



**IFF Research**

Technical report  
Statutory audit services market  
investigation – Audit Committee Chair  
follow-up research

Prepared for Competition Commission  
By IFF Research

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**IFF Research**

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# 1 Introduction

## Background

- 1.1 In October 2011, the Office of Fair Trading (OFT) made a reference to the Competition Commission (CC) for an investigation into the supply of statutory audit services to large companies (defined as companies that may be listed from time to time on the London FTSE 100 and FTSE 250 indices – collectively referred to as FTSE 350) in the UK.
- 1.2 As part of this inquiry, the CC commissioned IFF Research to undertake a survey of customers of audit services within large companies. In total 264 Audit Committee Chairs (ACCs) and 343 FDs/CFOs were interviewed between Thursday 22 March and Friday 11 May 2012.
- 1.3 The main objective of this research was to obtain an overview of the audit process at FTSE 350 companies, the relationship that they have with their current auditor, how they were selected and why they might switch in future. A separate technical report is available for this research.
- 1.4 In October 2012 CC commissioned IFF Research to undertake a follow up-study among ACCs who agreed during the survey to being recontacted at a later date for the purposes of research.

## Objectives

- 1.5 The main objective of this follow-up study was to understand how ACCs of FTSE 350 companies perceive their role. More specifically the aims of the survey were to understand:
  - What Audit Committee Chairs see to be their role in reviewing external financial reporting and auditing (and what is outside their remit);
  - How the Audit Committee Chairs discharge their duties, for example, how they go about assessing specific elements of the external audit quality;
  - What constraints, if any, an Audit Committee Chair has to manage in carrying out their responsibilities;
  - Whether Audit Committee Chairs have ever needed to request supplementary information (i.e. beyond that which they would expect to be provided with as part of the normal audit committee agenda) or seek advice independent of the company and the auditor;
  - What sort of additional information about the audit, if any, shareholders have ever requested and potential barriers to a company providing further information;
  - Whether the external auditor has ever sought to make efficiency savings through a reduction in audit hours and, if so, what has been the experience of the Audit Committee in assessing the impact on the quality of the audit?



## 2 Methodology and sampling

### Overview

- 2.1 A total of 71 interviews were conducted over the telephone using Computer Assisted Telephone Interviewing (CATI) between Wednesday 14 November and Friday 23 November 2012. Interviews times varied, with the shortest lasting 12 minutes and the longest 63 minutes. The average length was 30 minutes.

### Interviews achieved

- 2.2 Table 2.1 shows the sample frame (the total number of ACCs agreeing to being recontacted), the achieved sample (the number of interviews completed) and the response rate (calculated as the achieved sample expressed as a percentage of the sample frame) broken down by FTSE type.

**Table 2.1: Final achieved sample and response rates by respondent type**

Company type	Total		
	Sample frame	Achieved sample	Response rate (%)
FTSE 100	31	19	61
FTSE 250	71	52	73
TOTAL	102	71	70

### Sampling

- 2.3 A census approach was taken, with all available records being compiled in a database and an attempt being made to contact the whole database to obtain as many interviews as possible.
- 2.4 As the interview would focus on ACCs' role at a particular company, where those on the database held more than one ACC role, one company was randomly selected to be the focus of the research.

### 3 Questionnaire development

- 3.1 For the ACC follow-up survey a more qualitative approach was taken, with the majority of the questions in the questionnaire being open ended in order to provide a greater depth of insight and context to the responses.
- 3.2 CC provided IFF with a list of questions, which IFF drafted into a questionnaire, together with suggestions for some wording changes and modifications for use in telephone interviewing. Through an iterative process, including consultation with members and interested parties the questionnaire was developed and finalised.
- 3.3 Initially it was intended that the questionnaire should be around 15-20 minutes in length in order to facilitate efficient recruitment of this senior audience (in general longer interviews are more difficult to recruit for) and to maximise engagement levels during the interview.
- 3.4 As questionnaire length estimations suggested the content might lead to interviews being longer than intended a question was added near the end of the survey (QF4a) to check whether, at that point, ACCs had time to continue with the interview. Those who did not would finish the interview at that point rather than completing the rest of section F. In total 66 ACCs went on to complete the final part of section F and 5 were not able to due to time constraints.
- 3.5 The final questionnaire used for the survey can be found in Appendix B of this report.



