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2 July 2007

Dear Mr Rose,

**FRC Discussion Paper – Choice in the UK Audit Market**

As a private investor I would like to make some points about the discussion paper “Choice in the UK Audit Market”.

There are fifteen provisional recommendations. Three mention specifically “audit quality” and one mentions “auditor objectivity” which I assume must also encompass “quality”. Quality is therefore an issue in 27% of the provisional recommendations but nobody seems to be prepared to address the topic head-on. Many of the major audit failures arose when the issue of auditor liability was considered to be more onerous than is now the case. When time costs money, lower liability is bound to reduce the incentive to deliver a quality product and audit failures will inevitably, as a consequence, be more likely. Investor confidence in the audit process is already low and any further deterioration in audit quality will lead to that confidence plumbing new depths. Yet, the one sure way of improving quality would be to make auditors liable for negligence and malpractice with particular reference to shareholder interests. It’s that simple.

It is now over twenty years since I learned to my cost that audited accounts can be pure fiction and from which, as it subsequently turned out, there is no legal redress. It is about time this cause of dissatisfaction was eliminated. Reversing the 1990 House of Lords “Caparo” judgement would achieve that end. It would also bring the accounting profession into line with other producers by requiring a produce of merchantable quality, a “duty of care” to customers and the carrying of the full consequences of failure. I press you to take this on board as a matter of urgency.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter L. Bunting".

Peter L. Bunting

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