Mr Keith Billing
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By e-mail: k.billing@frc.org.uk

23 March 2015

Dear Mr Billing

GC100 response to FRC consultation, Auditing and Ethical Standards: Implementation of the EU Audit Directive and Audit Regulation

I am writing on behalf of GC100 to respond to the above consultation paper.

GC100 is the association for the general counsel and company secretaries of companies in the UK FTSE 100. There are currently over 125 members of the group, representing some 81 companies.

Please note, as a matter of formality, that the views expressed in this letter do not necessarily reflect those of each and every individual member of GC100 or their employing companies.

Introduction

We wish to highlight the following points as a general introduction to our more detailed responses below:

i) We have not answered all the questions put in the consultation paper, focussing instead on matters that are appropriate for GC100 to comment on and/or are relevant to the large listed companies we represent.

ii) As a point of principle, we generally do not support proposals which constitute gold-plating of the EU Audit Directive and Audit Regulation, and endorse the government's commitment to help British businesses by avoiding the introduction of stricter regimes which would impact our competitiveness in Europe. We believe that the proposals covered in questions 7b), 8, 13, 14, 17, 20, 21 and 25 are contrary to the UK government's policy not to gold-plate EU legislation.

Responses to select questions

Q7. What approaches do you believe would best reduce perceptions of threats to the auditor's independence arising from the provision of non-audit services to a PIE (or other entity that may be deemed of sufficient public interest)? Do you have views on the effectiveness of:

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(a) a 'black list' of prohibited non-audit services with other services allowed subject to evaluation of threats and safeguards by the auditor and/or audit committee; and

(b) a 'white list' of allowed services with all others prohibited?

The arguments relating to the introduction of further restrictions on non-audit services ('NAS') are clearly debated in the FRC's consultation paper. Having considered the three Member State options available for implementation, we recommend the following approach:

- to prohibit the NAS listed in Article 5, as required, but to go no further by 'gold plating' the European legislation when it is made into UK law;

- to allow the provision of NAS which the EU have identified as being permissible by way of derogation, subject to the specified conditions in paragraph 4.3 of the consultation paper; and

- not to introduce any further prohibited services.

We believe that British businesses will be at a disadvantage compared to our European competitors if the UK imposes a stricter regime than that which is implemented in Europe.

With regards to the relative effectiveness of a 'black list' of prohibited NAS versus a 'white list' of allowed NAS, we strongly favour a 'black list'. This approach is understood and well embedded in the UK.

Conversely, we believe the introduction of a 'white list' of permitted services would be problematic. On the face of it, the approach may appear to be simple and the parameters of the regulation clear and easily explainable to investors. However, we are concerned that a 'white list' would never be sufficiently exhaustive or flexible enough to address all categories of NAS or to address any which may arise in future. This would lead to otherwise unobjectionable NAS being prohibited, costly and potentially less effective alternative arrangements being made, and continual demands upon regulators to revise the 'white list'. Addressing these drawbacks would in turn require considerable management time, distracting attention from the strategic objectives of the business.

A limited 'white list' of permitted NAS may also result in the unexpected outcome of simply extending the scope of the statutory auditors' services. As all other NAS would be prohibited, companies would not investigate alternate service providers and would thereby lose the opportunity to experience the innovation which other providers could offer.

Whatever approach is adopted, it is crucial that entities should provide clear disclosure of the policies governing NAS if they are to win the confidence of investors. This is particularly important where derogation is applied or where an entity must explain non-compliance with the Regulation or the UK Corporate Governance Code.

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Q8. If a 'white list' approach is deemed appropriate to consider further:

(a) do you believe that the illustrative list of allowed services set out in paragraph 4.13 would be appropriate or are there services in that list that should be excluded, or other services that should be added?

(b) how might the risk that the auditor is inappropriately prevented from providing a service that is not on the white list be mitigated?

If a 'white list' of permitted NAS is deemed appropriate, we urge the FRC to avoid narrow prescription and to adopt a principles-based approach instead in order to allow entities to apply judgement in interpreting the scope of each type of service. In addition, we would welcome a clarification of the intention behind the reference, in 4.13 of the consultation paper, to permitting 'other services identified for which it would be evident to stakeholders that the auditor of the entity is clearly an appropriate provider '. Indeed, we suggest that such NAS should be referred to the audit committee, or equivalent governing body, which is already charged with overseeing NAS as part of their remit to assure the independence of the auditor. It would also be appropriate for this body to take mitigating action when the auditor is inappropriately prevented from providing a service that is not included on the 'white list'.

