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Ms Christina Trickett  
Professional Oversight Board of the FRC  
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Dear Ms Trickett

21 September 2006

**Reporting on Audit Quality Monitoring**

I am writing as the Chairman of the Audit Committee of two FTSE 350 companies (W S Atkins plc and The Bankers Investment Trust Plc) and with the experience of being Chief Financial Officer of listed companies in a variety of industries over the last 19 years.

Before addressing the questions on which you have requested specific answers, I should like to emphasise from my own experience several of the factors that are highlighted in the consultation document. These are first that the publication of reports which are inevitably of a technical nature will be delayed, and the reports arguably weakened, as the wording is agreed and second that once published such reports are likely to be misunderstood.

The current position is detailed in the Consultation Paper. Reports prepared in this process are discussed between the AIU and the firms concerned, and are made available to the audit registration committee of the RSB, usually the ICAEW. I would be surprised if the reports arising from these visits did not frequently, if not invariably, include recommendations as to how the quality of the audit could be improved, and indications as to where the audits were judged to have been defective. Everyone seeing, considering and commenting on these reports will be a professional with the expertise and experience to form impartial views as to the seriousness of any deficiencies and the necessary actions required to correct the position.

Reports of this type are usually technical, and I have found, albeit with internally generated documents, that once they are to be made available to parties with less technical experience and expertise two things tend to happen. First the parties to the report invariably debate and contest the wording and significance of points made leading to a potentially significant weakening and delay in production of the report and second less experienced parties frequently react out proportion to the significance of the matters raised. In the case of publishing reports of this nature relating to auditors of publicly listed companies I would be surprised if both reactions were not heightened, particularly if there was any media interest. This could lead to a loss of confidence in the specific firm, the auditing profession generally and potentially even lead to concerns regarding the accounts of their clients.

In answer to the specific questions raised I would comment as follows:

1. I do not attach any weight to the advantages detailed. Indeed I feel that the prospect of these reports being made available, even if limited to the detail in 3.3 (a), to the audit committees of the firm's clients could lead to a greater frequency of audit tendering, which could create instability. This is emphasized by the fourth bullet which indicates that the reports could be characterized as "requires improvement".

In respect of the disadvantages I believe there is real substance to the first three sub-bullets under the first main bullet, although in terms of significance the order might be third, first second rather than as presented. This is because I would expect the firms to conclude that publication might cause commercial damage and therefore challenge both the content and conclusions rather more strongly than were the report to remain private.

As regards the issue of timeliness I believe the PCAOB experience is important and delays in reporting would be experienced. The other points raised are all relevant although I believe the potential for the reports to become anodyne, and the potential commercial impact on the clients are more significant than the others. I believe reports, if made public, will become more anodyne as a consequence of the more challenging review processes that will come into place. Also as intimated earlier I believe there is a risk that investors may look askance at companies whose auditors have been publicly criticized, this concern would be particularly acute if option H were to be adopted.

2. I strongly believe that option A is the only way forward. The current system provides for an informed and open debate between the AIU and the firms with the results being available to the audit registration committee. Any public criticism of the firm will inevitably reduce confidence in the firm's work and could lead to a crisis of confidence. Any such crisis could develop very quickly indeed.

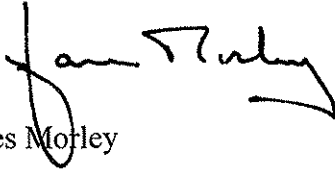
I note the preference for option C but feel that a better approach is for the AIU to make direct, but not public, representation to the audit registration committee and to look for more effective response in that matter. It seems to me that a public statement by the AIU that a firm's procedures required improvement and that the firm had not made adequate progress in addressing the failings would necessitate all of that firm's client's audit committees considering changing auditor.

3. I believe that this information should not be made available to the audit committees. It seems to me that the information is really only relevant in the event that the review concludes that the audit was deficient. If so then the deficiency is likely either to be a readily correctable "one off" or a systemic failure. If the latter then the risk is to all of the firm's clients not simply those reviewed, and as such a wider regulatory response should be considered.

4. It is difficult to assess the impact of the various alternatives other than to observe that if the process becomes slower and more legalistic I would be surprised if the increases in costs were as little as £125,000 at the lower end and £750,000 at the higher end.

If it would help I should be happy to discuss these comments in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'James Motley', with a stylized flourish at the end.

James Motley