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Mr Julian Rose
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Dear Mr Rose

I am writing on behalf of the 100 Group of Finance Directors to respond to the Financial Reporting Council's discussion paper: Choice in the UK Audit Market. The 100 Group agrees that the study is looking at an important area of concern to our members and welcomes the opportunity to be able to participate in the consultation process.

The 100 Group represents the Finance Directors of the largest companies in the UK, largely but not entirely drawn from constituents of the FTSE 100.

The 100 Group agrees with the findings of the study that significant barriers to entry currently exist in the audit market. Furthermore, we see little evidence of substantial entry or expansion by other firms into the market for audit of large companies, represented by our members.

The 100 Group also agrees with the study's assessment of risks in the current competitive environment. In practice a combination of factors, including the rules on auditor independence and the desire of competitors in the same industry to have different auditors, limits the choice that large companies have. The choice of auditors is considerably more restricted than the choice of providers for other professional services that large companies tend to buy.

In response to the specific questions raised in the discussion paper we agree that the debate should be around widening the degree of choice in the market.

We have a strong preference for market led developments, rather than regulatory intervention.

Increasing the propensity of non Big 4 or new firms to seek to participate in the audit market for large companies could be encouraged by a modification of Auditing Standards to make it easier for the audit of large groups of companies to be undertaken by more than one firm. The trend in recent years has

made it increasingly costly and unusual to have an audit structure where any audit work is undertaken by firms other than a group's primary auditor.

Given the concentration of audit services that currently exists within the Big 4 it is difficult a decision for an audit committee to be pioneering, and to appoint auditors from outside this group. Allowing other firms to build expertise over time would help audit committees in developing confidence in the ability of firms outside the Big 4 to conduct the audit of large groups, in whole or in part.

The discussion paper asks for comment around minimising the risk of a firm leaving the market. In our view, were one of the existing Big 4 to leave the UK audit market it would be difficult for companies acting on their own to plan in advance for the consequences of this withdrawal. Much would depend on the circumstances behind any withdrawal, the speed with which it took place and so on. It may well be necessary for a body such as the FRC to manage the consequences of a withdrawal working with the affected companies to ensure that adequate alternative arrangements can be made in an appropriate time.

The current market for audit services for large companies is a complex one and in a number of respects it is unsatisfactory. We look forward to participating in the later stages of consultation in order to find the solutions to the problems that have been identified.

Yours sincerely

Philip Broadley