

8 February 2023

Ms Susan Currie  
Financial Reporting Council  
8<sup>th</sup> Floor  
125 London Wall  
London  
EC2Y 5AS

By email: [acstandard@frc.org.uk](mailto:acstandard@frc.org.uk)

Dear Ms Currie

## **Minimum standard for Audit Committees**

We write in response to the consultation on the Minimum Standard for Audit Committees.

Firstly, we note that the focus of the proposed Minimum Standard is on the external audit process only; ie the tendering and appointment of the auditor, oversight and reporting on the audit. It is important to note that the scope and role of audit committees is much broader than the external audit; ensuring adequate risk management, effective internal controls and proactive internal audit are all important components and the concept of a 'minimum standard' may cause insufficient focus or misunderstanding on the other key areas of focus for committees and their stakeholders.

Turning to the proposed Standard itself, we are supportive of actions to enhance audit quality, although care must be taken to ensure that this does not result in more work by auditors. To this end, creating an agreed standard of audit quality is important; some of the activity over the last few years has dramatically increased audit fees to companies, whilst protecting and even increasing the earnings of audit firms, which seems an unexpected outcome to publicised issues of poor quality by audit firms. We would note that some changes have simply increased documentation requirements for the auditor (a focus on preparing 'the audit file' for the regulator), without equal benefit to the company's stakeholders. It is important that audits remain cost effective and efficient, alongside maximising audit quality.

We believe that most FTSE350 audit committees are already operating well, including with regard to the tendering, appointment and monitoring of auditors and their audit quality. Any general perception that audit committees are insufficiently focused on audit quality seems incorrect. Therefore, it will be important that any new regulation of audit committees is proportionate and seeks to codify the best practice which many audit committees are already practising, without simply adding to bureaucracy and cost, or distracting committees from their work on behalf of shareholders and other stakeholders.


We note the plan to increase diversity in the audit market and that this will depend on the willingness of Challenger Firms to step up and undertake the required role within the audit. Earlier attempts at our own company to attract interest to our external audit tender from these firms proved unsuccessful. Understanding current and planned interest from these firms in larger external audits will be critical to the success of proposals in this area.

In conclusion, we have no issue with regulation for audit committees, provided that regulation is proportionate and effective. The codification of existing practice and codes into a combined standard is a useful consolidation process; however, there are risks in how such a standard will be enforced. As enforcement and oversight proposals are developed, it will be vital to ensure that regulation adds real value and not just cost, allowing committees to focus on real improvements to audit quality. Any Minimum Standard must ensure that audits are cost effective and that efficiency in the audit is measured against an agreed definition of audit quality.

Yours sincerely,



John Ramsay  
Audit Committee Chair



Jez Maiden  
Group Finance Director