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Dear Sirs

**Re: Provisional findings and potential remedies arising from large company audit reviews**

I am writing to comment on the Competition Commission's (CC) provisional findings of its review into the UK large company audit market. I am Chairman of one FTSE 250 company and audit committee chair of another. I have responded previously to the telephone interviews as part of this investigation.

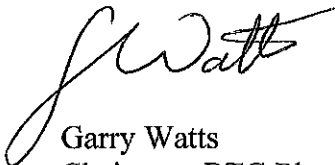
I am concerned over one particular aspect of the potential remedies currently being considered by the CC – namely the compulsory rotation of audit firms. I believe this risks introducing significant extra cost into the external audit process whilst at the same time potentially reducing its effectiveness.

I simply do not believe that the “familiarity breeds contempt for objectivity” line of argument holds up when applied to audit firm relationships with corporates. Any tendency in that direction is, in my view, fully dealt with by the, now established, audit partner rotation rules. Changing audit firms regularly introduces, by definition, periods (sometimes years) where the loss of the history of understanding of a client business can materially and negatively affect the quality of the audit enquiry.

I believe that the role now played by audit committees in overseeing external audit acts as an effective counterbalance to any risk of auditors seeking to “please management rather than shareholders”. I also dislike the restriction of choice for audit committees that would be implicit in any compulsory rotation requirement.

I hope the CC is able to take these views fully into account.

Yours faithfully



Garry Watts  
Chairman, BTG Plc  
Chairman of Audit Committee Stagecoach Plc