

Julian Rose Esq
Secretary
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12 July 2007

Dear Mr Rose

FRC – Choice in Audit Market
Interim Report of FRC Market Participants Group

We are pleased to offer some comments on the Interim Report of the Market Participants Group.

We very much support the approach proposed by the Market Participants Group that in pursuing initiatives to encourage the development of further choice in the audit market, market forces should be the driver, not regulation.

We support the main objectives of the recommendations to make investment in the supply of audit services more feasible; to reduce the perceived risks to investors of selecting a non Big Four Firm; to improve the accountability of boards for their auditor selection decisions; improve choice from within the Big Four; to reduce the risk of audit firms leaving the market without good reason; and to reduce uncertainty and disruption costs in the event of a firm leaving the audit market.

We can therefore broadly support the thrust of many of the recommendations, particularly if viewed as a package, but we would clearly need to have further consultations and discussions with CBI members in the light of how the MPC or the FRC intends to take the recommendations forward in furtherance of the objectives.



INVESTOR IN PEOPLE

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However on one issue there is no support from CBI members, including our investor members - namely the suggestion that the audit committee report should be put to a vote of shareholders.

Such a proposal is excessive and will cause unnecessary cost to institutional investors in marshalling and recording votes. It also encourages a tick-box approach to compliance and will lead to suggestions that other matters should also be put to a shareholder vote. Moreover some of the key roles of the audit committee include overseeing the financial reporting process culminating in the audited accounts, and in the decision to recommend the appointment or re-appointment of the audit firm, and they are already subject to a shareholder vote.

Such a proposal would therefore be excessive and unnecessary regulation.

As indicated at the beginning, in all the proposals of the MPG and the FRC in promoting and enhancing audit choice, market forces should be the driver and not regulation, and ultimately preserving and enhancing audit quality must be key.

Yours sincerely

A handwritten signature in cursive script that reads "Clive Edrupt".

CLIVE EDRUPT
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