Please also refer to our response to Q15.

Q9. Are there non-audit services in addition to those prohibited by the Audit Regulation that you believe should be specifically prohibited (whether or not a 'white list' approach is adopted)? If so, which additional services should be prohibited?

As mentioned in response to Q7 above, we do not believe any additional restrictions should be introduced thereby avoiding confusion through the proliferation of different interpretations of NAS.

Q10. Should the derogations that Member States may adopt under the Audit Regulation – to allow the provision of certain prohibited non-audit services if they have no direct or have immaterial effect on the audited financial statements, either separately or in the aggregate be taken up?

Yes, all the derogations offered in the Audit Regulation should be taken up to allow some flexibility around the absolute prohibitions. As noted in the FRC's consultation paper, the derogations would apply to NAS which are currently permitted in the UK, subject to specific conditions set out in the Audit Regulation and the FRC's Ethical Standards. The latter provides helpful context to which NAS may be considered for approval on a case-by-case basis and again limits the magnitude of changes to be made in the UK.

We believe the FRC's suggested alternative to derogations of a 'white list' with a series of exceptions, based on materiality to the financial statements, to be impractical. Owing to the difficulties arising from the implementation of a 'white list', the series of exceptions is likely to be disproportionately large and, as such, would dilute the desired effect on investors' perceptions. We would also query the FRC's powers to 'make the requirements less hard edged' where the Regulation has the direct effect of law?

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Q11. If the derogations are taken up, is the condition that, where there is an effect on the financial statements, it must be 'immaterial' sufficient? If not, is there another condition that would be appropriate?

If the derogations are taken up, we consider that the condition of having an immaterial effect on the financial statements to be appropriate, coupled with the audit committee retaining responsibility for:

- ensuring the conditions prescribed under the Regulation, and set out in 4.3 (ii) of the FRC's consultation paper, are met; and
- determining whether the auditor should provide the NAS, having considered the potential threats to the auditor's independence.

Q12. For an auditor to provide non-audit services that are not prohibited, is it sufficient to require the audit committee to approve such non-audit services, after it has properly assessed threats to independence and the safeguards applied, or should other conditions be established? Would your answer be different depending on whether or not a white list approach was adopted?

The audit committee, or equivalent governing body, is the appropriate forum to approve non-audit services. In addition, we consider the Board Audit Committee to be the appropriate body to consider for approval 'other services identified for which it would be evident to stakeholders that the auditor of the entity is clearly an appropriate provider' (as indicated in our response to Q8).

If a 'white list' approach was adopted, much depends on how the list is compiled and whether it offers any flexibility. If there is none, the audit committee has no authority to consider non-prohibited services on a case-by-case basis or to take exceptional situations into account. Please see our response to Q7 and the FRC's consultation paper (pages 31 – 33) for the negative effects of this approach.

Q15. Is the 70% cap on fees for non-audit services required by the Audit Regulation sufficient, or should a lower cap be implemented for some or all types of permitted non-audit service, including the illustrative 'white list' services set out in Section 4?

The 70% cap on fees for NAS, together with other restrictions under the Audit Regulation, represent robust and convincing safeguards against threats to auditors' independence. Indeed, the 70% cap is a challenging limit for FTSE 100 companies, particularly when entities are faced with significant costs, for example, for work related to IPOs, rights issues, takeover bids and other activities outside 'business as normal', where the auditor is clearly the appropriate provider.

Whilst aware that introducing lower caps for permitted NAS would be counter-intuitive to the FRC's goal of addressing investors' perceptions that fee levels for NAS are too high, we also believe they will readily accept reasonable fees incurred in circumstances where auditors act as the 'reporting accountant' and where they are required to provide NAS by a competent authority or regulator. That being the case, we strongly recommend that the FRC consider applying an outright exemption to exclude them from the cap in these specific instances. This is particularly relevant in respect of capital market transactions where increased fees are necessarily incurred from entities' statutory auditors, and transactions are delayed by the need to seek approval for the expense.

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Q16. If the FRC is made the relevant competent authority, should it grant exemptions from the cap, on an exceptional basis, for a period not exceeding two years? If yes, what criteria should apply for an exemption to be granted?

