

The Director
Market Investigation into Statutory Audit Services
Competition Commission
Victoria House
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9 October 2012

Dear Sir

Statutory Audit Services Market Investigation- Firms' stated competitive strategies

1. Introduction

Mazars, the international integrated audit and advisory organisation with 14,000 professional staff in 69 countries, is pleased to submit its comments on the above working paper.

2. We do not consider that there is active competition within the FTSE350 audit market

We are very surprised by the statement in paragraph 3 that 'our review of the MFQs and various submissions made by the parties indicate that the parties believe that there is active competition within the market.....'. We strongly disagree with this view and have clearly stated our opinion on this matter which we understand is also shared by a number of firms other than the four dominant ones.

We believe evidence of the lack of active competition is provided by the dominant firms' keenness to avoid an incumbent audit client going out to tender (eg, see paragraph 16 of the Working Paper on Evidence on switching costs [and implications for barriers to entry]); infrequent tendering; and very low rates of switching. We believe that alumni links, and more generally familiarity and institutional bias, are among the reasons which serve to limit the degree of active competition in the market.

We are not persuaded that a number of firms competing when an audit occasionally comes up for tender, and with regard to which only some of the firms with the necessary capabilities and capacity may have been invited to submit a proposal, constitutes active competition.

3. Mazars' interest not primarily limited to the smaller end of the FTSE350

Paragraph 4 states that 'within the non-Big 4 ...full competition for audit engagements for all constituents of the FTSE350 is a long-term aspiration. As such, it appears primarily the smaller end of the FTSE250 that offers an immediate target for mid-tiers'.

Whilst we accept that the views of different non-Big 4 firms vary on this matter, we feel that in overall terms it understates the position of the non-Big 4 firms taken as a whole and it definitely does not represent our position, as discussed with you. We believe we have the capability to audit virtually all of

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the FTSE250 and many of the FTSE100. We recognise there are some companies at the upper end of the FTSE100 which we could not currently audit on a sole basis but in all but a handful of cases we could make a significant contribution as joint auditor. As you will be aware, we support the introduction of mandatory joint audit at the upper end of the listed audit market and we discussed the merits of introducing such an approach, for example, in our letter of 6 September 2012 on *Audit Market Investigation-Restriction on entry or expansion*.

4. Caution needed on description of 'one-firm' strategy

In paragraph 5 you say that the firms approach the client with the service offering that the firm as a whole perceives is most relevant to the client. It is very important to remember that the audit report is addressed to the shareholders of a company and they therefore are the audit client whereas for non-audit services the client will be the management of the company.

5. Mazars has central bid support team

You mention in paragraph 28 that 'non-Big 4 firms appear from their submissions not to have dedicated central bid support teams'. At Mazars our central marketing and business development team provides support on major audit tenders and those for non-audit services.

6. People

We are interested in the comments in the section on 'People'. We find few partners or staff leave us for the Big 4. Equally, we find partners and staff joining us from the Big 4 have a different and rather more positive perspective on the reason for their move than that suggested by the Big 4 comments to you. A review of whether there is an appropriate balance of views in this section from Big 4 and non-Big 4 firms would be helpful.

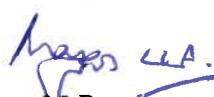
7. Reputation and brand

You mention that at one other non-Big 4 firm thought leadership is an active area of development. It is also for Mazars and in recent months we are pleased to have launched our 'Business in Society' initiative and the Centre for Audit Committee and Investor Dialogue, the latter jointly with three leading institutional investors.

8. Conclusion

If you would like to discuss further any of the issues covered in this letter please do not hesitate to contact David Herbinet, Global Head of PIE Audits, on 0207 063 4419 or Anthony Carey on 0207 063 4411.

Yours faithfully



Mazars LLP