

For the attention of James Ferris,

Dear Mr Ferris,

Clarion Events Limited response to the FRC Consultation, Revised Ethical Standard 2019.

I am writing on behalf of Clarion Events in response to the above draft Ethical Standard and welcome the opportunity given to participate in the consultation as a mid-sized business.

Clarion Events is a Private Equity (PE) owned UK headquartered business. Operating in the UK since 1947 we organise events and conferences globally. Our year ended 31 January 2019 group consolidated accounts (Comet Midco Ltd) reported group revenue totalling £342.4m and during that year we employed a total workforce of 2,862 based in 55 offices worldwide. We do not have a company defined benefit pension.

Introduction

We wish to highlight the following points as a general introduction to our more detailed responses below:

- i) We have not answered all the questions included within the consultation paper, as not all are relevant to our situation. We have instead focussed on those relevant to a mid-sized business, being Question 4, Question 5, Question 7 and Question 13.
- ii) We are generally supportive of the overall approach and understand the need to enhance auditing ethical standards where this is in the public interest.

Responses to Select Questions

Q4. Do you agree with the introduction of a permitted list of services which the auditors of PIE audits can provide?

Q5. Do you agree with the additional prohibitions we are proposing to introduce – in learning from the experience of enforcement cases like BHS, if the more stringent PIE provisions are to have a wider application to non-PIE entities, which entities should be subject to those requirements?

Q7. Do you agree with the proposed removal of the derogation in the 2016 Ethical Standard which allowed for the provision of certain non-audit services where these have no direct or inconsequential effect on the financial statements?

Clarion is a company which does not currently fall within the definition of a PIE. We note that the consultation covers expanding the scope of ethical requirements to cover entities which may not be formally designated as PIEs, described as other privately held entities of significant public interest. Our comments reflect the position we believe we would face if we were to be included.

Our experience is that, even ahead of the proposed changes, ethical standards seem particularly difficult to navigate for portfolio companies of private equity funds around the provision of non-audit services where it can be difficult to find an advisor which isn't conflicted somewhere within the fund structure and these rules would benefit from greater clarity.

We are owned by one of the largest PE funds (Blackstone) and we already face difficulty in engaging with many of the large accounting/audit practices to assist with non-audit (particularly tax and transaction support) services. The proposed changes would further limit our commercial choice in engaging with providers and this would not be commercially desirable for our business.

In determining where the level is to be set for inclusion of additional entities within the scope of these standards, we recommend that particular consideration can be given to the impact on Private Equity backed businesses.

In a business of our size we do see commercial and assurance benefits for our stakeholders by working with our audit company (EY) on certain non-audit, predominantly tax, services. With EY covering both audit and tax services they have a greater and deeper knowledge of our business which is very beneficial to us, including when we undertake M&A transactions. We manage any potential for conflict of interest by ensuring our Private Equity owners are fully aware of the services that EY undertake for us and supportive of the arrangement in advance of provision.

If the FRC do decide to introduce a list of permitted services to be extended to OPIEs then in our view it is essential specific consideration is given to guidance for Private Equity entities to navigate such arrangements.

Q13. We are proposing changes to the standards to be effective for the audit of periods commencing on or after 15 December 2019. Do you agree this is appropriate, or would you propose another effective date, and if so, why?

We note the deadline for consultation of 27th September 2019 and the fact that within the draft standard there is no specific guidance as to how the FRC intend to widen the scope to other private entities of significant public interest.

We are currently unable to determine if we will fall within the widened scope of the draft standard with respect, in particular, to the provision of non-audit services. We would not expect for the FRC to be in a position to publish the final document until late October/early November. We could find ourselves brought into the new standards with only a matter of weeks to find alternative solutions for non-audit services. This timetable would give us and service providers huge challenges in ceasing and transitioning across ongoing work to new providers. Therefore we do not believe that the timetable as currently set would provide us with sufficient time, post publication of the standard in late 2019, to adequately set up a tendering process to assess new providers.

Additionally, we note the fact that there are no transitional provisions within the standard to enable us to finalise ongoing non-audit work. This is likely to leave us with duplication of effort and professional fees across providers with respect to ongoing projects as well as compliance services.

We would suggest once the FRC determine the potential new population of privately held companies of significant public interest, that a period of 6-12 months from the date of publishing, together with provisions for transition of ongoing services, would represent a more workable timetable.

We hope that the above comments are helpful to the consultation process and we would be happy to discuss any of the above points further if required.

Yours sincerely,

Richard Johnson
Group Chief Financial Officer