Yes. We consider that the FRC should have the flexibility to grant exemptions from the cap. This would allow the FRC to assist entities in situations where application of the 70% cap would cause them unnecessary hardship, or as stated in the response to Q15, where exceptional circumstances apply.

Q18. If your answer to Q17 is yes, for a group audit where the parent company is a PIE, should the audit and non-audit fees for the group as a whole be taken into consideration in calculating a modified alternative cap? If so, should any non-audit services, including the illustrative 'white list' services set out in Section 4, be excluded when calculating the modified cap?

The total of audit and non-audit fees earned by the auditor and its network firm should be taken into consideration in applying the 70% cap, given the mutuality of interests. There would be a risk that investors perceive the regulation to lack rigour if the total fees earned by the auditor were not disclosed.

It would be helpful, however, if the NAS set out in the FRC's illustrative 'white list' were excluded from calculations of the 70% cap in any event. Entities have little option but to engage the auditor for these types of services and the need to do so is readily understood and accepted by investors. These fees should, however, be included in any disclosure of fee levels.

Q19. Is the basis of calculating the cap by reference to three or more preceding consecutive years when audit and non-audit services have been provided by the auditor appropriate, given that it would not apply in certain circumstances (see paragraphs 5.3 and 5.15)?

This expectation is reasonable if allowances are made for exceptional circumstances as discussed above in responses to questions 15, 16 and 18 above.

In addition, we do not believe an alternative cap should be calculated in circumstances where the audit firm has not provided audit or non-audit services throughout a period of three or more consecutive years. Rather, the cap should not apply, as provided in the Audit Regulation.

Q20. Do you believe that the requirements in ES 4 should be maintained?

We note the more stringent requirements of Ethical Standard 4, which limit the total fee income an audit firm may receive from an audited entity, have been in operation in the UK for a number of years without any significant issue. Retaining the requirements of Ethical Standard 4 also has the benefit of limiting changes which might otherwise confuse investors.

Q21. When the standards are revised to implement the Audit Directive and Regulation, do you believe that these more restrictive requirements in ES 4 should apply with respect to all PIEs and should they apply to other entities that may be deemed of sufficient public interest as discussed in Section 3? If yes, to which other entities should they apply?

Yes, the more restrictive requirements in of Ethical Standard 4 should apply because the FRC's definition of a PIE is wider than the EU's definition which results in confusing differences in scope. In the interests of simplicity, we consider it is appropriate to maintain the FRC's definition of PIE which has been in operation in the UK for a number of years.

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Q22. Do you believe that an expectation that fees will exceed the specified percentages for at least three consecutive years should be considered to constitute an expectation of "regularly" exceeding those limits? If not, please explain what you think would constitute "regular"?

This expectation in relation to total fee income is reasonable if the allowances and exemptions discussed in relation to non-audit services, as discussed above, apply.

In addition, in relation to the Audit Regulation requirement for the audit committee to consider terminating the engagement with the audit firm in the event that total fee income exceeds limits for three years or more, we would suggest that this is unnecessary given that investors already have the ability to apply the ultimate sanction by voting against the re-appointment of the audit firm in annual general meetings.

Q24. Do you believe that the FRC's audit and/or ethical standards should establish a clear responsibility for auditors to ensure that they do not act as auditor when they are effectively time barred by law from doing so under the statutory requirements imposed on audited PIEs for rotation of audit firms?

We believe that the responsibility should be imposed on audit firms to ensure that they do not act as an auditor when they are time barred from doing so. The burden of complying with this requirement should be placed on the party best able to monitor its enforcement at the lowest cost. In this case, that party would clearly be the audit firms which provide the services (and the service teams) to the PIEs.

Q25. Do you believe that the requirements in ES 3 should be maintained?

In light of the disruption to company affairs, the time taken to get an audit partner up to speed, the loss of efficiency, the monitoring of "irregular" developments and other implementation costs associated with rotating an audit engagement partner, we would advocate extending the audit engagement partner period for as long as possible. In this regarding, we would recommend extending the FRC's ES 3 requirements from 5 years to 7 years so as to accord with the longer time frame envisaged in Paragraph 7 of Article 17.

We would be happy to discuss any of these points with you further.