## 4 Fieldwork

- 4.1 Approximately two weeks before the commencement of fieldwork, all contacts for whom we had an email address were sent an advance email providing information about the purpose and nature of the research and mentioning that IFF would call the following week to arrange a time for the interview to take place. For contacts where email address was not known an advance letter was posted. A copy of the letter can be found in Appendix A of this report.
- 4.2 During the week before the start of fieldwork IFF attempted to call all contacts to arrange a time for the interview to take place. This was felt to be essential in achieving a high response rate based on the fact that 250 of the 607 interviews completed during the first wave of the research had been interviews booked in advance (rather than completed 'on the spot').
- 4.3 Opt outs received by email or telephone after the advance letters/email were sent out or during the interview booking stage were recorded and these ACCs were removed from the sample frame before the start of fieldwork.
- 4.4 Where contact was not made with ACCs during the interview booking week further attempts were made to contact these ACCs during the fieldwork period.

### Fieldwork – outcomes

- 4.5 The table below shows the breakdown of Fieldwork outcomes for the follow-up research (both from the pre-fieldwork booking stage and from the fieldwork period).

**Table 4.2: Fieldwork call outcomes**

Outcome	Number of records	% of records
Completed interviews	71	70
Refused	4	4
Refused - no longer ACC for sampled company	2	2
Not available during interviewing period	13	13
No definite outcome at close of fieldwork	12	12
<b>Total</b>	<b>102</b>	

## 5 Analysis

### Treatment of open ended questions

- 5.1 The survey questionnaire contained a number of open-ended questions which were designed to provide a greater depth of insight and context to the responses. Three types of open-ended questions were used in the survey:
- Structured questions where respondents were invited to add 'anything else'. The questionnaire contained 1 question of this type (A7);
  - Open questions where responses were coded post-interview to a list of response categories formulated on basis of the responses received and shared with CC. The questionnaire contained 9 questions of this type (C1, C4, C7, C10, D4, E2, E4, F6, F10);
  - Open questions where responses were not coded post-interview. The questionnaire contained 16 questions of this type (B2, B3, C3, C6, C9, C11, C12, D3, D6, D7, D8, E5, F3, F4, F9, G1);
- 5.2 The decision as to whether or not to code open-ended questions was made based on the variety and depth of answers given to that particular question. For questions where a small range of answers were given and ACCs did not make a large number of points when giving their answer it was felt that creating codes to represent the themes mentioned would aid analysis. Where answers given were long, disparate or tended to be very specific to the workings of an ACC's company it was felt that the coding of responses might decontextualise results. Such questions were therefore not coded.
- 5.3 The advantage of coding the responses to open-ended questions is that it enables these responses to be included within quantitative analysis and reporting.
- 5.4 It is worth bearing in mind, however, that some caution should be exercised in the interpretation of findings based on open-ended questions; namely it is possible that the findings from open-ended questions understate the true extent of certain attitudes or behaviours, as respondents inevitably provide their top-of-mind, spontaneous responses to such questions and may not recall all the relevant information at the time of answering because they are not prompted with suggestions.

### Data tabulation and SPSS provision

- 5.5 To facilitate analysis of the results data was provided in three formats:
- A set of data tables (provided in Excel and Word) containing precoded questions and open-ended questions which had been coded;
  - An SPSS file (and an export to Excel of this file) containing answers given to all questions in the follow-up study, including verbatim answers given to open-ended questions and the coded versions of these questions. This SPSS also included answers given to the first wave of the study, to enable results to be analysed in a greater level of context;
  - Finally, an Excel workbook containing verbatim answers given to each open-ended question.
- 5.6 All sets of data tables were tested for significance at the 95% confidence level. This testing does not include the finite population correction factor. Each table highlights significant differences at the 95% confidence level, shown by a lower case letter corresponding to the column being tested.

## 6 Appendices

### Appendix A: Introductory letter to ACCs

From: Mark Bethell  
Inquiry Director

31st October 2012

Dear [NAME],

#### **Investigation into the Supply of Statutory Audit Services to Large Companies – follow-up research**

As you are aware the Competition Commission (CC) is currently undertaking a market investigation into the supply of statutory audit services to large companies in the UK.<sup>1</sup> As part of this investigation, the CC commissioned IFF Research, an independent market research agency, to undertake a programme of telephone interviews with Chief Financial Officers and Audit Committee Chairs between March and May 2012. You were kind enough to take part in an interview as part of this exercise and we would like to thank you for your participation.

