

From: JIM SHANNON [mailto:jim.shannon1@btopenworld.com]
Sent: 19 November 2018 09:41
To: rachel.reeves.mp@parliament.uk
Cc: Energy and Industrial Strategy Committee Business; Treasury Committee; Brian Little
Subject: Auditors your speech last Monday at ICAEW - follow up

Rachel

Please find below a copy of an email from my constituent Mr Brian Little to the BEIS Select Committee secretariat last week. I wanted to bring this to your personal attention together with the Cut and Paste of my email to you dated 20 April 2018.

I have asked my Office to contact my constituent and to try and schedule him to see me next Friday at my surgery, to see how we might be of further assistance to the BEIS Select Committee. I know that the now Baron Andrew Tyrie found our initial discussion with us in February 2011 led to significant change with the appointment of Independent assessors by Select Committee and further inputs on multiple occasions to early 2017

[PwC reported to accounting regulator after taking criticism of client from report](#) -- [PwC changes](#)

Mr Tyrie MP also made arrangements for us to engage with several Lords for their Report

<https://publications.parliament.uk/pa/ld201011/ldselect/ldconaf/119/11902.htm>

“Para 110. The regulation of accounting and auditing is fragmented and unwieldy with manifold overlapping organisations and functions. This is neither productive nor necessary. Other professions have only one regulator—medicine for example under the General Medical Council. The wider powers sought by the Financial Reporting Council would go some way to simplifying and streamlining matters for audit. But further impetus needs to be given to rationalisation and reform. We hope and expect that the profession will provide that impetus. In the absence of rapid progress, we recommend that the Government stand ready to impose a remedy.

Hope we can catch up soon despite the mayhem in Westminster.”

Kind regards

Jim_

Jim Shannon, MP for Strangford

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From: Brian Little [mailto:brian@fortfield.com]
Sent: 12 November 2018 05:56
To: 'beiscom@parliament.uk'
Cc: 'Professor Atul K. Shah'; 'Paul Moore'; 'Richard Murphy'; 'SHANNON, Jim'
Subject: Upcoming BEIS inquiry in to Audit

Good morning

We have noted the attached TIMES article this morning in relation to the BEIS Chair speech to the ICAEW later today.

Please find attached links to our Submissions made to the Kingman and CMA inquiries which we hope may be of some value to BEIS members.

We will await the BEIS Call for Evidence and expect to make a further Submission in due course.

[PAUL MOORE , BRIAN LITTLE, PROFESSOR ATUL SHAH AND PROFESSOR RICHARD MURPHY : TEAM SUBMISSION TO THE FRC ENQUIRY BY SIR JOHN KINGMAN – AUGUST 2018](#)

[PROFESSOR ATUL SHAH, BRIAN LITTLE, PROFESSOR RICHARD MURPHY AND PAUL MOORE : TEAM SUBMISSION TO THE CMA ENQUIRY IN TO THE STATUTORY AUDIT MARKET – 30 OCTOBER 2018](#)

The BEIS Committee may also be interested in our prior submissions to the TSC re KPMG : FRC : HBOS audits

[SMALL “EXPERT” GROUP SUBMISSION TO THE HOUSE OF COMMONS TREASURY SELECT COMMITTEE RE KPMG AND HBOS AUDIT – TERMS OF REFERENCE - 7 DECEMBER 2015](#)

[OUR SUBMISSION TO THE TREASURY SELECT COMMITTEE RE KPMG AND HBOS AUDIT – 4 OCT.2017](#)
[DOCUMENTS INDEX AND INTERNET LINKS](#)

[OUR FINAL SUBMISSION TO THE TREASURY SELECT COMMITTEE RE FRC , KPMG AND HBOS AUDIT - JULY 2018 . FOLLOWED BY MR JIM SHANNON MP SUPPORTING LETTER TO TSC CHAIR MRS NICKY MORGAN MP ON 5 JULY 2018.](#)

I understand that in relation to Mr Shannon MP's letter the TSC Chair Mrs Nicky Morgan described the July 2018 submission in the following terms “Many thanks Jim – you make a very good point which I will discuss with the Committee and staff.” We are unaware of what has happened since at the TSC on this specific matter but we believe the proposal still has substantial merit.

CUT and PASTE

From: SHANNON, Jim
Sent: 20 April 2018 10:53
To: REEVES, Rachel <rachel.reeves.mp@parliament.uk>
Subject: FW: BEIS Proposed enquiry into FRC Operations by HMG independent investigation

Dear Rachel

Further to my email below.

