

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

Monday 14 March 2022

Dear Prime Minister

I am writing to highlight the concerns of the Chartered Institute of Internal Auditors regarding the pace of audit reform, and to express our support for the inclusion of an 'Audit Reform Bill' in the next Queen's Speech. It is essential that time is found to pass legislation in the next parliamentary session.

By way of background the Chartered Institute of Internal Auditors represents around 10,000 internal audit professionals in organisations spanning all sectors in the UK and Ireland. We champion the contribution internal audit makes to good corporate governance, strong risk management, and a rigorous control environment leading to the long-term success of organisations.

We were encouraged when a year ago the Government published its White Paper 'Restoring Trust in Audit and Corporate Governance'. This followed three years of extensive consultation including the Independent Review of the Financial Reporting Council led by Sir John Kingman, the Competition and Markets Authority Audit Market Study, and the Independent Review into the Quality and Effectiveness of Audit led by Sir Donald Brydon. We support many of the proposals put forwards in the White Paper, because like the Government we believe that audit reform is fundamental for the success of businesses and the wider economy. Encouraging greater transparency will provide investors with clarity and certainty and help cement Britain's position as the best place in the world to do business.

However, a year has now passed since the White Paper was published, including a further public consultation, and we are still waiting for the Department for Business, Energy and Industrial Strategy to issue its response and announce a clear timetable for the proposals to be implemented, including those aspects of the White Paper that require legislation. We understand that this is now waiting to receive the green light from Ministers at the higher levels of the political decision-making process.

While we fully understand and appreciate that the Government has been grappling with a myriad of critical issues, including the coronavirus crisis, the energy crisis, and now the war in Ukraine, the issue of audit reform does not sit in a silo. Indeed, we would argue that because of these crises it makes audit and corporate governance reform even more vital to supporting the long-term success of businesses and the wider economy. Helping to protect jobs, pensions, and livelihoods.

With the UK now facing further significant economic uncertainty, with the consequences of the Russian invasion of Ukraine impacting growth, inflation, and interest rates, this in turn means that businesses are now faced with an adverse business risk environment that we have not seen for decades. Now more than ever, businesses and investors need high-quality and effective audit, stronger internal financial controls, and an audit regulator with the teeth it needs to do its job properly. A more robust audit and corporate governance framework will support boards to identify, manage, and mitigate the risks they face successfully.

The fact is that, in an increasingly uncertain and economically volatile world, the need for audit reform is now more urgent than ever, as businesses face the head winds of a perfect storm of geo-economic and financial challenges. Even before these challenges emerged, in recent years we have seen a series of high-profile corporate collapses linked to audit and governance deficiencies. It has now been over four years since Carillion collapsed which led to thousands of job losses, delays for schools and hospital building projects and over £140m costs for taxpayers. It has been over three years since the collapse of Patisserie Valerie. Yet we are still to see the Government deliver on its promise of an Audit Reform Bill, first mooted in the Queen's Speech in December 2019.

We care about this issue because we want to see our businesses succeed and for the UK to maintain its enviable reputation for good corporate governance. So, we hope you will use your influence as Prime Minister to ensure these urgent reforms are not delayed any longer, make sure there is an Audit Reform Bill in the next Queen's Speech, and that legislation is passed in the next Parliamentary session.

We would be happy to discuss these important issues with you and your team in more detail.

Yours sincerely



John Wood
Chief Executive