

AccountancyAge

FRC dismisses enhanced audit competition role

by Richard Crump

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THE FRC has distanced itself from plans that would see it charged with promoting competition between audit firms - because it fails to fit into its constitution.

In a [letter](#) sent to the Competition Commission, which mooted the proposal earlier this month, FRC chief executive Stephen Haddrill [pictured] said extending the remit of the reporting watchdog's work would not enhance competition or be cost-effective.

Following its provisional findings of an investigation into the FTSE 350 audit market, the Competition Commission had

proposed handing the FRC a "secondary duty" to tackle the lack of competition among auditors by reporting on firms' work in a way that promotes competition.

However, Haddrill questioned the usefulness of the FRC being given a secondary duty, and warned it could not be put in a position where it felt "pressure to hold back from regulatory action against a firm" because it would damage the firm's reputation and ability to compete in the market.

"As we are not established as a statutory body with statutory objective, a competition duty would not fit well into our constitution," Haddrill said.

Such a change would also prove expensive, Haddrill argued. In order to achieve a selection of audits that was representative of the Big Four the FRC would need to undertake nearly 200 inspections, six times as many as present. Inspections for smaller company audits would also have to increase to around 250, two and a half times the current level. As a result, total inspection costs would rise to £9m from £3.5m.

In addition, Haddrill said comparative samples could not be made for the likes of Grant Thornton and BDO, as non-Big Four firms only audit 13 companies in the FTSE 350.

"We would have to explain that our reports on those firms were unrepresentative and probably therefore do more harm than good," the letter said.

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