Well last week in Parliament certainly wasn't going to easy to see us. While you will be aware that BEIS have now published on Tuesday 17 April 2017 the FRC Terms of Reference for the “independent inquiry “ to be led by Sir John Kingman I now attach for your information a copy of proposed terms of reference that I provided to SOS Mr Greg Clark on Monday 9 April 2018.

I hope this may be of some interest or use to the BEIS Select Committee and yourself and should you like to meet us then perhaps we could do so when Mr Little attends the rescheduled Back Bench debate on RBS GRG Banking etc. Our prior involvement on “independent assessors” with Mr Tyrie MP in 2011+ may be of some interest in any discussion you choose to have.

Jim

Jim Shannon MP

Member of Parliament for Strangford

From: SHANNON, Jim
Sent: 12 April 2018 10:14
To: REEVES, Rachel <rachel.reeves.mp@parliament.uk>
Subject: BEIS Proposed enquiry into FRCO by HMG independent investigation

Dear Rachel

My constituent Mr Brian Little will be in London on Tuesday 17th April 2018 through Thursday 19th April 2018 and we wondered whether you might like to meet us both as Chair of the BEIS for say 15 minutes during his visit . Here is a little relevant background publicity (with Mr Tyrie MP)

[PwC faces probe over removing client criticism from report](#)

and can I also ask whether you would consider endorsing and asking whether other Members of your BEIS Committee would also second our proposed Early Day Motion next week in relation to the past victims of the banking crisis

Very best wishes

Jim.

Jim Shannon, MP for Strangford

From: JIM SHANNON [<mailto:jim.shannon1@btopenworld.com>]
Sent: 26 November 2018 12:16
To: Rachel REEVES
Cc: Brian Little; CRUSEI@parliament.uk; Energy and Industrial Strategy Committee Business
Subject: Fw: Auditors your speech last Monday at ICAEW - follow up

Dear Rachel

Mr Shannon left me instructions this morning before leaving for Parliament to forward the email he was expecting to be formulated by Mr Brian Little following his discussions with him on Friday and Saturday. I understand Mr Shannon has spoken to you about this in the Commons lobby during last week. As you will see Mr Little has volunteered to travel at his own cost to enable both of us to meet with you at your convenience.

I look forward to hearing from you.

Dictated by Mr Shannon and sent in his absence

kind regards

Naomi Armstrong-Cotter
Parliamentary Aide to Jim Shannon, MP for Strangford

From: Brian Little <brian@fortfield.com>
To: "XXXXXXXX@parliament.uk" <XXXXXXXX@parliament.uk>
Cc: 'JIM SHANNON' <jim.shannon1@btopenworld.com>
Sent: Monday, 26 November 2018, 11:07:44 GMT
Subject: FW: Auditors your speech last Monday at ICAEW - follow up

XXXXXXXX

As per my email below regarding meeting Mr Shannon MP last Friday afternoon. This is to confirm that I did do that and that he advised me that he had spoken with the BEIS Select Committee Chair Rachel Reeves last week in the lobby (date/time unknown to me) and had recommended to her that she should read the correspondence exchanges between us. He tells me she noted my name and I expect that either already or shortly she should engage with Chris and you. We had a discussion and concluded I should write to you with now the two additional Streams of work which we think the BEIS Select Committee should consider during their Inquiry. As we discussed I referred to the Kingman Inquiry and Report as Stream 1 input and the CMA Report as Stream 2 input. In addition to taking the conventional oral evidence we consider that the BEIS should undertake Streams 3A and 3B as part of this crucially important inquiry. James also asked whether I would be prepared to travel to meet the BEIS Chair, clerk and you to explain and discuss this further in the coming weeks I confirmed would be willing to do so with about one weeks notice at whatever time/location works for both of them.

