



Department for Business & Trade

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Dear Liam,

I am writing to update the Committee on the Government's plans for audit reform legislation, following my predecessor Justin Madders' letters to the committee in July 2025 to confirm we would not publish a draft Bill this session, and again in September to outline our position.

Over the past weeks, the Secretary of State and I have reviewed the prospects for the major package of audit and corporate governance measures we have been considering. I want now to update the committee that we have reached the difficult decision not to consult. This is for three reasons.

Firstly, our priority is to promote economic growth and reduce administrative burdens. While the planned reforms would be beneficial, some would increase costs on business, and it would not be right to prioritise those over more deregulatory measures. We intend to focus instead on the simplification and modernisation of corporate reporting. We want to make the UK's reporting regime the most streamlined and proportionate in the world and will launch an ambitious consultation this year to co-design these changes with companies and investors.

Secondly, the need for major reform is less pressing than it was. A great deal of progress has been made since the collapse of Carillion in 2018. We have seen considerable improvement in the quality of audit regulation, and of audit itself, and I am committed to continued support of the measures taken by the Financial Reporting Council and the audit sector to achieve these improvements. My officials and I continue to work closely with the Financial Reporting Council to make the audit market work better, minimise the administrative burden of regulation and to support growth.

Thirdly, the Government is pursuing an ambitious legislative programme and parliamentary time is limited. We respect the time and resources of our stakeholders and therefore do not want to consult to seek further input on policies that are not likely to progress in the near future. I remain extremely grateful for the ongoing interest and engagement that we have had from businesses and other stakeholders, and from the Committee, in this work.

Nevertheless, it remains important to have effective, proportionate regulation of audit and a regulator that has the right legislative set-up to do the job. We will still look to put the Financial Reporting Council on a proper statutory footing, as soon as parliamentary time allows.

I hope the Committee will recognise the need for this reprioritisation.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Blair McDougall".

BLAIR McDougall MP

Minister for Small Businesses and Economic Transformation