality, reliability and conduct of the audit sector, particularly the Big Four who have failed to promote trust and reliability in the UK’s audit sector. It is beyond the time for action.

As before, I am fully committed to discussing this topic with you, members of your Cabinet or their respective teams, and members of the BEIS Select Committee. To schedule a meeting, please contact my assistant Lynsey Hubbard by emailing lhubbard@periculum-associates.com.

Yours sincerely,

Christopher Thackray
Managing Director
Periculum Associates Limited

CC Darren Jones MP
CC Sir Donald Brydon
CC Sir John Kingman