We are now conducting further research among Audit Committee Chairs who took part in the original survey to gain a deeper understanding of their role and how they approach it. During our interview with you in the spring you agreed to participate further and I now write to request your participation in this follow-up exercise, specifically with reference to your role as Audit Committee Chair of [COMPANY].

Representatives from IFF Research will be conducting the telephone interviews from 13<sup>th</sup> to 23<sup>rd</sup> November inclusive. IFF will be making initial calls from 5<sup>th</sup> November onwards in order to arrange an appointment for an interview during this period. The interview itself will last approximately 15 minutes, at a time convenient for you. I and the CC would greatly appreciate it if you would take part.

Please be assured that this is genuine research commissioned by the CC to help with our inquiry. No information that could link responses with details of you or your organisation will be passed back to us (the CC) or to anyone else without your permission. All research conducted by IFF Research complies with the Market Research Society Code of Conduct and the Data Protection Act. Further information about IFF can be found at [www.iffresearch.com](http://www.iffresearch.com).

If you have any questions about the research you can contact Lydia Fellows at IFF Research by calling 020 7250 3035 or by e-mail: [AuditMarketInquiry@iffresearch.com](mailto:AuditMarketInquiry@iffresearch.com). If you would like to speak to somebody at the CC for more information on the aims and objectives of the survey, you can contact Dipen Gadhia on 020 7271 0162.

I hope that you will take part in this important research study, and I thank you in advance for your co-operation.

Yours sincerely



Mark Bethell  
Inquiry Director

<sup>1</sup> <http://www.competition-commission.org.uk/our-work/statutory-audit-services>



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Private & Confidential  
Audit Committee Chairs (follow-up research) J5184  
Telephone

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## S Screener

IF HAVE AN APPOINTMENT  
ASK TELEPHONIST

- S1 **Good morning / afternoon. My name is NAME and I'm calling from IFF Research on behalf of the Competition Commission. Please can I speak to NAME?**

ADD IF NECESSARY: **We have an appointment to speak to NAME about an investigation being conducted by the Competition Commission into the audit market. A few months ago we carried out some research among Audit Committee Chairs and NAME took part in the research. At the end NAME agreed that we could contact them again for follow-up research. We have now made an appointment with NAME to call them for the follow up research.**

ADD IF NECESSARY: **The discussion would be done by telephone and would only take around 15 minutes.**

IF DO NOT HAVE AN APPOINTMENT  
ASK TELEPHONIST

- Good morning / afternoon. My name is NAME and I'm calling from IFF Research on behalf of the Competition Commission. Please can I speak to NAME?**

ADD IF NECESSARY: **We are calling to speak to NAME about an investigation being conducted by the Competition Commission into the audit market. A few months ago we carried out some research among Audit Committee Chairs and NAME took part in the research. At the end NAME agreed that we could contact them again for follow-up research.**

ADD IF NECESSARY: **The discussion would be done by telephone and would only take around 15 minutes.**

ADD IF NECESSARY: **[IF LETTER SENT: A letter; IF EMAIL SENT: An email] has been sent by the Competition Commission about the research.**



Transferred	1	CONTINUE
Hard appointment	2	MAKE APPOINTMENT
Soft Appointment	3	
Refusal	4	CLOSE
Nobody at site able to answer questions	5	
Not available in deadline	6	
Engaged	7	
Fax Line	8	
No reply / Answer phone	9	
Residential Number	10	
Dead line	11	
Company closed	12	

ASK IF APPOINTMENT MADE

S2 **Good morning / afternoon, my name is NAME, calling from IFF Research, an independent market research company. We're conducting a survey on behalf of the Competition Commission into the audit market.**

**We made an appointment to call you for an interview. Are you willing to take part in the survey now over the phone?**

ADD IF NECESSARY: **This is follow-up research to the first part of the study that you took part in a few months ago. At the end you agreed that we could re-contact you for follow-up research.**

ADD IF NECESSARY: **You will have received [IF LETTER SENT: a letter; IF EMAIL SENT: an email] from the Competition Commission about the research. We were in touch last week to arrange an appointment to call you.**

