AccountancyAge

# Barclays defends Big Four audit role

by Richard Crump 01 Jul 2013


**BARCLAYS** has defended the current rules governing the audit of financial statements and warned that changes to the status quo could be to the "detriment" of shareholders.

In its **submission** to the UK competition watchdog currently considering ways to break the Big Four accountancy firms' dominance of FTSE 350 audits, Barclays argued against plans to radically overhaul the market, which include forcing companies to change auditors after a set period of time.

Between them KPMG, PwC, Deloitte and Ernst & Young vet the books of 95% of the FTSE 350, a situation which the Competition Commission claims has led to higher prices, lower quality and less innovation for companies and a failure to meet the demands of shareholders and investors.

But according to Britain's second-largest bank, the current audit regime "so far as it impacts on the business of international banking, is working for its shareholders; to change it may inadvertently be to their detriment".

Barclays, which is itself considering replacing PwC as its auditors, said it favours comply or explain mandatory tendering regime as laid down in the corporate governance code by the FRC, but warned of the costs involved in a single tender process which it claimed would involve over 200 staff spending in excess of 1,000 man days over an a two year period.

"It is likely to increase transparency and enable shareholders to make an informed decision whether to tender. However, we consider that the option of whether to tender is a cost/benefit decision for audit committee and shareholders, and should not be mandatory," Barclays said it its submission to the Competition Commission.

The bank raised "serious concerns" over mandatory rotation and questioned would be an effective method of giving non Big Four firms such as Grant Thornton and BDO a leg up into the audit market.

"There are compelling reasons why it may be irresponsible for a complex multinational company to appoint a mid-tier firm as its external auditor. This is partly because it is usually most effective to appoint the same external auditor for the group as well as each subsidiary," Barclays said.

"Given that multinational groups can have over a thousand subsidiaries based in dozens of jurisdictions worldwide, most mid-sized firms would not have the experience, capacity or global footprint to meet this demand."

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