Yours sincerely

Mary Mullally
Secretary, GC100
020 7542 7194

Encl. copy of letter from GC100 to BIS re GC100 response to BIS discussion document, Auditor Regulation: Discussion document on the implications of the EU and wider reforms dated 23 March 2015

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GC100 response to BIS discussion document, Auditor Regulation: Discussion document on the implications of the EU and wider reforms

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Introduction

We wish to highlight the following points as a general introduction to our more detailed responses below:

iii) We have not answered all the questions put in the consultation paper, focussing instead on matters that are appropriate for GC100 to comment on and/or are relevant to the large listed companies we represent.

iv) As a point of principle, we generally do not support proposals which constitute gold-plating of the EU Audit Directive and Audit Regulation, and endorse the Government's commitment to help British businesses by avoiding the introduction of stricter regimes which would impact our competitiveness in Europe.

v) We also believe that it is important that the implementation of the EU Audit Directive and Audit Regulation has due regard to the FRC's "Cutting Clutter" principles. In particular, immaterial disclosures should not be required in a company's annual report.

Responses to select questions

Q18. Do you agree that the provisions of Article 4 of the Regulation on the cap on non-audit services should be included in amendments to the FRC's ethical standards for auditors? Please provide information to support your answer.

Please see our response to Q15 of the FRC's consultation (attached).

Q19. What issues, if any, do you consider arise from the application of the provisions on the cap on non-audit services? If there are any, how do you consider these should be addressed?

Please see our response to Q15 of the FRC's consultation (attached).

Q20. Do you agree that the Member State options in Article 4, to set more stringent requirements on the cap and on the auditor's independence where their total fee income from a PIE exceeds 15% of their total fee income overall, should be capable of being applied by the FRC in its ethical standards for auditors? Please provide information to support your answer.

Please see our responses to questions 20 and 21 of the FRC's consultation (attached).

Q21. Do you agree that the FRC should have the ability to exempt an audit firm from the 70% cap for up to two financial years on an exceptional basis and on application by the firm?

Please see our response to Q16 of the FRC's consultation (attached).

Q22. Do you agree that the subject matter of Article 5 of the Regulation on the blacklist of non-audit services, including the possibility of setting more stringent requirements, should be included in amendments to the FRC's ethical standards for auditors? Please provide information to support your answer.

Please see our responses to questions 7 to 9 of the FRC's consultation (attached).

Q23. What issues, if any, do you consider arise from the application of the provisions on the blacklist of non-audit services? If there are any, how do you consider these should be addressed?

In order to avoid confusing investors with a proliferation of rule changes and to ease the transition to the new regime, it would be helpful to prohibit the non-audit services listed in Article 5, as required, but to go no further by 'gold plating' the European legislation when it is made into UK law.

In addition, we advise the FRC to seek flexibility in the implementation of the Audit Directive and Regulation via powers of exemption and derogation in order to allow it to act in cases where entities would suffer unnecessary hardship or where exceptional circumstances apply.

Whatever approach is adopted, it is crucial that entities should provide clear disclosure of the policies governing acceptance of audit and non-audit services if they are to win the confidence of investors. This is particularly important where derogation is applied.

Q24. Do you agree that implementation of the revised requirements on ensuring and documenting auditor independence in the 2006 Directive should be implemented primarily via the ethical standards, with amendments to the existing legislation as necessary only to:

(a) underpin the standards; and
(b) introduce simplifications for audits of small non-PIEs?

Please see our response to Q13 of the FRC's consultation (attached).

Q25. Do you agree that the existing framework on disclosure by PIEs in notes to their accounts

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of the audit and non-audit fees they paid their auditor should be adapted, to ensure public disclosure of the information the auditor is required to provide to the competent authority under Article 14 of the Regulation? Please provide information to support your answer.

We do not believe that this information would be of benefit to users of an annual report. Please refer to the point made in the introduction to our letter regarding "cutting clutter".

Q27. Audit committees must submit a recommendation to the board for the appointment of an auditor. However, under Article 16(1) sub-paragraph (2) of the Regulation, this does not apply where the Member State has provided an alternative system for the appointment of the auditor. The current alternative systems set out in the Companies Act 2006 are where:

•the directors appoint the auditor before the company's first accounts meeting;
•the directors appoint the auditor to fill a casual vacancy in the office of auditor; and where,
•the Secretary of State appoints the auditor because a public company failed to do so.

Do you consider that all of these alternative systems for the appointment of an auditor should continue to operate in the UK as they do at present? Are there any other systems that should also be provided for on the grounds that a competitive tender process is not appropriate? Please provide further information to support your answer.

