

8 February 2023

Susan Currie
Financial Reporting Council
8th Floor, 125 London Wall
London
EC2 5AS

Dear Ms Currie

Re Consultation on draft Audit Committee Standard

I am pleased to write to you in response to the FRC's consultation document on its draft Audit Committee Standard in my capacity as Chair of the Audit Committee of Grainger Plc ('Grainger').

Grainger is a constituent of the FTSE 250 and will be subject to the new Standard based on our understanding of current proposals. Grainger operates to the highest standards of Corporate Governance, applies the UK Corporate Governance code and has regard to the associated best practice guidance, including the guidance on the conduct of the Audit Committee. We welcome the decision to bring in a clear and enforceable standard in this area.

You have asked for comments on the proposals set out in your consultation document. In view of the fact we have just completed an audit tender, I am pleased to offer the following points for consideration in respect of your proposals regarding tendering.

Role of the Audit Committee

The draft standard includes some quite specific requirements around the role of the Audit Committee, I refer to paragraphs 6 and 10:

"6. [...]The tendering process should be led by the Audit Committee and not by the entity's executive management. This includes initiating a tender process, influencing the appointment of an engagement partner, negotiating the fee and scope of the audit, and making formal recommendations to the board on the appointment, reappointment and removal of the external auditors. Audit Committees may, of course, make use of the entity's employees for research and evaluation."

And;

"10. All members of the Audit Committee should be involved throughout the tender process, not just attending the audit firms' final presentations."

I fully support the principle that Audit Committees have a crucial role to play in creating demand side pressure for quality improvements, but I feel the draft standard risks implying an unnecessarily executive approach for the Audit Committee in the tendering process. I believe that the desired outcome can be achieved through the Audit Committee chair overseeing the overall process and with the entire Audit Committee being invited to make interventions at targeted points in the process, for example:

Grainger plc

No.1 London Bridge
3rd Floor East
London SE1 9BG

T +44 (0)20 7940 9500

graingerplc.co.uk

- approving the proposed tender process & evaluation criteria
- engaging with potential audit partners to ensure suitability
- forming part of the tender evaluation team
- approving the selection shortlist and making a recommendation to Board

We believe that the Audit Committee has most to contribute in being effective in these key areas and that a more hands-on involvement in the tender process could potentially be counterproductive.

We also consider that there is significant benefit in some Audit Committee members not being involved throughout the process in order to provide independent review and challenge to their fellow members at key decision points.

Price-blind Tenders

Paragraph 13. states:

"13. The Audit Committee should consider running a price-blind tender."

Grainger has considered running a price- blind audit tender process, as recommended in existing best practice guidance, but concluded that doing so would not be in the best interests of stakeholders and would be contrary to our group procurement policy.

We consider that cost remains a relevant consideration given the significant sums involved and that a balanced scorecard approach with price as one, modestly weighted, requirement strikes the appropriate balance. It would be unhelpful for audit providers to feel that they can operate without the need to invest continually in enhanced efficiency as well as quality.

Whilst the draft requirement remains only to 'consider' a price-blind process, we would consider any further tightening (for example, a comply or explain requirement) of the Draft Standard in this area to be an unwelcome development.

I hope that these comments are found to be helpful in finalising the Audit Committee Standard.

Grainger agrees to you making this letter publicly available on your website.

Yours sincerely



Justin Read
Audit Committee Chair
Grainger plc

Grainger plc

No.1 London Bridge
3rd Floor East
London SE1 9BG

T +44 (0)20 7940 9500

graingerplc.co.uk