

House of Commons
Treasury Committee

**THE FINANCIAL
REGULATION OF
PUBLIC LIMITED
COMPANIES**

Sixth Report of Session 2001–02

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Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the page number as in 'Ev 12'.

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SIXTH REPORT

The Treasury Committee has agreed to the following Report:

THE FINANCIAL REGULATION OF PUBLIC LIMITED COMPANIES

INTRODUCTION

1. The collapse of Enron Corporation in the United States, its largest corporate failure ever, sent shockwaves through the financial systems of the world. The regulatory framework in the United States, arguably one of the most rigorous in the world, had failed in large measure to predict this financial catastrophe until it became inevitable, and all the regulatory checks and balances had failed to prevent it. Although the precise reasons for Enron's failure are not yet fully established, there is a clear view that both accounting failures and corporate governance failures have played a significant part. It is therefore no surprise that confidence has been shaken in the whole framework of company accounts in the United States, and in how directors run their companies there.

2. Inevitably, the question has been asked 'Could an Enron happen here?'. The Chairman of the Financial Services Authority, Sir Howard Davies, speaking at the World Economic Forum in New York earlier this year, was in no doubt that "the only wholly honest answer to that question, if one means – could there be a large and unpredicted corporate failure in the UK – is yes". The Enron collapse has therefore provided a renewed stimulus to debate within the United Kingdom on matters such as the role of the auditors; their independence; the regulatory framework of the accountancy profession; the robustness of accounting standards; and ways of improving standards of corporate governance, particularly through strengthening the role of non-executive directors.

3. We therefore launched our inquiry in 5 February 2002, with the following terms of reference:

"To examine, in the light of the Enron collapse, the arrangements for financial regulation of public limited companies in the United Kingdom".

We have taken evidence on four occasions.¹ In addition, a large number of individuals and organisations have submitted written evidence. We are most grateful to all who have contributed to the body of evidence on which this report is based. **We believe that this evidence would repay careful analysis and assessment in the context of the Government's response to the events of Enron. We therefore commend it to the relevant bodies.**

4. The Government recognises that the Enron collapse has also dented public confidence in the system of financial regulation of companies operating in the United Kingdom. It therefore set up in February the Coordinating Group on Audit and Accounting Issues (CGAA), jointly chaired by Ruth Kelly MP, Financial Secretary to the Treasury and Miss Melanie Johnson MP, Parliamentary Under-Secretary of State for Competition, Consumers and Markets, Department of Trade and Industry, to coordinate the response of key regulators to the issues for accounting, auditing and aspects of corporate governance raised in the aftermath of Enron. The group has so far met twice² and the Chancellor announced on 15 July that it would produce its interim report the following week.³ The Government has also appointed Mr Derek Higgs to lead an independent Review into the role and effectiveness of non-executive directors.⁴ Through the Review, announced at the same

¹ A list of witnesses who gave oral evidence may be found at p.26

² As at 2 July 2002 (Q424)

³ Official Report, 15 July 2002, Vol. 385, Col. 24w.

⁴ See DTI Press Notice P/2002/234 (15 April 2002). Mr Higgs expects to publish his report around the end of the year (Official Report, 18 July 2002, Vol. 389, Col.440w).

time as the CGAA, the Government intends to focus primarily on what can be achieved through best practice.

5. A recurrent theme of the evidence we have taken is the difference between the United Kingdom's accounting and corporate governance requirements, and those in the United States. It has been argued that reforms made following earlier corporate failures in the United Kingdom, coupled with the overriding requirement for accounts to show a 'true and fair view', mean that an Enron-type failure is inherently less likely here. **Although we recognise that we have rather different arrangements from the United States for the oversight of the accounting profession and for financial regulation, we believe that it would be dangerously complacent to assume this. What has happened in the United States has shaken confidence worldwide in matters such as the independence of auditors from company management. We agree with the Government⁵ that it is important to restore this confidence.**

6. It is, however, unrealistic to expect the accountancy profession and its regulatory framework to provide a panacea. Professor Higgs of the London Business School recently commented that "The whole financial community has become terribly negligent".⁶ As Lord Sharman pointed out⁷, many other kinds of professionals are also involved in running major companies. Mary Keegan, Chairman of the Accounting Standards Board (ASB) expressed similar sentiments.⁸ It is also up to all concerned to work to ensure that the company is run properly. Even greater responsibility rests on the directors of the company, executive and non-executive, to conduct its business in accordance with the law, and with integrity. It is upon this bedrock that public confidence in companies and their accounts ultimately depends.

7. As our evidence demonstrates, a lot of work by Government, regulatory bodies, professional bodies and others, is currently in progress. This report therefore necessarily has something of an interim character to it. We shall continue to keep developments under review and will return to this matter in due course.

⁵ Official Report, 10 July 2002, Vol. 388, Col. 936w.

⁶ Financial Times, 10 July 2002

⁷ HC 758-iv

⁸ Q324

ACCOUNTING

Introduction

8. The Enron collapse caused particular attention to be given to a number of accounting matters. Questions have been asked about the quality of accounting standards, and the rigour with which they are applied. Questions have also been asked about the quality of accountants' performance, particularly in relation to the auditing of public limited companies. Areas where concerns have been expressed include whether auditors have in reality an adequate degree of independence from the management of client companies; whether accounting standards are adequate; and whether the present regulatory framework is effective. In the following sections, we look closely in more detail at each of these areas.

Auditor Independence

Rotation

9. A number of witnesses, including Lord Sharman⁹, Sir Howard Davies,¹⁰ Mrs Fearnley¹¹ and the professional institutes, were opposed to the idea of mandatory auditor rotation. The EU Committee on Auditing has a clear majority against mandatory external rotation.¹² Lord Sharman did not think it had worked anywhere in the world, as did Dr Reeves¹³ and Mr Brandt commented¹⁴ that it would be ineffective if, as apparently happened in one jurisdiction, the auditing team moved on with the job. It would also be a substantial exercise: we received evidence that auditor rotation on a five year cycle would force 352 listed companies within the United Kingdom, which would not otherwise have done so, to change their auditors.¹⁵ Lord Sharman,¹⁶ and others, were also concerned at the prevalence of audit failures in the early years, and the possible impact on price quality. On the other hand, Lord Borrie, Chairman of the Accountancy Foundation, recently criticised the Big Four firms for rejecting mandatory rotation ahead of the report of the CGAA, saying that the accountancy profession must address "a very serious lack of confidence in auditing practices and in accounts".¹⁷