We consider these alternative systems for the appointment of an auditor to be important aspects to the regulatory framework and that they should continue to operate in the UK as they do at present.

For each of these 3 alternative systems, we are of the view that they address a rare and exceptional situation and provide for an orderly appointment of an auditor outside of the normal course of business.

Q28. Where the PIE is exempted from having an audit committee (eg because it is an unlisted bank), there is no provision as to which body should fulfil the audit committee's role. Do you agree that in this situation the directors should determine the recommendations that should be put to shareholders of the audited entity? Please provide information in support of your answer.

We agree with this recommendation. Where there is no audit committee it is our view that the appropriate governance decision-making body should be the Board of Directors.

Q30. We are considering whether provision should be made so that, where a PIE has stated in its annual report it will appoint an auditor based on a tender process before the expiry of the maximum duration of 10 years, it should still be able to take advantage of an extension of the maximum duration beyond ten years, following that tender. Do you agree?

This section of the discussion document is difficult to follow. It appears to overcomplicate what should be a straightforward message. Namely, that audits should be tendered at least every 10 years and the external auditor changed at least every 20 years.

In general, we would agree that the PIE should be able to take advantage of an extension of the maximum duration beyond ten years in situations where it has appointed an auditor based on a tender process before the expiry of the maximum duration of 10 years. This is premised on the fact that each tender is a time consuming and costly exercise, especially for a large listed, multi-national company. These costs for the tendering PIE relate to (a) the implementation of the proposal process itself, (b) the disruption to the day-to-day affairs of the PIE and (c) the learning

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curve required of the new firm with the resultant loss of institutional knowledge.

Q31. We are seeking views on the proposal that for companies that are PIEs the company's plans on retendering should be part of a new element of the annual report setting out key matters for the audit committee on the appointment of auditors. Do you agree that the report should include:
a) when the current auditor took up the audit engagement at that company? (Yes / No)
b) when the audit engagement was last retendered? (Yes / No)
c) the start of the next accounting year in relation to which the company expects that the auditor appointment will be based on a tender? (Yes / No)
d) the directors' reasons for considering that the proposed year is in the best interests of the company's members? (Yes / No)

Do you consider that any other information should be included in addition the above? Please provide further information to support your answer.

We agree that companies should be required to include such information when it is considered meaningful. Therefore it should not be made mandatory in all circumstances as it may then result in boilerplate text, for example items b) and c) in the years immediately after a tender. Please refer to the point made in the introduction to our letter regarding "cutting clutter".

We note BIS's proposal (page 34) that, where a company discloses its intention that the auditor's appointment in relation to the next-but-one accounting year should be based on a retender, this would be binding on the company. We do not support this suggested approach because companies need flexibility to adapt to changing circumstances. In some situations a revised approach will be in shareholders' best interests, and the appropriate approach in these situations would be disclosure outlining the reasons for the change.

Q32. We are considering whether, where the statement under point (c) above is included in the company's annual report, and the incumbent auditor is reappointed on the basis of the planned tender process before the expiry of the 10 year maximum duration (eg at 7 years), the next tender process should be expected to take effect:
(a) after the same period has expired again (ie year 14 in this example);
(b) after a further 10 years has expired (ie year 17 in this example); or,
(c) after the same period has expired again, though with the potential to extend it by the full 10 years via further notice from the audit committee in the annual report (ie in this example at year 14 though this could be extended to year 17)?

Which option would you prefer? Please provide further information in support of your answer.

We prefer option (b) for similar reasons to those provided in our reply to questions 30 and 31, above.

Q33. What issues, if any do you consider arise from the UK's obligation to apply effective, proportionate and dissuasive sanctions for failure to comply with the UK's implementation of the framework on mandatory rotation and retendering? If there are any such issues, how should they be addressed?

This question, as currently drafted, appears to be asking for feedback on what sanctions should be imposed on the UK government for its failure to implement the framework. We express no view on what sanctions should be imposed by the EU on the UK government for any such failure and would anticipation that there are already clearly defined sanction procedures for any such breach.

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However, if the question should be directed to the sanctions imposed on PIEs and/or their audit firms for failure to comply with the UK framework, then we would recommend that the responsibility for compliance, and the sanctions for any breach, should be imposed on audit firms to ensure that they do not act as an auditor when they are time barred from doing so. The burden of complying with this requirement should be placed on the party best able to monitor its enforcement at the lowest cost. In this case, that party would clearly be the audit firms which provide the services (and the service teams) to the PIEs.