Stream 3A - Background - FRC Regulatory Powers and Consultations in 2011 and subsequent

House of Lords Economic Affairs Report : Auditors : Market Concentration and their role March 2011 - <https://publications.parliament.uk/pa/ld201011/ldselect/ldeconaf/119/119.pdf>

HMG response to Report - <https://publications.parliament.uk/pa/ld201012/ldselect/ldeconaf/157/15702.htm> which includes

Recommendation

191. The regulation of accounting and auditing is fragmented and unwieldy with manifold overlapping organisations and functions. This is neither productive nor necessary. Other professions have only one regulator—medicine for example under the General Medical Council. The wider powers sought by the Financial Reporting Council would go some way to simplifying and streamlining matters for audit. But further impetus needs to be given to rationalisation and reform. We hope and expect that the profession will provide that impetus. In the absence of rapid progress, we recommend that the Government stand ready to impose a remedy. (para 110)

Government response

BIS and the Financial Reporting Council (FRC) expect to consult on possible reforms to the FRC's powers and structure during the forthcoming months. This will include any proposed legislative changes.

That Joint Consultation was issued later in 2011 which provided all the opportunity the FRC and BIS needed to ensure sufficient powers and Responses were to be received by January 2012 . **These responses are no longer on the FRC website but these are available and I believe you should ask the FRC for the original Consultation and the Consultation feedback summary and decisions.**

[BIS/FRC Consultation on the "Reform of the FRC" - submission by my constituency MP, Mr James Shannon.](#)

[BIS/FRC Consultation on the "Reform of the FRC" – submission by Professor Stella Fearnley](#)

[BIS/FRC Consultation on the "Reform of the FRC" – submission by the Local Authority Pension Fund Forum \(LAPFF\)](#)

[BIS/FRC Consultation on the "Reform of the FRC" submission : Mr Foxley letter to Business Secretary](#)
[\(Employment Tribunal Judgment...September 2011](#)

[BIS/FRC Consultation on the "Reform of the FRC" submission – Mr Graham Senior Milne](#)

[BIS/FRC Consultation on the "Reform of the FRC" submission](#)

[BIS/FRC Consultation on the "Reform of the FRC" submission – Accountants conduct - Mr Paul Moore](#)

192. Obvious benefits should flow from global adoption of common accounting standards for a global economy. But there is a corresponding risk that the lowest common denominator will prevail. So all concerned need to insist on the highest possible standards of rigour, clarity and quality of accounting and audit. (para 129)

193. We accept that standards for use in many countries need clear rules which all can apply. It follows that IFRS is more rules-based than UK GAAP. But we are concerned by evidence that, by limiting auditors' scope to exercise prudent judgement, IFRS is an inferior system which offers less assurance. IFRS also has specific defects, such as its inability to account for expected losses. The weaknesses of IFRS are especially serious in relation to bank audits. (para 130)

194. We recommend that the profession, regulators and the Government should all seek ways to defend and promote the exercise of auditors' traditional, prudent scepticism. The Government should reassert the vital role of prudence in audit in the UK, whatever the accounting standard, and emphasise the importance of the going concern statement. (para 131)

Government response

The Government does not accept that IFRS has led to a loss of prudence. While prudence is no longer referred to specifically in the IASB Framework, or as a fundamental concept in UK GAAP, the concept of prudence continues to permeate accounting standards. Prudence remains a concept in the IFRS for SMEs. In UK GAAP, it still forms part of the Accounting Standards Board's statement of principles as an aspect of reliability, and therefore a desirable quality of financial information. The UK accounting standard, FRS 18 'Accounting Policies' notes that prudence needs to be exercised when there is uncertainty. Auditors conduct their audits with reference to the accounting frameworks, and are required to exercise judgment and professional scepticism.

On 8 March 2011 the FRC announced the launch of a Panel of Inquiry led by Lord Sharman to identify lessons on going concern and liquidity risk for companies and auditors. The inquiry is likely to provide its final recommendations by the end of the year. It is expected to help to inform the debate that the FRC is seeking to promote through its discussion paper: "Effective Company Stewardship—Enhancing Corporate Reporting and Audit."

I also attach a "broadly" equivalent summary of what the TSC have done in relation to their analysis of the Consultations and debates in advance of FSMA 2000 and the response from the FCA Regulator on 30 January 2018 when asked about the Regulatory perimeter for SME Finance in response to a question put by Mr John Mann MP following a discussion about same.....

Stream 3B - To pursue the point/ suggestion in our HBOS audit reports at the links below and Mr Shannon's letter to Nicky Morgan MP. We don't think Nicky will have any difficulty whatsoever in the BEIS Select Committee taking over the suggestion and Jim was going to try and talk with Nicky Morgan MP if he had the opportunity to do so.

If I need to clarify then please do not hesitate to contact me Kind regards Brian