10. Sir Howard Davies, Chairman of the FSA, had "an open mind" on the question of auditor rotation, and was not wholly persuaded of the argument against that incoming auditors' unfamiliarity led to most audit failures coming in the first year or two of the appointment. He favoured a regime where the audit committee needed to make a positive decision on reappointing the auditors, and explain why they were doing so "and then maybe some backstop provision for auditor rotation of 15 years or something".¹⁸ Sir John Bourn supported the case for "a considered rotation rather than an automatic one".¹⁹ Mr Richard Fleck, Vice-Chairman of the Auditing Practices Board was opposed to mandatory re-tendering, describing it as "the potential of rotation by another means".²⁰

11. We note the array of arguments against auditor rotation. There would undoubtedly be additional costs and some potential risks. Nevertheless, the absence

⁹ Q407. See also Q409

¹⁰ QQ296-7

¹¹ Q283

¹² Memo /02/96 (16 May 2002)

¹³ Q206

¹⁴ Q152

¹⁵ Ev 56

¹⁶ Q283

¹⁷ Financial Times, 8 July 2002

¹⁸ Q152

¹⁹ Q198

²⁰ Q206

of any kind of rotation requirement leaves a perception – and almost certainly the reality – of an undesirable cosiness between some firms and their auditors. This poses even greater risks. We accept the need for auditor or audit firm rotation in principle, and we want the Government to produce proposals to implement it.

12. We note that re-tendering is a regular feature of many public sector appointments,²¹ and we have received no evidence that this operates to the detriment of the quality of work carried out. We consider that there is a good case for requiring audit committees to look explicitly at rotation of audit firms every five years. We believe that the audit committee should be obliged to make a statement to shareholders on those occasions when they decide to retain the existing auditor after conducting such a five yearly review.

13. There was general agreement, though, on the need to ensure adequate rotation of lead audit partners, and staff, an area where the professional bodies already have extensive rules. We recommend that the Ethics Standards Board considers urgently, in the light of the evidence we have received, whether the existing provisions are adequate. We believe that there is a good case for requiring rotation of the audit partner/manager on an audit every five years, rather than the present seven years. We also believe that there should be a time limit preventing auditors from being employed by a firm which they have audited. This should be at least one year.

Independence

14. Sir Howard Davies saw the relationship between the auditors and the company as “a kind of culture issue ... as much as a rules issue”.²² It was Sir John Bourn’s view that the auditors failed in the case of Enron because they were too close to the client.²³ It was important that the auditors did not see themselves as part of, or adjunct to, the management team.

15. Professor Sikka took a much stronger line, arguing²⁴ that the scale of provision of ancillary services fatally compromised the position of the auditors as independent of company management. He maintained that there was considerable evidence that accounting firms used audits as ‘loss leaders’, because of the access the audit appointment could be expected to offer to other, more profitable, work for the same client.

16. The professional institutes, and others, argued that a complete separation was unnecessary, and that adequate restrictions were in place to prevent unacceptable conflicts of interest. They also took the view that the arrangements to police these restrictions were adequate.

17. **Confidence in the independence of the auditor is central to the integrity of the audit. Independence is clearly open to question when auditors also perform a significant consultancy role – especially when the audit contract may have served as a loss-leader to acquire this more lucrative business. We therefore believe that there is a strong case for disclosure in relation to non-audit work. We believe that the Audit Committee should be required to assess the extent of non-audit work and should be required to notify shareholders of any potential conflicts of auditor interest. We recommend that the audit committees of listed companies be required to publish details of audit and non-audit contracts, giving a detailed justification of the arrangements to shareholders.**

²¹ Appendix 26

²² Q407

²³ Q195

²⁴ Q113-4

18. On the question of auditors carrying out ancillary work for their clients, Sir Howard Davies commented²⁵ “The key really is how to determine, if you are the audit committee, that your auditors are really properly independent ... A simple auditing yes, consulting no, is a bit difficult because there is a spectrum of services and some of them may be audit related and may be quite reasonable, some not. I think that what we need is to look for some guidance to audit committees. Some things are easy. Internal audit and external audit together is a pretty easy one to determine that is not a sensible thing to do. Some tax advice is easy to determine is not a sensible thing. Auditors should not put in the risk management system which they are then auditing to see whether it works. You could fairly reasonably produce a codification of the kinds of services which you think might well compromise auditor independence and where an audit committee, all other things being equal, would not want to have their auditors doing those things and if they were doing any of them they would want to explain very clearly in the accounts why they did not ... I suspect that amplified guidance to audit committees on a sort of code of auditor independence might well be a sensible compromise”.

19. We believe that, as a general principle, auditors should not be permitted to audit work done by themselves. We recommend that certain non-audit-related services should not be provided by a company’s auditors and we want the Government to produce proposals to enforce this, including a strict definition of such services.

Accounting Standards

20. We took evidence from both the Accounting Standards (ASB) which is responsible for setting accounting standards for the United Kingdom, and from the International Accounting Standards Board (IASB), which is responsible for setting international standards.

21. The ASB is responsible for the making, amending and withdrawal of accounting standards relevant to all UK companies.²⁶ The Chairman, Mary Keegan, outlined the process of setting standards,²⁷ and pointed out that the United Kingdom has had a standard since the mid-1990s²⁸ which ensured that most special purpose entries were included in UK accounts.²⁹ There was, in her view, no need for a “knee jerk reaction” in this area in response to events at Enron.³⁰

22. She did, however, identify another area where the ASB had issued an exposure draft, on fair values. She said that she could not implement it as a standard in the United Kingdom until amendments had been made to the law both at European level and in the United Kingdom.³¹ She also described the progress of the ASB’s work on the question of ‘revenue recognition’.³² **We believe that an Accounting Standard on revenue recognition and to control aggressive earnings management should be introduced, on a national or an international basis, at an early date.**

23. The recent EU decision that quoted companies will be required to use International Accounting Standards by 2005 may change the emphasis of the work of the ASB. Mary Keegan told us that “at the moment at the Accounting Standards Board we are working on the view that we will continue to have UK accounting standards and that in almost every

²⁵ Q410

²⁶ Q301

²⁷ Q302

²⁸ FRS 5

²⁹ Q303

³⁰ Q303

³¹ Q305

³² QQ311-7

respect these should be identical with the international accounting standards.³³ She also saw an increasing role for national boards in working with the IASB, and in ensuring that its standards can be used properly in the varying business environments of different countries.