ASK IF NO APPOINTMENT MADE

**Good morning / afternoon my name is NAME, calling from IFF Research, an independent market research company. We're conducting a survey on behalf of the Competition Commission into the audit market.**

**You took part in a research study we carried out as part of the Competition Commission's investigation a few months ago and agreed that we could recontact you for follow-up research. As part of the same investigation, we are now looking to talk in more detail to Audit Committee Chairs of FTSE 350 companies about various aspects of their role as Audit Committee Chair at a FTSE 350 company. We have a short list of Audit Committee Chairs we are contacting and as such your help with this research will be greatly valued by the Competition Commission.**

**We realise you are very busy and as such we'd look to keep the discussion to 15 minutes. Are you willing to take part in the research over the telephone now?**

Continue	1	CONTINUE
Referred to someone else at establishment NAME_____	2	TRANSFER AND RE-INTRODUCE
JOB TITLE_____		
Hard appointment	3	MAKE APPOINTMENT
Soft appointment	4	
Refusal	5	THANK AND CLOSE
Not available in deadline	6	



**REASSURANCES TO USE IF NECESSARY**

The interview will take around 15 minutes to complete.

Please note that all data will be reported in aggregate form and your answers will not be reported to our client in any way that would allow you to be identified.

If respondent wishes to confirm validity of survey or get more information about aims and objectives, they can call:

- **MRS: Market Research Society on 0500396999**
- **IFF: Lydia Fellows or Sarah Coburn: 0207 250 3035**
- **Competition Commission: Dipen Gadhia on 020 7271 0162**



## A Background questions

**For the most part I would like to focus on your role as Audit Committee Chair of [COMPANY FROM SAMPLE] but first I would like to ask you a few questions about any other FTSE 350 companies where you are a director (either non-executive or executive).**

- A1 **Apart from [COMPANY FROM SAMPLE], for how many other FTSE 350 companies, if any, are you the Audit Committee Chair?**

ENTER NUMBER (0-10)
Don't know
Refused

ASK IF 1+ COMPANIES

- A2 **[IF A1=1] And for which other FTSE 350 company are you the Audit Committee Chair?**  
**[IF A1=2+] And for which other FTSE 350 companies are you the Audit Committee Chair?**

ENTER COMPANIES (NUMBER OF BOXES ALLOWED AS PER ANSWER AT A1)
---

ALLOW DK AND REF

ASK ALL

- A3 **And apart from the companies you have already mentioned, for how many other FTSE 350 companies, if any, are you on the Audit Committee BUT NOT the Audit Committee Chair?**

ENTER NUMBER (0-10)
Don't know
Refused

ASK IF 1+ COMPANIES

- A4 **[IF A3=1] And for which other FTSE 350 company are you on the Audit Committee (but not the Audit Committee Chair)?**  
**[IF A3=2+] And for which other FTSE 350 companies are you on the Audit Committee (but not the Audit Committee Chair)?**

ENTER COMPANIES (NUMBER OF BOXES ALLOWED AS PER ANSWER AT A3)
---

ALLOW DK AND REF

ASK ALL

- A5 **And excluding the companies already mentioned, for how many FTSE 350 companies, if any, are you a member of the board?**

ENTER NUMBER (0-10)
Don't know
Refused



- ASK IF 1+ COMPANIES
- A6 [IF A5=1] **And for which other company are you a member of the board?**  
[IF A5=2+] **And for which other companies are you a member of the board?**

ENTER COMPANIES (NUMBER OF BOXES ALLOWED AS PER ANSWER AT A5)
---

ALLOW DK AND REF

ASK ALL

- A7 **In terms of your background which of the following, if any, positions do you currently hold and/or have you held in the past?**  
IF ASKED TO CLARIFY 'OTHER POSITIONS': **This might include Chief operating officer, Chief risk officer, ACC, other AC member, other Board member**

READ OUT. CODE ALL THAT APPLY.

