

Consultant  
*Infrastructure Project Finance*

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Statutory Audit Market Study  
Competition and Markets Authority  
7<sup>th</sup> floor, Victoria House,  
37 Southampton Row,  
LONDON WC1B 4AD

20<sup>th</sup> Oct, 2018

Dear Sir,

**Study: Statutory Audit Market Study**

I wish to contribute, as an (informed) individual, to the above Study.

My interest arises as I have been an energy and infrastructure project finance banker for many (23) years, albeit in recent years I have operated as an independent consultant.

Through my work, I often have need to review corporate Accounts and I am increasingly conscious of, - and concerned by, - the potential opportunities arising for conflicts of interest between auditors and advisors, not least in the UK where many major infrastructure projects and services are undertaken by privatised public service utilities.

I note from paras 3.25 and 4.8 in the Terms of Reference for this Study that issues surrounding Conflicts of Interest are being reviewed.

By my interpretation, a Conflict of Interest is a set of circumstances that creates a risk that an individual's ability to apply judgement or act in a particular role could be, impaired or influenced by a secondary interest.

A conflict can arise, therefore, in any situation where an individual, or organization: private or government, can exploit a professional or official role for personal or other benefit. The perception of competing interests, impaired judgement, or undue influence can be included as evidence of a Conflict of Interest.

Such a definition, however, fails to identify the translation of such concept into reality. **The reality is that a Conflict of Interest, as defined above, is primarily a perception by a third party.** Indeed, the conflicted parties may not be aware that such a Conflict of Interest arises or exists, ..... or they may be aware, wholly or in part, but don't wish to admit or address it!

The UK public institutional setup has no independent entity for policing possible Conflicts of Interest in government or public decision-making and/or spending, – other than the police in the case of perceived criminal activity. **The scenario in the UK relies totally upon self-regulation.** This is tantamount to a poacher policing salmon fishing rights in a river. As a result, many Conflicts of Interest relating to public service delivery and the associated finance pass as being "acceptable".

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Finally, I understand that the Study covers the perceived lack of competition within the audit sector. One could also make similar judgements of the advisory sector, too. My experience has shown that, not only has an auditing role provided on many occasions an easy entry into an advisory role, there is also a reluctance by Government departments and agencies to appoint financial advisors other than the 'Big Four' auditors. These companies dominate the advisory assignments awarded by Government in the infrastructure/public service utility sector, whereas there are a wide number of just as competent 'boutique' advisors, who are experienced, qualified and available, and who, by the very fact that they are small, place much more value on the quality of their advice.

Food for thought.

Yours faithfully,

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