24. The recently published White Paper on Modernising Company Law proposes that the ASB would be replaced by a Standards Board with a rather broader remit, as part of an overhaul of the institutional arrangements.³⁴ It also proposes that the Standards Board should be responsible for drawing up detailed rules for the compilation of the Operating and Financial Review (OFR).³⁵ A number of witnesses strongly supported making OFRs mandatory for larger companies. The company's auditors will be required to report on the OFR, essentially concerning the adequacy of the process of preparation rather than the detailed content. They will, however, be required to report on compliance with applicable rules and if the OFR is inconsistent with the financial statements or other information arising from their audit.

25. The Financial Reporting Council is the umbrella body for the ASB and for the Financial Reporting Review Panel. It is funded one third by the accountancy profession, through the institutes, one third by Government, through the Department of Trade and Industry and one third by business, for the most part from a levy administered by the Financial Services Authority.³⁶ The Chairman of the ASB was "entirely satisfied"³⁷ that its objectivity was not compromised by the fact that some of its funding came from what might be construed as interested parties. Her view was that "the mechanism which was brought in in the early 1990s, which is effectively a partnership between business, the accountancy profession and Government in supervising the setting of standards in the UK is a very satisfactory situation and allows no one group to dominate the process".³⁸

26. We asked the ASB about the implications of insufficient international standards being in place by 2005. Its Chairman expressed the view that there was a risk that the price of agreed international standards might be that they were of lower quality than apply in the United Kingdom. She added "We at the ASB have as our number one priority ... to work with [the] IASB to try to minimise that risk and to make sure that the financial reporting solutions for UK companies come 2005 will be every bit as strong...".³⁹

27. We were disappointed at the leisurely approach of the ASB. We believe that there are issues for the Board that require action before 2005.

28. Sir David Tweedie, Chairman of the International Accounting Standards Board (IASB) told us that the International Accounting Standards Committee Foundation, its parent body, was funded by a combination of accounting firms, financial institutions and public companies. Although he did not think that the source of the Board's funding compromised its independence, as the trustees had no say on the technical side and the Board had no say on the financial side, Sir David expressed concern that the current method of funding could lead to indirect pressure, through withdrawal of funding.⁴⁰ He cited an example of a threatened withdrawal of cash when American industrialists expressed disagreements with IASB thinking on accounting for share options⁴¹ and other areas where there are, or were likely to be, differences of view between the Board and

³³ Q319

³⁴ Cm. 5553-I, paras 5.5-6

³⁵ Cm. 5553-I, paras 4.34

³⁶ Q307

³⁷ Q310

³⁸ Q308

³⁹ Q320

⁴⁰ QQ329-337. See also QQ348-356

⁴¹ QQ227-9

American interests.⁴² He considered that “ideally the best way of funding us...would be to put a levy on registrations around the world”.⁴³ **We strongly support Sir David Tweedie’s robust stance in resisting such pressures.**

29. Sir David recognised that developing international standards could involve reconciling sharply conflicting viewpoints. He alluded to the difficulties in getting them accepted in the United States.⁴⁴ In this context, we note recent press reports⁴⁵ that three quarters of North American institutions surveyed recently wanted the single global standard to be the American GAAP.

30. Sir David Tweedie particularly mentioned accounting for share options as an area where the United States was vehemently opposed to IASB proposals.⁴⁶ Both Lord Sharman⁴⁷ and Sir David pointed out that the practice of issuing share options was far less widespread in the United Kingdom with the United States, where people could get most of their remuneration in share payments “and even pay suppliers in share options”.⁴⁸

31. We are generally opposed to the use of share options as a significant source of remuneration in public companies. We shall wish to take evidence on this later. We agree with Sir David Tweedie that an International Accounting Standard that properly reflects the value of such options should be agreed. We believe that share options used for executive and other remuneration and payment should be prudently accounted for as future negative net income on a company’s profit and loss account.

32. We support the concept of international standards, a view apparently shared by a large majority of institutional investors worldwide.⁴⁹ We believe that Sir David Tweedie’s evidence indicates that there may be real difficulties in securing their acceptance in some major areas, although we are heartened by Sir David’s view that all the core international standards should be in place by 2005.⁵⁰ Pressures to agree a comprehensive range of Standards by 2005 must not dilute standards applicable in the United Kingdom, particularly in relation to a ‘true and fair’ view.

Regulation of the Accountancy Profession

33. Professor Sikka criticised⁵¹ what he saw as an over-complex regulatory structure for the profession. Sir John Bourn, appearing as Chairman of the Review Board, agreed that 23 bodies altogether have a hand in different aspects of regulation, but considered that for the main thrust of the work, the two main elements were the Financial Reporting Council, concerned in particular with accountancy standards, and the Accountancy Foundation, particularly concerned with ethics, investigation and auditing.⁵² Sir John saw the Accountancy Foundation, established with professional and government support, but with a majority of non-accountants in its constituent bodies, as well placed to oversee the profession.

34. Sir Howard Davies described the regulatory arrangements as “a halfway house between statutory and self-regulation”.⁵³ He described it as “more independent and more

⁴² QQ343-4

⁴³ Q332

⁴⁴ Q346

⁴⁵ Financial Times, 8 July 2002

⁴⁶ QQ337-8; QQ348-358

⁴⁷ QQ289-91

⁴⁸ Q363

⁴⁹ Financial Times, 8 July 2002

⁵⁰ Q379

⁵¹ See, for example, Ev 91

⁵² Q156

⁵³ Q390

objective than the United States system”,⁵⁴ but added that initiatives in the United States in the light of Enron go beyond United Kingdom arrangements in some respects. This might point to a need to go further, if the United Kingdom wanted to ensure that companies could, without further qualification, be listed on US exchanges. He added “one of the blunt realities...is that you need to satisfy the American authorities that you have a set of procedures which are equivalent to theirs”.⁵⁵

35. A number of witnesses commented on the funding of the regulatory body, the Accountancy Foundation in particular. This is entirely funded by the profession.⁵⁶ Sir Howard Davies, Chairman of the Financial Services Authority, did not consider that the source of financing was the problem, but there was an issue as to whether the level of funding should be discretionary.⁵⁷ Sir John Bourn thought that the question of the source of finance for the Foundation might be an issue when it is reviewed after five years’ existence. He commented that “I think in the modern world questions do arise as can a body really be independent if it is financed by the profession itself and I think it is harder and harder to convince the world at large that that is the case”.⁵⁸ He also noted that the Financial Reporting Council already had some Government funding.