<b>Professionally qualified auditor</b>	1
<b>Professionally qualified accountant</b>	2
<b>Audit Partner</b>	3
<b>Finance Director/Chief Financial Officer of a FTSE 350 company</b>	4
<b>Finance Director/Chief Financial Officer of a non FTSE 350 company</b>	5
<b>Have you held any other positions that you consider provided experience of direct relevance to your current position as ACC for a FTSE 350 company?</b> <b>Please specify: _____</b>	6
DO NOT READ OUT: None of the above	7
DO NOT READ OUT: Don't know / refused	8

**For the remainder of the interview I would like to talk to you about your experiences of being the Audit Committee Chair at [COMPANY FROM SAMPLE].**

- A8 **For how many years have you been the Audit Committee Chair for [COMPANY FROM SAMPLE]?**

Less than one year	1
1 - 2 years	2
3 - 4 years	3
5 – 9 years	4
More than 9 years	5
Don't know / refused	6



A9 **On average how many full time equivalent working days a month, do you devote to your role as Audit Committee Chair for [COMPANY FROM SAMPLE]?**

ADD IF NECESSARY: **By this I mean time specifically devoted to chairmanship duties, not time spent on professional development or other duties related to being a member of the board**

IF 'VARIES TOO MUCH TO SAY' – please ask respondent to estimate approximate number of FTE days worked over the course of the year and divide by 12

ENTER NUMBER (0-31)
Don't know
Refused

IF DK PROMPT WITH RANGES:

Less than 1 day	1
1-2 days	2
3-5 days	3
6-10 days	4
More than 10 days	5
Don't know / refused	6



## B Views on the role of ACCs

The Competition Commission would like to better understand how Audit Committee Chairs see their role and discharge their duties. It is mindful of the Corporate Governance requirements but wants to understand how in practice Audit Committee Chairs (and Audit Committees) fulfil their responsibilities.

On that basis I will now be asking a series of questions exploring your perceptions of your role as the Audit Committee Chair for [COMPANY FROM SAMPLE] and how you approach this role. Please note that the questions do not reflect the Competition Commission's expectation of what you should be doing. In the time available we cannot cover comprehensively all that Audit Committee Chairs do. The questions do not therefore seek to confirm compliance with duties as set out in the Corporate Governance Code.

ASK ALL

B1 I'd now like to ask about activities you undertake in carrying out your responsibilities as the Audit Committee Chair for [COMPANY FROM SAMPLE].

For each of the following could you tell me whether this is something you do, and if so, how regularly in relation to reviewing the external financial reporting and auditing for [COMPANY FROM SAMPLE]?

So would you say that...

.....Is something you do every year, most years, some years, never?

	Every year	Most years	Some years	Never	Don't know
Taking a view on whether the company has adopted appropriate accounting policies	1	2	3	4	5
Reviewing and agreeing the proposed scope of the external audit work and the approach to this work.	1	2	3	4	5
Understanding the external auditor's methodology for carrying out the audit and approach to the key audit risks	1	2	3	4	5
Agreeing levels of materiality	1	2	3	4	5
Assessing whether proposed sample sizes are sufficient	1	2	3	4	5
Understanding the reliance placed by the external auditor on the company's controls	1	2	3	4	5
Satisfying yourself that the company has made appropriate judgements in determining significant estimates	1	2	3	4	5
Reviewing the clarity and completeness of disclosures in the financial statements	1	2	3	4	5



<b>Ensuring that issues identified by external auditors are satisfactorily resolved</b>	1	2	3	4	5
<b>Identifying whether the external auditors have satisfactorily completed the audit plan and understanding the reasons for any changes.</b>	1	2	3	4	5
<b>Satisfying yourself that an appropriate level of review has been applied to the detailed audit work</b>	1	2	3	4	5
<b>Developing the policy for the provision by the external audit firm of non-audit services</b>	1	2	3	4	5

ASK ALL

**B2 And aside from any of the activities above I have just mentioned do you feel that there are any others that you undertake which are core in fulfilling your responsibilities as Audit Committee Chair for [COMPANY FROM SAMPLE], with regards to financial reporting and external audit?**

No - no other areas
Don't know
Refused

**B3 And can I ask in broad terms which areas you consider are outside your remit as Audit Committee Chair in relation to reviewing [COMPANY FROM SAMPLE]'s financial reporting and external audit?**

Nothing
Don't know
Refused



## C How do ACCs approach their role

- C1 At [COMPANY FROM SAMPLE] what, if any, would you say are the constraints you have to manage in carrying out your duties as Audit Committee Chair?

ADD IF NECESSARY: Is there anything more you would like to be able to do or say, but which the remit or resources of your job role precludes you doing?

PROBE FULLY: Anything else?

