



19 June 2013

Our ref: ICAEW Rep 87/13

Inquiry Manager
Statutory Audit Investigation
Competition Commission
Victoria House
Southampton Row
LONDON
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By email: auditors@cc.gsi.gov.uk

Dear Sirs

Statutory audit services market investigation: further possible remedy

ICAEW welcomes the opportunity to comment on the *Notice of a Further Possible Remedy* (the Notice) published by the Competition Commission on 5 June, a copy of which is available from this [link](#).

ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

Proposal to give the Financial Reporting Council a secondary duty to promote competition

In principle we endorse the proposal as set out in the Notice. Indeed we made a similar point in our evidence to the House of Lords inquiry into audit market concentration in 2010/11¹.

The FRC has key standard setting and regulatory roles in the audit market. Standards and regulations will act to create barriers to entry. It is wholly appropriate for standard setters and regulators to consider all the consequences of their proposed actions. The FRC already has past involvement in competition issues through, for example, discussion papers in 2006 and the Market Participants Group in 2007. A secondary duty, appropriately phrased, will help to embed competition considerations into their primary activities.

However, it is important that the secondary duty is phrased appropriately. The FRC's primary duty in respect of the audit market must remain to promote and uphold high quality auditing. The duty should therefore be expressed in terms of considering the competition effects of the standards and regulations

¹ Available from this [link](#), pages 67 (question 80) and 70.

they produce and enforce on that primary duty, rather than pro-actively taking on a new role which could, on occasion, conflict with it.

In particular, we do not wish to see the AQRT instructed to consider the promotion of competition as part of their remit. Their focus should be solely on audit quality: there can be no suggestion that the output from their work is influenced by a pro-competition bias. Any benefit to competition that results from publication and discussion of AQRT findings must be premised on audit quality outcomes being enablers for competition although there may be improvements that can be made in the communication of AQRT findings. For example, the discussion of results in terms of blocs of firms by size, might not be helpful when the reality is that each firm is different.

If you have any questions about this response, please do not hesitate to contact me.

Yours sincerely

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