36. The regulatory structure of the accountancy profession raises questions about rigour and independence. These arise as a result of the regulatory process being funded by the industry itself, and, in particular, in the way these funds are collected. We welcome the efforts being made by the Accountancy Foundation to improve the industry’s regulatory regime. We recommend that the Government give this issue urgent examination, and that it considers the introduction of industry funding arrangements similar to those which operate in the case of the Financial Services Authority.

37. We believe, though, that the existing regulatory framework of the accountancy profession is cumbersome and excessively complicated. We consider that there is a strong case for a single, independent, regulator, which is not only independent but seen to be independent.

⁵⁴ Q391

⁵⁵ Q393

⁵⁶ Q156

⁵⁷ Q389

⁵⁸ Q156

CORPORATE GOVERNANCE

38. Although much of our evidence has concentrated on the role of accountants and auditors, the primary responsibility must rest with the directors of the company, as we have already pointed out. A number of suggested improvements in corporate governance have been put to us, principally relating to the contribution of the non-executive directors.

39. In the context of our current inquiry, a number of witnesses have proposed a much more proactive role for the non-executive directors in relation to the auditing function. Sir John Bourn suggested⁵⁹ that non-executive directors should report on a range of matters relating to the audit. He added “the external auditors should know that this discussion with the non-executive directors is an important part of his work, and that his ability to satisfy the non-executive directors is crucial in the determination of whether he stays the external auditor.”⁶⁰ **We support this idea. We also agree with Lord Sharman⁶¹ that the role and responsibilities of non-executive directors might benefit from clarification.**

40. The importance of the role of the audit committee was also stressed, by the Chairman of the ASB⁶² and Lord Sharman,⁶³ among others. **We believe that there is a good case for an audit committee composed of non-executive directors, rather than the board as a whole, to be responsible, in the case of quoted companies, for selecting the firm of auditors to be put to the shareholders for appointment, and for fixing the auditors’ remuneration.**

41. Enhancement of the role of independent non-executive directors will mean that they will need more time available, and greater expertise. This raises a number of issues, such as what ‘non-executive’ means, conflicts of interest, how they are remunerated, the number of appointments an individual may hold, the degree of training needed, and the size of the available pool of talent. A number of these points have been touched on in evidence to us. **We expect the Higgs Review to produce proposals which cover these important matters. We recognise that there have been serious abuses of the practice of non-executive directors undertaking paid work with the same company. We expect the Higgs Review to address this issue positively.**

⁵⁹ Q206

⁶⁰ Q206

⁶¹ QQ266-8

⁶² Q325

⁶³ Q268

OTHER MATTERS

The Company Law Review

42. A number of witnesses have drawn attention to the lack of progress on implementation of the Company Law Review.⁶⁴ Launched in 1998, this was a fundamental review of the framework of core company law. It reported in July 2001. In its memorandum, the Government reported that it was developing legislation in response to the recommendations, to be published in due course in draft for consultation. It described this work as “a task of great scale and complexity”.⁶⁵

43. In his evidence, Mr Richard Rogers, Director, Company Law and Investigations, DTI, emphasised the complexity of the exercise.⁶⁶ He added that “there is no question of a new Bill being introduced in the second session”.⁶⁷ On 16 July the Government published its first formal response to the recommendations of the Review in the White Paper ‘Modernising Company Law’.⁶⁸ Some of the draft legislation has been published in the White Paper.⁶⁹

44. We welcome the fact that the Government has now responded to the Company Law Review, but remain concerned that there is no definite Parliamentary timetable for its implementation. If it becomes clear that action is needed in the light of Enron affair, we would not be happy for this to be delayed until comprehensive legislation can be introduced. We consider that the Government should give higher priority to this matter, not least because of the threat identified by the Chairman of the FSA and arising from the current proposals for the EU Prospectus Directive, to the use of the Listing Particulars as a means of imposing new requirements on listed companies. We recommend that, as a minimum, the Government gives a commitment to publish draft legislation in full in the course of the next Session of Parliament.

Competition in the Accountancy Profession

45. Professor Sikka and others, including the New Economics Foundation, and Lord Sharman⁷⁰ have commented on the dominant position of the ‘Big Four’ accounting firms. In evidence to us, Treasury witnesses implied that the CGAA might suggest referring them to the Competition Commission.⁷¹ However, the Group’s view is that the question of referral is outside the scope of its remit, but rather a matter for the competition authorities to consider.

46. Sir Howard Davies regarded the loss of a major accounting firm, leaving just four large global operations, as ‘most unfortunate’.⁷² It has an adverse effect on the FSA “in that there are circumstances in which it is quite difficult for us to find a firm which can act independently...indeed there have been one or two circumstances in which we have not been able to find an independent firm to act for us”.⁷³ He added “I find it difficult to think that the current position is in fact stable because whereas you might just about argue four was a possible number, in some sectors there are effectively not four competitors because in some sectors, for example, the insurance sector, there are not really four competitors.

⁶⁴ Modernising Company Law for a Competitive Economy – the report of the Company Law Review Steering Group

⁶⁵ HC 758-iv

⁶⁶ Q42

⁶⁷ Q422

⁶⁸ Cm. 5553-I

⁶⁹ Cm. 5553-II

⁷⁰ Q281-2

⁷¹ Q442-3

⁷² Q381

⁷³ Q381. See also Q384

It is now a position where it is impossible for any one of these four to fail because anybody would agree you could not go down to three or two”.

47. The FSA told us that “most” of its own business with accounting firms was placed with the Big Four.⁷⁴ It doubted whether its own purchasing was on a scale that could materially affect the market, in terms of encouraging other firms to develop the capability to compete more effectively with the Big Four.⁷⁵ Sir Howard Davies nonetheless thought that “a competition analysis of the overall state of the market would be useful”,⁷⁶ preferably on an international basis.

48. We note the evidence we have received concerning the increased degree of concentration in the accountancy industry as a result of the collapse of Arthur Andersen. While accepting that there must be a limit to the number of accounting firms that can afford to operate on a global scale, as Lord Sharman recognised,⁷⁷ it is not clear to us that the market is truly competitive. There is also the question of whether the combined growth of the ‘Big Four’ is in part fuelled by a perception on the part of some public companies that being audited by one of the ‘Big Four’ is a status symbol. We recommend that the Government refer the United Kingdom operations of the ‘Big Four’ to the Competition Commission. We also recommend that it give careful consideration to whether it could assist in reducing concentration by placing more of its work with suitably qualified and experienced firms outside the ‘Big Four’.