No – Nothing
Don't know
Refused

- C2 And at [COMPANY FROM SAMPLE] have there been any circumstances, in the last 3 to 5 years, where your particular views and opinions as an Audit Committee Chair have caused disagreement with executive directors?

Yes	1
No	2
Don't know / refused	3

ASK IF THERE HAVE BEEN CIRCUMSTANCES (C2=1).

- C3 What were these circumstances and how often would you say they have occurred?

PROBE FULLY: Any other circumstances? Any other occasions?

Don't know
Refused

ASK IF THERE HAVE NOT BEEN CIRCUMSTANCES (C2=2).

- C4 Why do you think this kind of circumstance has NOT arisen in the last 3 to 5 years?

Don't know
Refused



ASK ALL

- C5 **At [COMPANY FROM SAMPLE] has the Audit Committee requested in the last 3 to 5 years any supplementary information on external audit matters beyond those which you expect to be provided with as part of the normal audit committee agenda?**

ADD IF NECESSARY: **By supplementary information I mean for example any additional information that you have asked for to aid your understanding of the audit judgement and/or management judgement**

Yes	1
No	2
Don't know / refused	3

ASK IF SUPPLEMENTARY PAPERS REQUESTED (C5=1)

- C6 **What was the nature and extent of the supplementary information requested and how frequently would you say they have been requested?**

PROBE FULLY: **Any other supplementary information? How frequently?**

Don't know
Refused

ASK IF SUPPLEMENTARY INFORMATION NOT REQUESTED (C5=2)

- C7 **Why do you think the Audit Committee has NOT found it necessary to request supplementary information?**

PROBE FULLY: **Any other reasons?**

Don't know
Refused

ASK ALL

- C8 **In your role as Audit Committee Chair for [COMPANY FROM SAMPLE] have you ever engaged resources, or asked the company to engage resources, independent of the company and external auditors to obtain advice on an external audit or financial reporting issue?**

Yes	1
No	2
Don't know / refused	3



ASK IF ENGAGED EXTERNAL RESOURCES (C8=1).

C9 **How frequently have you engaged such resources?**

Don't know
Refused

ASK IF NOT ENGAGED EXTERNAL RESOURCES (C8=2)

C10 **Why have you NOT found it necessary to engage such resources?**

PROBE FULLY: **Any other reasons?**

Don't know
Refused

ASK IF ENGAGED EXTERNAL RESOURCES (C8=1).

C11 **On the last occasion you needed to engage resources independent of the company, what were the circumstances under which you needed to do so?**

PROBE FULLY: **Any other reasons?**

Don't know
Refused

ASK IF ENGAGED EXTERNAL RESOURCES AND GAVE CIRCUMSTANCES (C8=1 AND C11 NOT DK/REF).

C12 **And on that occasion from whom, if anyone, did you need to obtain approval?**

PROBE FULLY: **Anyone else?**

Don't know
Refused



## D Assessment of external audit quality

ASK ALL

D1 In your role as the Audit Committee Chair at [COMPANY FROM SAMPLE] I'd now like to ask how confident you are in being able to assess a number of areas relating to the audit.

Would you say you are very confident, quite confident, not very confident or not confident at all that you are able to assess...

	Not confident at all	Not very confident	Quite confident	Very confident	Don't know	Not applicable
The appropriateness and sufficiency of the expertise and experience of the audit team	1	2	3	4	5	6
Whether the external auditor resources allocated in the audit plan are sufficient for the auditors to do a good job	1	2	3	4	5	6
The robustness and perceptiveness of auditors in handling key judgments on accounting policies	1	2	3	4	5	6
Whether sample sizes are appropriate	1	2	3	4	5	6
Whether substantive audit work has been carried out to a satisfactory standard	1	2	3	4	5	6
Whether the auditor has a sufficient understanding of the business to identify issues of concern	1	2	3	4	5	6
Whether substantive audit work has had an appropriate level of review	1	2	3	4	5	6
Whether the auditor has an accurate appreciation of internal controls within the company	1	2	3	4	5	6

D2 **At [COMPANY FROM SAMPLE] have you ever needed to push for an increase in sample sizes or decrease in materiality thresholds to increase assurance?**

PROMPT IF NECESSARY. MULTICODE CODES 1-2.

