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The Right Honourable Mr Andy Tyrie MP for Chichester
Chairman of the Treasury Select Committee
House of Commons
London
SW1 0AA

7 February 2011

Dear Mr Tyrie

Thank you for taking the time to meet with me, my constituent Mr Brian Little, and the ex HBOS whistleblower Mr Paul Moore on Wednesday afternoon in your office on the subject of “independent forensic investigations” conducted by UK audit firms.

I am sorry it took a couple of minutes before we all recognised that you had not had the opportunity to read my 19 January 2011 letter, together with the papers which had been left in the pack with your office the previous week. Subsequent to the meeting I double-checked that they had been delivered to your office and was assured that this was the case. I have since asked Mr Little and my parliamentary aide to replicate a set again and I will personally hand deliver it to your Portcullis House office tomorrow, Tuesday 8 February 2011.

Anyway despite that initial difficulty I would like to sincerely thank you for taking extra time within your very busy schedule and at the time of an imminent TSC meeting to allow us to discuss this “independent forensic investigations” subject and its current relevance.

In summary you made a number of points from that discussion and I record and follow up the actions I believe we agreed at the end of that initial meeting. Paul Moore will be writing separately on a number of these but for completeness I record, I hope, all of them below.

If I am incorrect or there are any omissions on which we could assist you further then please do tell me.

Point 1 : Engagement letter (s) between FSA and PwC

As per my letter dated 19 January 2011 I believe the TSC should obtain a copy of the relevant Engagement letters between the FSA and the PwC for the work carried out by PwC for £7.7m + in their forensic reports on RBS during the last eighteen months.

Brian gave and left you a typical copy of the PwC engagement letter for his “independent forensic investigation case”. It seems appropriate that the engagement letters for the HBOS investigation between the FSA and E&Y? should also be obtained by the TSC, or whichever firm were engaged by FSA. It seems entirely proper to assume the FSA would have commissioned such a similar review into HBOS/Lloyds.

Point 2 : PwC Final Report – March 2011 (editing) on RBS

You finally secured agreement in mid December 2010 from Lord Turner that a “report” will be published by FSA from the PwC forensic work in March 2011. We believe it is both sensible and proper that the TSC satisfy itself that the “review and editing” of PwC work can be properly confirmed as the basis of an “independent” , “objective” and “competent” piece of work .

Brian gave and left with you an extract of one part of the Executive Summary of the PwC Final Draft report (May 2007) which demonstrated the comparison with the complete removal of key text in paragraphs 2.40 & 2.41 on Financial Control at Magellan Aerospace in the PwC Final Report (August 2007). This was just one example of the “editing” in other PwC work. As a result you asked that Paul provide you with specific recommendations in this review of the “editing” area, from his City and regulatory experience at what would be a reasonable cost to the taxpayer. He agreed he will write to you on this subject with his recommendations for your action.

Point 3: HBOS forensics and a Banking judicial enquiry.

Paul confirmed that no one had ever followed up his TSC evidence and assertions about HBOS from 2 years ago, despite the media and Parliamentary statements at the time. In particular he stated that if there has been a forensic investigation by the FSA he was never asked to give any evidence and of course he reiterated his opinion, which I endorse, that all of these matters should have been then, or perhaps even still now, the subject of proper judicial review.

There have been several uncorroborated media reports that the FSA commissioned a forensic report from E&Y on HBOS. Paul will I expect say more about this in his letter to you and

the importance of a judicial enquiry into the Banking arena for future public policy and regulatory governance. Separately I support the importance of the Banking Commission enquiry under the Chairmanship of Sir John Vickers which will also contribute. Paul wrote to that Commission in January 2011.

Point 4 : House of Lords Economic Affairs Committee

We discussed the HOL enquiry into Auditors: Market Concentration and their role and the various evidence that has been given by some witnesses. You asked that we also follow up directly with Lord McGregor. Paul has already emailed contact details to your TSC clerk as you requested.