⁷⁴ QQ386-88

⁷⁵ Q382

⁷⁶ Q383

⁷⁷ Q281

THE INTERNATIONAL DIMENSION

Europe

49. There is an important European dimension to these matters. A programme of legislative and non-legislative measures (the Financial Services Action Plan) is being developed with a view to putting in place a single European market for financial services by 2005, of which the capital market elements are to be completed by 2003.

50. We have already referred to the Regulation on International Accounting Standards, adopted in June 2002, which will require all listed companies to use such standards from 2005. The Commission also agreed, on 16 May 2002, a Recommendation on a set of fundamental principles for statutory auditors' independence in the EU.⁷⁸ This Recommendation is the result of discussions within the EU Committee on Auditing, which is composed of representatives from the Member States and the European audit profession. In three years' time, the Commission will review the application of the recommendation, and consider whether EU legislation is required.

51. The Commission recommendation shares the United Kingdom's principles-based approach and the Committee on Auditing believes that the best way to achieve its objectives is through monitored self regulation. The finalised recommendation takes account of the Enron case. It does not prevent individual Member States setting stricter requirements, if they so wish.

52. A Commission Communication is to be issued later this year⁷⁹ on the policy priorities on the statutory audit. These are expected to include:

- (a) the use of International Standards on Auditing for all EU audits by 2005;
- (b) minimum requirements for proper public oversight of the auditing profession at national and possibly at European level;
- (c) corporate governance in relation to the statutory audit, in particular the future role of audit committees in European listed companies;
- (d) the possible adoption of a Code of Ethics to underpin professional integrity within the Union;
- (e) the provision of a proper legal underpinning for the EU initiatives on statutory audit, notably by a modernisation of the 8th Company Law Directive on statutory audit; and
- (f) a review in 2003 of how the Recommendation on a minimum requirements for systems of external quality assurance for statutory audit in the EU (adopted in November 2000) has been implemented in Member States.

53. It is clear that the EU expects to be a serious player in the ongoing debate about the role and regulation of auditors, and the development of corporate governance standards within the EU. We urge the Government to ensure that United Kingdom interests, and regulatory standards, are fully protected in developing common European approaches. In this context, we were concerned by Sir Howard Davies' comments⁸⁰ that the proposed Prospectus Directive could undermine the present role played by the Listing Rules in enforcing corporate governance requirements on listed companies. Other groups have also expressed concern.⁸¹ We recommend that the Treasury seek to ensure that the United Kingdom's standards of financial disclosure and corporate governance are fully safeguarded during negotiations on the Directive.

⁷⁸ Commission Recommendation 2001/6492.

⁷⁹ See Commission Memorandum 02/96, of 16 May 2002

⁸⁰ QQ400-02.

⁸¹ Financial Times, 11 July 2002.

The United States of America

54. It is, of course, the United States which faces the greatest challenge, as the Enron collapse occurred in its jurisdiction. Both Houses of Congress have now passed legislation in this area, the more radical legislation being the Senate bill (the Public Company Accounting Reform and Investor Protection Act of 2002) introduced by Senator Paul Sarbanes, Chairman of the Committee on Banking, Housing and Urban Affairs, which was passed by the Senate on 15 July. The extent to which this will pass into law will now depend on the conference with the House of Representatives, which has passed a rather more limited measure⁸² sponsored by Congressman Michael Oxley, Chairman of the Committee on Financial Services. Initiatives have also been taken by other bodies, such as the Securities and Exchange Commission, and the American Institute of Certified Public Accountants.

55. Concern has been expressed⁸³ in the United Kingdom that aspects of the Sarbanes bill could have extraterritorial implications, in that the proposed Public Company Accounting Oversight Board would be able to demand audit working papers from any foreign accounting firm that helped prepare accounts for a US public company.⁸⁴ **We intend to follow the progress of the proposals for a Public Company Accounting Oversight Board and to consider whether a similar body would be appropriate in the United Kingdom, possibly with reciprocal powers.**

⁸² The Corporate and Auditing Accountability, Responsibility and Transparency Act of 2002 (H.R. 3763)

⁸³ See Accountancy Age, 11 July 2002.

⁸⁴ Auditors of UK registered companies which are listed on a recognised American stock exchange are already required to comply with SEC independence requirements, in addition to those of the United Kingdom.

General Conclusions

56. The Enron and Worldcom collapses have shaken confidence in company accounts, and consequently in the professionals responsible for running companies and for financial reporting. Although these cases have, for the most part, arisen in America, the crisis of confidence has spread far further.

57. We acknowledge that the regulatory environment in the United Kingdom is very different from that of the United States. We also recognise that a large amount of work has already been done in the United Kingdom to improve accounting, auditing and corporate governance. But there can be no room for complacency. There are still features of the accountancy regime which appear to us to be insufficiently robust. We are not convinced that the accountancy bodies appreciate the scale of the problem. These risks must be minimised in the interest of confidence. The oversight system must be made more effective.

58. The business of accountants is almost wholly based on confidence. The rapid demise of Arthur Andersen in the light of the Enron scandal is eloquent testimony to this point, as was the decline of Spicer and Pegler.⁸⁵ We accept the argument of the professional bodies that the potentially catastrophic consequences for its firm and their employees of poor quality work act as very powerful disciplines on partners, and that the public perception of what auditors can be expected to achieve may be unrealistic. Nonetheless, we believe that public expectations demand a greater degree of accountability from the accountancy profession.

59. We agree with the Government that a principles-based approach is preferable to a rules-based approach. Although the, sometimes difficult, judgements that must be made in a principles-based approach lack the apparent certainty of a rules-based approach, we take the view that the events of Enron demonstrate the hazards of the latter, legalistic, approach. We have seen no evidence that the lawyer-dominated approach favoured by the US offers advantages over the professional judgement approach favoured here.

60. We also think that there are public expectations of a greater degree of activity from the Government. Very shortly, it will publish the interim report of the CGAA. We shall be looking for clear evidence that issues we have identified in this report are being addressed with urgency and firmness of purpose. We expect to look further into this matter when we have had a chance to study this report.

61. We share concerns about the problems of 'revolving doors', whereby personnel involved in public sector contracts move from the public sector to the profession, and vice versa. We recommend a cooling-off period between employment in accountancy or consulting firms or contracts with the Government.