Yes – an increase in sample sizes	1
Yes – an decrease in materiality thresholds	2
No – neither	3
Don't know / refused	4

ASK IF HAVE NEEDED TO PUSH FOR AND INCREASE/DECREASE (D2=1 OR 2).

D3 **Could you tell me what circumstances lead you to push for this? Why did you feel it was necessary? Was this necessary to ensure the quality of the statutory audit?**

PROBE FULLY: **Were there any other occasions on which you have done this? Why was this?**

Don't know
Refused

ASK IF HAVE NEVER NEEDED TO PUSH FOR AND INCREASE/DECREASE (D2=3).

D4 **Could you tell me why this has not been necessary?**

PROBE FULLY: **Any other reasons?**

Don't know
Refused

ASK ALL

D5 **At [COMPANY FROM SAMPLE] would you say that there are any particular aspects of the quality of external audit that are not normally visible to the Audit Committee?**

Yes	1
No	2
Don't know / refused	3

ASK IF ASPECTS OF AUDIT QUALITY NOT CLEAR (D5=1).

D6 **What aspects of the quality of external audit would you say are not normally visible to the Audit Committee?**

PROBE FULLY: **Are there any other aspects that are not normally visible?**

Don't know
Refused

ASK ALL

D7 **Now thinking more generally about your experience as an Audit Committee Chair or whilst on an Audit Committee at other companies as well as at the current one, to what extent are you able to assess in a tender process the quality of the audit that would be delivered by those firms tendering? For what aspects, can you judge prospective quality?**

PROBE FULLY: **Are there any other aspects?**

N/A – Cannot say as have not gone through a tender
Don't know
Refused

D8 **Again, thinking more generally about your experience as an Audit Committee Chair or as a member of an Audit Committee, to what extent are you able to assess the quality of the audit that could be delivered by audit firms other than your current auditor outside of a tender process? For what aspects, can you judge prospective quality?**

PROBE FULLY: **Any other aspects?**

Don't know
Refused

## E Extended reporting

- E1 **We are aware of various discussions and initiatives regarding the extent of the information provided to shareholders.**

**In your view, at [COMPANY FROM SAMPLE] are there any barriers to the Audit Committee Chair or the Audit Committee taking the decision to provide the shareholders of the company with more information (e.g. through the Audit Committee Report) than is currently provided by the published accounts?**

Yes	1
No	2
Don't know / refused	3

ASK IF THERE ARE BARRIERS (E1=1)

- E2 **What would these barriers to the Audit Committee Chair or the Audit Committee be?**

**PROBE FULLY: Are there any other barriers that would prevent this?**

Don't know
Refused

ASK ALL

- E3 **Have shareholders of the company ever approached you to discuss the company's financial reporting or audit or requested more information in this regard?**

Yes	1
No	2
Don't know / refused	3

ASK IF SHAREHOLDERS HAVE NOT REQUESTED ADDITIONAL INFORMATION (E3=2)

- E4 **Why do you think this is the case?**

**PROBE FULLY: Any other reasons?**

Don't know
Refused



ASK ALL

E5 **What, do you think the shareholders of [COMPANY FROM SAMPLE] may want by way of additional information in relation to an audit that they do not get at the moment?**

PROBE FULLY: **Anything else?**

No – no further information
Don't know
Refused



## F Audit Inspection Unit Statements

ASK ALL

**Now moving on...**

- F1 **The Audit Inspection Unit has publicly said that in response to fee pressures ‘firms have sought efficiencies and a reduction of overall audit hours’.**

**In your capacity as the Audit Committee Chair for [COMPANY FROM SAMPLE] are you aware of any instances where your external auditor has proposed significant reductions in audit hours?**

Yes	1
No	2
Don't know / refused	3

- F2 **Would the Audit Committee at [COMPANY FROM SAMPLE] be able to assess whether efficiency savings proposed by auditors are compromising audit quality?**

Yes	1
No	2
Don't know / refused	3

ASK IF WOULD BE ABLE TO MAKE THIS ASSESSMENT (F2=1)

- F3 **How would the Audit Committee be able to make this assessment?**

**PROBE FULLY: Any other ways or means?**

Don't know
Refused

ASK IF WOULD NOT BE ABLE TO MAKE THIS ASSESSMENT (F2=2)

- F4 **Why do you think the Audit Committee would not be able to make this assessment?**

**PROBE FULLY: Any other reasons?**

Don't know
Refused



ASK ALL

**We are now almost at the end of the list of issues we wanted to discuss with you. There are a final few questions we would very much like to ask if you have time. We realise this might not be the case so if you do not have time we could go straight to the closing part of the discussion.**

ASK IF OK TO CONTINUE. REST GO TO G1.

