

To who it may concern.

My name is [ ] and I am Chartered Accountant (member of the ICAEW) and auditor of almost 12 years at [ ]. I am representing myself and not my firm.

Over the years I have looked on at dismay at some of the accounting and auditing scandals that have engulfed PIEs since the financial crisis and when I look at the accounts of the financial statements of those companies, there are basic question that I wonder if the auditors even asked or maybe they were too afraid to ask or challenge for fear of upsetting and losing the client. Unimpaired goodwill for example is prevalent in companies which effectively props up their entire balance sheet (and I have noticed this in some PIE companies not yet supposedly in trouble) and I wonder if it ever gets challenged. I rarely see non-standard going concern disclosures in audit reports of PIEs let alone qualification, yet there are clear reasons they should occur from time to time.

To that end, I particularly want to address your point 25 of your Consultation Questions (box 3). I think this could be a once in a generation opportunity to address the fundamental issue in the audit of PIEs and it is my belief that the only way to get true independence and true scrutiny and trust from wider stakeholders and the public at large is to have an independent body to select auditors for PIEs and crucially to have a complete ban on non-audit work for firms auditing PIEs. The reasons for this are as follows:

- It is the only way that an audit firm can truly feel comfortable challenging the company on its statutory accounting and disclosures because they will know that the client cannot go elsewhere for their audit (the only way it would be taken away in the short term would if the audit itself of poor quality following either a complaint or review by the FRC or whoever does such oversight assessments). I believe going concern and qualifications will go up correctly and significantly as a result of this and eventually overall quality, reliability and relevance of PIE financial statements;
- And with a blanket ban on non-audit services for firms that audit the PIE, again there is no monetary conflict as the client could not take any business away from the audit firm;
- Alternatives such as shareholders appointing auditors will still give monetary conflicts, as would breaking up the big four into audit only firms. Indeed the latter could exasperate the issue as audit firms would be very dependent on fees from the companies they audit and make them even less likely to challenge the client for fear of losing them;
- There is a counter-argument to this proposal that given how lucrative non-audit work is that no large company would want to accept work for audits only, knowing they would not be able to any non-audit work for that particular client, however I do not think that is likely given audit would still generate significant income. It could I suppose lead to a natural break-up of the big four and audit only firms which would be no bad thing but I don't think it should be forced as it would be disruptive and in my view unnecessary so given the consequences of this proposal. Having the independent body appointing PIE auditors and a ban on non-audit services for the auditor would be enough and then market forces would take their own course.
- You have to also consider what the wider stakeholders such as individual small shareholders, suppliers, customers, employees and the wider public see audit and auditors. Most people I know who do not work in audit question how auditors can be independent when they are chosen and paid by the company and can do non-audit services (albeit with "safeguards") for them on top of this. And I find it hard to justify it to them to be honest.
- I think it is less of an issue for non-PIEs as for example a lot of the clients we have are owner-managed businesses and often the only users of the accounts are themselves really and a failure of a small/medium business has nowhere near the impact of a large PIE. I think it

would be very impractical to have a total ban on non-audit services for non-PIEs and certainly an independent body to appoint auditors for non-PIEs would be far too onerous.

- Fees should be set independently but be reasonably generous;
- However this should go hand in hand with a tougher regulatory regime and harsher punishment for poor quality audits as with good fees and no independence issues, there should be no excuse for poor quality audit.

Therefore in conclusion, a independent body to appoint PIE auditors and a complete ban on non-audit services for the auditor of a PIE is the only way in my view to achieve full independence for auditors and to restore wider confidence in audit. It will result in higher quality audits as auditors can audit in confidence without worrying whether they will be retained as audits and higher quality accounting and disclosures as the auditors will be emboldened to challenge PIEs and ensure compliance. Coupled with reasonable fees and a tougher regulatory regime, this in my view is the only way you will achieve the aims of restoring confidence in audit, raising audit quality and raising quality in financial reporting of PIEs.

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Kind regards