62. Although, perhaps inevitably, this report has concentrated on the role of accountants and of company management, the responsibility for ensuring that companies are well run and providing proper reliable information rests on all the stakeholders, including the shareholders. We believe that considerable improvements in the governance of companies can be brought about by greater shareholder interest in its affairs. We urge all shareholders, and institutional shareholders in particular, to face up to their important responsibilities in this respect.

⁸⁵ QQ139-40

LIST OF CONCLUSIONS AND RECOMMENDATIONS

1. We believe that this evidence would repay careful analysis and assessment in the context of the Government's response to the events of Enron. We therefore commend it to the relevant bodies (paragraph 3).

2. Although we recognise that we have rather different arrangements from the United States for the oversight of the accounting profession and for financial regulation, we believe that it would be dangerously complacent to assume this. What has happened in the United States has shaken confidence worldwide in matters such as the independence of auditors from company management. We agree with the Government that it is important to restore this confidence (paragraph 5).

3. As our evidence demonstrates, a lot of work by Government, regulatory bodies, professional bodies and others, is currently in progress. This report therefore necessarily has something of an interim character to it. We shall continue to keep developments under review and will return to this matter in due course (paragraph 7).

4. We note the array of arguments against auditor rotation. There would undoubtedly be additional costs and some potential risks. Nevertheless, the absence of any kind of rotation requirement leaves a perception – and almost certainly the reality – of an undesirable cosiness between some firms and their auditors. This poses even greater risks. We accept the need for auditor or audit firm rotation in principle, and we want the Government to produce proposals to implement it (paragraph 11).

5. We note that re-tendering is a regular feature of many public sector appointments, and we have received no evidence that this operates to the detriment of the quality of work carried out. We consider that there is a good case for requiring audit committees to look explicitly at rotation of audit firms every five years. We believe that the audit committee should be obliged to make a statement to shareholders on those occasions when they decide to retain the existing auditor after conducting such a five yearly review.

6. We recommend that the Ethics Standards Board considers urgently, in the light of the evidence we have received, whether the existing provisions are adequate. We believe that there is a good case for requiring rotation of the audit partner/manager on an audit every five years, rather than the present seven years. We also believe that there should be a time limit preventing auditors from being employed by a firm which they have audited. This should be at least one year (paragraph 13).

7. Confidence in the independence of the auditor is central to the integrity of the audit. Independence is clearly open to question when auditors also perform a significant consultancy role – especially when the audit contract may have served as a loss-leader to acquire this more lucrative business. We therefore believe that there is a strong case for disclosure in relation to non-audit work. We believe that the Audit Committee should be required to assess the extent of non-audit work and should be required to notify shareholders of any potential conflicts of auditor interest. We recommend that the audit committees of listed companies be required to publish details of audit and non-audit contracts, giving a detailed justification of the arrangements to shareholders (paragraph 17).

8. We believe that, as a general principle, auditors should not be permitted to audit work done by themselves. We recommend that certain non-audit-related services should not be provided by a company's auditors and we want the Government to

produce proposals to enforce this, including a strict definition of such services (paragraph 19).

9. We believe that an Accounting Standard on revenue recognition and to control aggressive earnings management should be introduced, on a national or an international basis, at an early date (paragraph 22).

10. We were disappointed at the leisurely approach of the Accounting Standards Board. We believe that there are issues for the Board that require action before 2005 (paragraph 27).

11. Sir David expressed concern that the current method of funding of the IASB could lead to indirect pressure, through withdrawal of funding. He cited an example of a threatened withdrawal of cash when American industrialists expressed disagreements with IASB thinking on accounting for share options and other areas where there are, or were likely to be, differences of view between the Board and American interests. He considered that "ideally the best way of funding us...would be to put a levy on registrations around the world". We strongly support Sir David Tweedie's robust stance in resisting such pressures (paragraph 28).

12. We are generally opposed to the use of share options as a significant source of remuneration in public companies. We shall wish to take evidence on this later. We agree with Sir David Tweedie that an International Accounting Standard that properly reflects the value of such options should be agreed. We believe that share options used for executive and other remuneration and payment should be prudently accounted for as future negative net income on a company's profit and loss account (paragraph 31).

13. We support the concept of international standards, a view apparently shared by a large majority of institutional investors worldwide. We believe that Sir David Tweedie's evidence indicates that there may be real difficulties in securing their acceptance in some major areas, although we are heartened by Sir David's view that all the core international standards should be in place by 2005. Pressures to agree a comprehensive range of Standards by 2005 must not dilute standards applicable in the United Kingdom, particularly in relation to a 'true and fair' view (paragraph 32).

14. The regulatory structure of the accountancy profession raises questions about rigour and independence. These arise as a result of the regulatory process being funded by the industry itself, and, in particular, in the way these funds are collected. We welcome the efforts being made by the Accountancy Foundation to improve the industry's regulatory regime. We recommend that the Government give this issue urgent examination, and that it considers the introduction of industry funding arrangements similar to those which operate in the case of the Financial Services Authority (paragraph 36).

15. We believe, though, that the existing regulatory framework of the accountancy profession is cumbersome and excessively complicated. We consider that there is a strong case for a single, independent, regulator, which is not only independent but seen to be independent (paragraph 37).

16. In the context of our current inquiry, a number of witnesses have proposed a much more proactive role for the non-executive directors in relation to the auditing function. Sir John Bourn suggested that non-executive directors should report on a range of matters relating to the audit. He added "the external auditors should know that this discussion with the non-executive directors is an important part of his work, and that his ability to satisfy the non-executive directors is crucial in the determination of whether he stays the external auditor." We support this idea. We also agree with Lord Sharman that the role and

responsibilities of non-executive directors might benefit from clarification (paragraph 39).

17. We believe that there is a good case for an audit committee composed of non-executive directors, rather than the board as a whole, to be responsible, in the case of quoted companies, for selecting the firm of auditors to be put to the shareholders for appointment, and for fixing the auditors' remuneration (paragraph 40).

18. We expect the Higgs Review to produce proposals which cover these important matters. We recognise that there have been serious abuses of the practice of non-executive directors undertaking paid work with the same company. We expect the Higgs Review to address this issue positively (paragraph 41).