**F5 Do you have any experience in the last 3 to 5 years in your capacity of Audit Committee Chair for [COMPANY] of evaluating proposed measures for improving the efficiency of the audit?**

Yes	1
No	2
Don't know / refused	3

ASK HAVE EXPERIENCE OF EVALUATING PROPOSALS (F5=1).

**F6 How did you satisfy yourself that the proposed measures would not result in a reduced audit quality?**

Don't know
Refused

ASK ALL

**F7 Has your company's external auditor been the subject of an AIU report?**

Yes	1
No	2
Don't know / refused	3

ASK IF SUBJECT OF AIU REPORT (F7=1).

**F8 Did you see a copy of the AIU report?**

Yes	1
No	2
Don't know / refused	3



ASK IF HAVE SEEN THE AIU REPORT (F8=1).

F9 **What did this tell you about the quality of the external audit?**

Don't know
Refused

F10 **How, if at all, did you react or make changes as a result of the AIU report?**

No changes necessary
Don't know
Refused



## G Conclusion

- G1 [ASK IF COMPLETED F5-F10]: **We've now reached the end of the list of issues that we wanted to talk to you about.**

[ASK ALL]: **Is there anything else you would like to add about the role or remit of Audit Committee Chairs or about Audit Committees or anything further about your experiences as an Audit Committee Chair?**

No – nothing further to add

**Thank you once again for sparing the time to talk to us, your comments will be invaluable to the Competition Commission in their investigation of the audit market.**

- G2 **Can I just check, are you willing for IFF Research to attribute your responses to your organisation?**

**IF NEEDED: Data collected will feed into a report published by the Competition Commission.**

Yes	1	
No	2	REASSURE AS TO CONFIDENTIALITY – RESPONSES WILL NOT BE ATTRIBUTED

**ASK IF UNWILLING FOR RESPONSE TO BE ATTRIBUTED (G2=2)**

- G3 **In that case, are you willing for IFF Research to add your organisation's name to the list of organisations which participated in this survey? Your individual responses will remain confidential.**

Yes	1	
No	2	REASSURE AS TO CONFIDENTIALITY – ORGANISATION WILL NOT BE LISTED

**ASK ALL**

- G4 **We may carry out some follow up research on this or similar topics in the future. Would you be willing to be re-contacted by IFF Research, the Competition Commission, or another research company working for the Competition Commission, to help with this research?**

Yes	1	
No	2	

**THANK RESPONDENT AND CLOSE INTERVIEW**

I declare that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct.



## Appendix C: List of participants

The following list names companies that took part in the Audit Committee Chair follow-up research. Only companies where a respondent gave permission for the company name to appear in such a list are shown here. A further four companies took part in the research.

Aegis Group	Hochschild Mining
Alliance Trust	IMI
Amlin	Informa
Anglo American	Johnson Matthey
ARM Holdings	Kier Group
Ashtead Group	Merchants Trust
Aveva Group	Micro Focus International
Balfour Beatty	Mondi
BBA Aviation	Morgan Crucible Co
Big Yellow Group	Next
Bodycote	Old Mutual
Booker Group	Perform Group
Brewin Dolphin Holdings	Petropavlovsk
British American Tobacco	Polar Capital Holdings plc
British Land Co	Provident Financial
Brown (N.) Group	PZ Cussons
Capital Shopping Centres Group	Rank Group
Carillion	Renishaw
Chemring Group	Rentokil Initial
CSR	Rightmove
Dairy Crest Group	Sage Group
Dominos Pizza	Scottish Investment Trust
Drax Group	Senior
Essar Energy	SIG
Euromoney Institutional Investors	Soco International
Fresnillo	Spirent Communications
G4S	Sports Direct International
Genus	Stagecoach Group
Greggs	Standard Chartered
Halfords Group	Standard Life
Hammerson	SVG Capital
Hargreaves Lansdown	Templeton Emerging Markets IT
Henderson Group	United Utilities Group
Hikma Pharmaceuticals	

