

13th September 2006

Christina Trickett
Professional Oversight Board of the FRC
5th Floor
Aldwych House
71-91 Aldwych
London WC2B 4HN



Dear Ms Trickett,

FRC Consultation – reporting on Audit Quality Monitoring

We have reviewed the consultation paper and on balance have concluded that the preferred option would be Option C. That is to include a section in the annual Public Report on a named audit firm, where in the opinion of the Oversight Board the audit firm has made insufficient progress in addressing AIU recommendations, or has failed to cooperate with the AIU, but otherwise continue as present. This also implies continuing the current practice of publishing an annual Public report which does not attribute weaknesses to individual audit firms. **(Question 2)**

In arriving at this position we reviewed the views in the consultation paper regarding the advantages and disadvantages of extending public reporting and came to the conclusion that the disadvantages outweighed the potential benefits and that in reality the disadvantages were more likely to materialise than the benefits.

In particular we would be most concerned that the publication of their weaknesses would indeed lead audit firms to become more defensive, less proactive and much more legalistic, leading to being less value added and more compliance oriented. **(Question 1)**

On this 'weighted' basis the conclusion not to extend public reporting became our clear preference.

However, the proposal to 'name and shame' when the Oversight Committee feels the audit firm has not made sufficient progress provides us with assurance that the audit firms will have an incentive to improve, where improvements are identified as needed.

Answering **Question 3** is more difficult. I believe it would be helpful to Audit Committees for there to be some easily accessible information regarding significant audit failings, perhaps where there is an industry specific issue, or an audit industry lack of expertise (e.g. a lack of good quality IT audit capabilities), or perhaps a country specific issue. If, for example when examining the audits of international businesses the Oversight Committee concluded that the independence generally of audit firms in (say) Italy or Russia were more compromised this would help the Audit Committee focus increased resource and attention to the audits of the businesses in such regions.



However, we would prefer to ensure that Option C is delivered and not one of the other proposals than get the information suggested in Question 3.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Duncan Tatton-Brown'.

Duncan Tatton-Brown
Finance Director
Kingfisher plc