19. We welcome the fact that the Government has now responded to the Company Law Review, but remain concerned that there is no definite Parliamentary timetable for its implementation. If it becomes clear that action is needed in the light of Enron affair, we would not be happy for this to be delayed until comprehensive legislation can be introduced. We consider that the Government should give higher priority to this matter, not least because of the threat identified by the Chairman of the FSA and arising from the current proposals for the EU Prospectus Directive, to the use of the Listing Particulars as a means of imposing new requirements on listed companies. We recommend that, as a minimum, the Government gives a commitment to publish draft legislation in full in the course of the next Session of Parliament (paragraph 44).

20. It is clear that the EU expects to be a serious player in the ongoing debate about the role and regulation of auditors, and the development of corporate governance standards within the EU. We urge the Government to ensure that United Kingdom interests, and regulatory standards, are fully protected in developing common European approaches. In this context, we were concerned by Sir Howard Davies' comments that the proposed Prospectus Directive could undermine the present role played by the Listing Rules in enforcing corporate governance requirements on listed companies. Other groups have also expressed concern. We recommend that the Treasury seek to ensure that the United Kingdom's standards of financial disclosure and corporate governance are fully safeguarded during negotiations on the Directive (paragraph 53).

21. We intend to follow the progress of the proposals in the United States for a Public Company Accounting Oversight Board and to consider whether a similar body would be appropriate in the United Kingdom, possibly with reciprocal powers (paragraph 55).

22. The Enron and Worldcom collapses have shaken confidence in company accounts, and consequently in the professionals responsible for running companies and for financial reporting. Although these cases have, for the most part, arisen in America, the crisis of confidence has spread far further (paragraph 56).

23. We acknowledge that the regulatory environment in the United Kingdom is very different from that of the United States. We also recognise that a large amount of work has already been done in the United Kingdom to improve accounting, auditing and corporate governance. But there can be no room for complacency. There are still features of the accountancy regime which appear to us to be insufficiently robust. We are not convinced that the accountancy bodies appreciate the scale of the problem. These risks must be minimised in the interest of confidence. The oversight system must be made more effective (paragraph 57).

24. **The business of accountants is almost wholly based on confidence. The rapid demise of Arthur Andersen in the light of the Enron scandal is eloquent testimony to this point, as was the decline of Spicer and Pegler. We accept the argument of the professional bodies that the potentially catastrophic consequences for its firm and their employees of poor quality work act as very powerful disciplines on partners, and that the public perception of what auditors can be expected to achieve may be unrealistic. Nonetheless, we believe that public expectations demand a greater degree of accountability from the accountancy profession (paragraph 58).**

25. **We agree with the Government that a principles-based approach is preferable to a rules-based approach. Although the, sometimes difficult, judgements that must be made in a principles-based approach lack the apparent certainty of a rules-based approach, we take the view that the events of Enron demonstrate the hazards of the latter, legalistic, approach. We have seen no evidence that the lawyer-dominated approach favoured by the US offers advantages over the professional judgement approach favoured here (paragraph 59).**

26. **We also think that there are public expectations of a greater degree of activity from the Government. Very shortly, it will publish the interim report of the CGAA. We shall be looking for clear evidence that issues we have identified in this report are being addressed with urgency and firmness of purpose. We expect to look further into this matter when we have had a chance to study this report (paragraph 60).**

27. **We share concerns about the problems of ‘revolving doors’, whereby personnel involved in public sector contracts move from the public sector to the profession, and vice versa. We recommend a cooling-off period between employment in accountancy or consulting firms or contracts with the Government (paragraph 61).**

28. **Although, perhaps inevitably, this report has concentrated on the role of accountants and of company management, the responsibility for ensuring that companies are well run and providing proper reliable information rests on all the stakeholders, including the shareholders. We believe that considerable improvements in the governance of companies can be brought about by greater shareholder interest in its affairs. We urge all shareholders, and institutional shareholders in particular, to face up to their important responsibilities in this respect (paragraph 62).**

**PROCEEDINGS OF THE COMMITTEE
RELATING TO THE REPORT**

THURSDAY 18 JULY

[MORNING SITTING]

Members present:

Mr John McFall, in the Chair

Mr Jim Cousins
Mr Michael Fallon
Mr David Laws
Kali Mountford
Mr George Mudie

Dr Nick Palmer
Mr James Plaskitt
Mr David Ruffley
Mr Andrew Tyrie

The Committee deliberated.

Draft Report (Financial Regulation of Public Limited Companies), proposed by the Chairman, brought up and read.

Ordered, that the draft Report be read a second time, paragraph by paragraph.

Paragraph 1 to 4 read and agreed to.

Paragraph 5 read, amended and agreed to.

Paragraphs 6 to 10 read and agreed to.

Paragraphs 11 to 13 read amended and agreed to.

Paragraphs 14 to 16 read and agreed to.

Paragraph 17 read, amended and agreed to.

Paragraph 18 read, amended and agreed to.

Paragraph divided (now paragraphs 18 and 19).

Paragraphs 19 and 20 (now paragraphs 20 and 21) read and agreed to.

Paragraph 21 (now paragraph 22) read, amended and agreed to.

Paragraphs 22 to 25 (now paragraphs 23 to 26) read and agreed to.

A paragraph – (*Mr Jim Cousins*) – brought up, read the first and second time, and inserted (now paragraph 27).

Paragraphs 26 (now paragraph 28) read, amended and agreed to.

Paragraphs 27 and 28 (now paragraphs 29 and 30) read and agreed to.

Another paragraph – (*The Chairman*) – brought up, read the first and second time, amended and inserted (now paragraph 31).

Paragraph 29 (now paragraph 32) read, amended and agreed to.

Paragraphs 30 to 32 (now paragraph 33 to 35) read and agreed to.

Paragraphs 33 and 34 (now paragraphs 36 and 37) read, amended and agreed to.

Paragraph 35 (now paragraph 38) read and agreed to.

Paragraph 36 read as follows:

“We support the concept of a greater role for non-executive directors within the framework of a unitary board.”

Paragraph disagreed to.

Paragraphs 37 and 38 (now paragraphs 39 and 40) read and agreed to.

Paragraph 39 read.

Ordered, that further consideration of the Chairman’s draft Report be now adjourned.
– (*The Chairman.*)

Report to be further considered this day.

[Adjourned till this day at Two o’clock

THURSDAY 18 JULY

[AFTERNOON SITTING]

Members present:

Mr John McFall, in the Chair

Mr Jim Cousins
Mr Michael Fallon
Mr David Laws
Mr George Mudie

Dr Nick Palmer
Mr James Plaskitt
Mr David Ruffley
Mr Andrew Tyrie

* * *

Consideration of the Chairman’s draft Report (Financial Regulation of Public Limited Companies) resumed.