In addition, the sanctions to apply should be proportionate to the damage, if any, inflicted on PIE shareholders from failure to comply with implementation. As the benefits to shareholders from implementation of this framework are indirect, it would be appropriate for the sanctions to be dependent on causation being proved – that is, the sanctions should be conditional on an instance of failure to detect an accounting irregularity or other audit process failure.

Q34. For our impact assessment on the changes we would welcome any estimates that could be provided on:
(a) resources that are likely to be deployed by PIEs to tender audit appointments?
(b) resources that are deployed by auditors to tender for audit work?
(c) additional familiarisation costs that arise for both auditors and the audit client when a new auditor takes up an audit engagement?
(d) the extent to which this varies by the size of the PIE?

It has been estimated by equity research analysts and by academic research publications in the *Journal of Corporate Accounting and Finance* that the increased cost to US firms of mandatory auditor firm rotation would be approximately US$1.2 bn per year. It is not possible at this stage to isolate the cost of the resources deployed for each element (a) through (d) in your Q34; although it is reasonable to expect that the resources required and costs incurred would be material.

Q35. What issues, if any, do you consider arise from the inclusion in legislation on audit reporting of a requirement for the auditor to include a statement in the audit report where there is a material uncertainty relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern? How do you consider these should be addressed?

This requirement already applies under International Standards for Auditing (UK and Ireland) as issued by the FRC and so the proposal to make legislative provision by amending the Companies Act 2006 does not seem necessary.

Q36. Do you agree that the provisions of Article 10 of the Regulation on the audit report should be included in amendments to the FRC's International Standards for Auditing (UK and Ireland)? Please provide information to support your answer.

Amending the International Standards for Auditing (UK and Ireland) to include the provisions of Article 10 of the Regulation seems sensible.

Q37. What issues, if any, do you consider arise from the application of the provisions of the Regulation on the audit report? If there are any, how do you consider they should be addressed?

No issues.

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Q38. Do you agree that the provisions in Article 11 of the Regulation on the additional report to the audit committee should be included in amendments to the FRC's International Standards for Auditing (UK and Ireland)? Please provide information to support your answer.

Amending the International Standards for Auditing (UK and Ireland) to include the provisions of Article 11 of the Regulation seems sensible.

Q39. What issues, if any, do you consider arise from the application of the provisions of Article 11 of the Regulation on the additional report to the audit committee? If there are any how should they be addressed?

The timing of the reporting under the additional 14 headings needs to be considered. Requiring all items to be included in the year-end report could result in boiler plate disclosures and will increase the length of the report, consequently impacting on the time and focus given to the findings of the audit. Including some of these items in reports presented to the audit committee during the year, for example disclosures regarding the level of materiality during the audit planning phase, would reduce the year end reporting.

In relation to item J of Article 11 of the Regulation, guidance as to the definition of 'significant deficiency' is needed.

In relation to item L of Article 11, the addition of 'material' to the disclosure requirement would be beneficial. Businesses can have a large volume of items subject to various valuation methods, however the audit committee should focus on those that could give rise to material misstatements in the annual report and accounts.

One further comment as follows in relation to the elements to be reported in Article 11:

> (i) report and explain judgements about events or conditions identified in the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty, **and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment;**

What is the purpose of this summary (in bold)? Surely stating that the auditors were satisfied with the going concern assessment performed by management and the company's ability to continue as a going concern should be sufficient, especially when paired with the first part of (i).

Q40. For our impact assessment on the changes, we should particularly welcome data on:
(a) additional resources are likely to be needed by the auditor to produce the additional report for the audit committee?
(b) the additional annual cost of the audit committee considering the additional report?
(c) how these costs vary by size of PIE?

We are not able to provide quantitative data on this subject. The additional reporting requirements will increase the length of the reports provided to the audit committee requiring addition time preparing for and during the meeting.

GC100 Group
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We would be happy to discuss any of these points with you further.

Yours sincerely

Mary Mullally
Secretary, GC100
020 7542 7194

Encl. copy of letter from GC100 to FRC re GC100 response to FRC consultation, Auditing and Ethical Standards: Implementation of the EU Audit Directive and Audit Regulation dated 23 March 2015