

Dear Sir / Madam

I am writing in response to the “Statutory Audit Market Study Invitation to comment” document that the CMA published on 9th October 2018.

By way of background my name is []. I was the Chief Financial Officer of [] from 2001 until 2008 and then the CFO of [] from 2008 until 2017, when I retired from executive work. I am Chairman of the Audit Committee at [], and have previously been Chairman of the Audit Committee at []. I am on the Audit Committee at [], and I am on the Audit Committee at [].

I have read your consultation document thoroughly. I will not respond to your questions one by one, but rather will make four points that I feel most strongly about.

(1) RESPONSIBILITY FOR FINANCIAL STATEMENTS

A reader of the CMA document could be forgiven for thinking that the auditors are responsible for the information published in a company’s financial statements. They are not. This responsibility lies with the directors of the company. On all boards on which I have served and continue to serve this has been and is of utmost importance, and I don’t believe that this responsibility should be weakened or delegated. The document refers to an audit “expectation gap” and this is a big point. It should be made clear to a wider audience exactly what the scope of an audit includes. If this scope needs to be expanded then so be it.

(2) COMPETITION & SWITCHING

In recent years I have participated in two audit tender processes, and I have two more on the horizon. The process to allow tendering and switching now works well and has become a key feature of the market place. I have found that having only four “big” audit firms has not adversely impacted competition, but rather has sharpened the desire of those participating to be successful. I have seen mid-tier firms considered in the processes that I have been involved in, but they have not been successful due to their restricted scale and reach, and therefore the risk they represent.

(3) NON AUDIT SERVICES

The increased restrictions that are in place on auditors providing non-audit services are working well. The companies where I have been involved or still am involved have all shown positive trends in this regard and as a consequence I think the perception of independence has been improved. Of the further thoughts included in the CMA document, I do not support the splitting of audit firms entirely between audit and non-audit activities. I think this would lead to a reduced supply of high quality talent into audit activities and inevitably quality would suffer.

(4) APPOINTMENT OF AUDITORS

Currently auditors are appointed by the Board via the Audit Committee and the decision approved by shareholders. In order to increase shareholder transparency, some independent external review of the Audit Committee’s proposals may be adopted. The Committee would have to justify its decision to some independent body and explain how it was content with quality, risk and independence.

Regards

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