Paragraph 39 again read.

Paragraph amended and agreed to (now paragraph 41).

Paragraphs 40 and 41 (now paragraphs 42 and 43) read and agreed to.

Paragraphs 42 to 44 (now paragraphs 44 to 46) read, amended and agreed to.

Paragraph 45 (now paragraph 47) read and agreed to.

Paragraph 46 (now paragraph 48) read, amended and agreed to.

Paragraphs 47 to 50 (now paragraphs 49 to 52) read and agreed to.

Paragraph 51 (now paragraph 53) read, amended and agreed to.

Paragraph 52 (now paragraph 54) read and agreed to.

Paragraphs 53 to 56 (now paragraphs 55 to 58) read, amended and agreed to.

Paragraph 57 read as follows:

“We also think that there are public expectations of a greater degree of activity from the Government. DTI and Treasury witnesses left us with a sense of unease about the urgency with which the Government is tackling this matter.”

Paragraph disagreed to.

Paragraph 58 (now paragraph 59) read and agreed to.

Paragraph 59 (now paragraph 60) read, amended and agreed to.

Another paragraph – (*Mr Jim Cousins*) – brought up, read the first and second time and inserted (now paragraph 61).

Paragraph 60 (now paragraph 62) read and agreed to.

Resolved, That the Report, as amended, be the Sixth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Several further Papers were ordered to be appended to the Minutes of Evidence.

Ordered, That further Papers ordered to be appended to the Minutes of Evidence be reported to the House. – (*The Chairman.*)

[Adjourned till Tuesday 23 July at Ten o' clock

LIST OF WITNESSES

WEDNESDAY 10TH APRIL 2002

HC 758-i

The Association of Chartered Certified Accountants
Mr David Bishop, Member of the Council, Mr Roger Adams, Technical
Director Ev 34

The Institute of Chartered Accountants of England and Wales
Mr Michael Groom, President, and Mr Peter Wyman, Vice-President Ev 34

The Chartered Institute of Management Accountants
Mr Bruce Epsley, President, and Mr Richard Mallett, Director Ev 34

TUESDAY 16 APRIL 2002

HC 758-ii

Professor Prem Sikka, Professor of Accounting, University of Essex Ev 61

Mrs Stella Fearnley, Reader in Accountancy, Mr Richard Brandt, Senior
Research Fellow, Portsmouth Business School, and Professor Vivien Beattie,
Professor of Accounting, University of Stirling Ev 61

TUESDAY 25 JUNE

HC 758-iii

The Review Board
Sir John Bourn KCB, Chairman and Dr Colin Reeves CBE, Director

The Auditing Practices Board
Mr Richard Fleck, Vice-Chairman, and Mr John Grant, Executive Director

The New Economics Foundation
Mr Andrew Simms, Policy Director and Ms Deborah Doane, Head of Corporate
Accountability

TUESDAY 2 JULY 2002

HC 758-iv

Lord Sharman of Redlynch

The Accounting Standards Board
Ms Mary Keegan, Chairman

The International Accounting Standards Board
Professor Sir David Tweedie, Chairman

The Financial Services Authority

Sir Howard Davies, Chairman and Mr Michael Foot, Managing Director and Head of Financial Supervision

Department of Trade and Industry

Mr Richard Rogers, Director, Company Law and Investigations and Mr John Grewe, Director, Financial Reporting Policy

HM Treasury

Mr David Lawton, Head of Financial Stability and Markets and Mr David Loweth, Head of Central Accountancy

LIST OF MEMORANDA INCLUDED IN THE MINUTES OF EVIDENCE

HC 758-i

The Association of Chartered Certified Accountants	Ev1
Institute of Chartered Accountants of England and Wales	Ev 7
The Chartered Institute of Management Accountants	Ev 29
Further memorandum from the Association of Chartered Certified Accountants .	Ev 49

HC 758-ii

Mrs Stella Fearnley, Mr Richard Brandt, Portsmouth Business School, and Professor Vivien Beattie, University of Stirling	Ev 52
Professor Prem Sikka, University of Essex	Ev 59
Further memorandum submitted by Mrs Fearnley, Mr Brandt and Professor Beattie	Ev 72
Further memorandum submitted by Professor Prem Sikka	Ev 73

HC 758-iii

The Review Board
The New Economics Foundation

HC 758-iv

Lord Sharman
Accounting Standards Board
Financial Services Authority
HM Treasury and Department of Trade and Industry

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21. Institute of Chartered Accountants of Scotland
22. The Law Society
23. The Law Society of Scotland
24. PricewaterhouseCoopers
25. Mazars Neville Russell
26. Public Audit Forum
27. British Bankers' Association

**LIST OF REPORTS PUBLISHED BY THE TREASURY COMMITTEE,
SESSION 2001-02**

First Report: The 2001 Census in England and Wales (HC 310)

Second Report: Budget 2002 (HC 780)

Third Report: The Office of Government Commerce (HC 851)

Fourth Report: Appointment to the Monetary Policy Committee of the Bank of England of Mr Paul Tucker and Ms Marian Bell (HC 880-I)

Special Reports:

First Special Report: Government Response to the Committee's Fifth Report, Session 2000-01: Banking and the Consumer (HC 198)

Second Special Report: Responses by the Government and the Bank of England to the Committee's Ninth Report, Session 2000-01: The Monetary Policy Committee – An End of Term Report (HC 199)

Third Special Report: Government Response to the Committee's Eighth Report, Session 2000-01: The Royal Mint (HC 266)

Fourth Special Report: Government Response to the Committee's Seventh Report, Session 2000-01: The Government Actuary's Department (HC 267)

Fifth Special Report: Government Response to the Committee's Sixth Report, Session 2000-01: HM Customs and Excise (HC 315)

Sixth Special Report: Government Response to the Committee's Tenth Report, Session 2000-01: Equitable Life and the Life Assurance Industry: An Interim Report (HC 316)

Seventh Special Report: Government Response to the Committee's Fourth Report, Session 2000-01: International Monetary Fund: A Blueprint for Parliamentary Accountability (HC 379)

Eighth Special Report: Government Response to the Committee's Third Report, Session 2000-01: HM Treasury (HC 429)

Ninth Special Report: Government Response to the Committee's First Report, Session 2001-02: The 2001 Census in England and Wales (HC 852)