I am making arrangements to follow up directly with that Committee. Brian has since advised me that Lord Hollick of Notting Hill has just acknowledged receipt of some relevant papers from him, sent also in the previous week. I expect you will likewise contact Lord McGregor and discuss at your convenience.

Point 5 : Independent forensic Investigations research

When we started our meeting I had assumed, as I had been told by your staff, that you had already read the pack of documents on independent forensic investigations that I sent

to you a week earlier. As I said above after a few minutes it became clear that you had not and were indeed unaware of the focus and purpose of our meeting.

As promised at our meeting I have arranged that these will all be copied again and I will hand-deliver them myself to your office on Tuesday. As I also stated at our meeting we will continue to pursue these wider issues over the next couple of months and keep you advised as necessary. Having read these papers if you have any comments or suggestions for other aspects which I should pursue to assist then please do tell me.

Point 6 : Brian 's final point – we ran out of time

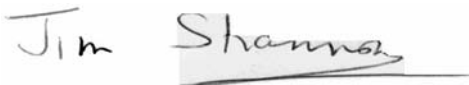
Given the time pressures and the above we were unable to complete Brian's final points which for completeness I record below for your consideration. You were about to take further evidence at the TSC meeting from Mr Mark Hoban, Financial Secretary to the Treasury.

Brian had wished to suggest, whether at that TSC meeting or subsequently, that it would be useful to ascertain whether Mr Hoban or perhaps other ministers had read any part of the PwC reports to the FSA. You had already established at a December 2010 TSC meeting that the current CEO, Mr Stephen Hester of RBS – the subject organization had not.

Further Brian wanted to suggest that in the upcoming “New Bill” it would be helpful if Mr Hoban and HM government were to set out in writing to the TSC, from the findings of fact and conclusions from that PwC /FSA - specific forensic work, what had flowed through as “lessons learnt” etc into the provisions of the “New Bill” later this year. Clearly it is a matter for you alone whether you choose to now pursue these points, at a time of your choice.

Let me know if I have recorded these correctly, and if you wish to speak further at a time which would be convenient for you or require any further inputs or assistance. Thank you again.

Yours faithfully,

A handwritten signature in black ink that reads "Jim Shannon". The signature is written in a cursive style and is underlined with a single horizontal line.

Jim Shannon MP for Strangford

P.S. Although you told us all you were not a reader of books Brian Little had also previously given me a personal copy of “Whoops”. I had not got as far as its Epilogue but my natural curiosity, after giving you a personal inscribed copy and his comment to you, resulted in my jumping to read it later. I now fully understand why Brian thought it was important in your reflections, thought processes and actions in 2011 / 2012. I can also say I have found it both an easy and good read.

Enclosures in file pack

1. My letter to you with pack of enclosed documents dated 19 January 2011
2. Letter from PwC to Mr Shannon dated 6 January 2011 and my letters dated 7 October 2010, 18 November 2010, 15 December 2010, 12 January 2011, email dated 14 January 2011 and letter dated 7 February 2011.
3. Letter from E&Y to Mr Shannon dated 14 January 2011 and my follow up / supplementary questions letter dated 19 January 2011.
4. Letter from KPMG to Mr Shannon dated 27 January 2011 and my follow up / supplementary questions letter dated 31 January 2011.
5. Letters from Mr Shannon to Mr Timothy Walker, Chairman of the Accountancy and Actuarial Discipline Board (AADB) – part of the Financial Reporting Council (FRC) dated 19 November 2010 (his letter dated 15 November 2010) , 15 December 2010, 12 January 2011, 19 January 2011 and 26 January 2011.
6. Letter from Mr Shannon to Mr Michael Izza, CEO of the Institute of Chartered Accountants in England and Wales (ICAEW) dated 18 November 2010, the ICAEW response dated 6 December 2010 and my follow up letter dated 5 January 2011.