Public Accounts Committee

Richard Moriarty
Chief Operating Officer
Financial Reporting Council
13th Floor, 1 Harbour Exchange Square,
London E14 9GE

By email

05 June 2025

FRC investigation regarding the audits of Post Office Limited by Ernst & Young LLP

Dear Mr Moriarty,

My Committee has recently inquired into the 2023-24 annual report and accounts of the Department for Business and Trade. As part of our inquiry we considered the Department's role in relation to Post Office Limited and the steps being taken to address the Horizon IT system scandal and provide timely and suitable recompense to the victims. We will shortly be publishing our report.

Given the critical importance of understanding what went wrong in this case and where responsibility lies, I would like to understand why it took until April 2025 for the Financial Reporting Council (FRC) to open an investigation into the statutory audits of the consolidated financial statements of Post Office Limited, conducted by Ernst & Young LLP for the financial years ending March 2015 – March 2018. I also have questions relating to the scope of the FRC's investigation.

I would be grateful for answers to the following specific questions:

- What factors did FRC consider in determining the scope of its investigation?
- Why does the FRC investigation into the statutory audits of the consolidated financial statements of Post Office Limited, conducted by Ernst & Young LLP (EY), only cover the financial years ending March 2015 – March 2018?
- Why are the statutory audits of the consolidated financial statements of Post Office Limited, conducted by EY for earlier financial years, not included in the scope of the investigation?
- In forming the scope of its investigation, did FRC establish what EY knew (or could reasonably have known) in different years?
- In forming the scope of its investigation, did FRC establish what documentation EY held for different years, and its approach to retention of audit files?
- Was EY aware of potential issues with the Horizon system prior to April 2014 (the earliest period to be covered by the FRC investigation)?
- Was EY aware that sub-postmasters were being prosecuted using information reported by the Horizon system as evidence?
- Were EY representatives present at Board or Committee meetings where any of the following were discussed:
  - the reliability of the Horizon system.
  - the volume/value of shortfalls being reported by the Horizon system.

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- the integrity of the system of internal control over in-branch cash handling.

I am copying this letter to the Department and the National Audit Office. Please provide a response to these questions within three weeks of receipt of this letter. The Committee publishes formal correspondence it receives. Please indicate clearly in your response if you are providing any information in confidence, and if you expect the information to be publishable at a later date.

Yours Sincerely

Sir Geoffrey Clifton-Brown MP
Chair of the Committee of Public Accounts

Cc' Gareth Davies CB, Permanent Secretary, Department for Business and Trade
Gareth Davies, Comptroller and Auditor General, National Audit Office

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