

## **Provisional Decision on Remedies submission**

Please see, for reference, the letter submitted to you by David Challen on 1 August. I fully concur with David's points, which I wish to put on record.

As Audit Committee Chair for a large UK Financial services business, I have first hand experience of actually changing auditors by tender process. The new audit firm has, indeed, taken a number of years to bed in and now provides an excellent service to our business.

A new firm is fully effective, in my judgement, after around 3 years. A five year cycle of mandatory tendering, effectively only guarantees 2 years of fully effective audit service, compared with 7 years if the tender period is kept at 10 years. The alternative is that perhaps a 5 year mandatory tender process may favour incumbent firms, simply because the timing is wrong and that would be an expensive and wasteful consequence, as referred to below. I should have thought that the investor community prize an effective and competent external audit and that should far outweigh the rather superficial external perception of either audit independence or competition being impaired by a longer than 5 year tender period.

I do not personally believe that this is competition issue which warrants anything like a mandatory 5 year tender period - audit firms are currently chosen on merit in a competitive market - the big 4 are now being challenged effectively by the next tier of firms. So, why suggest making it mandatory over such a short period?

Audit Committee Chairs of large businesses are themselves highly competent people and surely able to judge whether and at what point audit firms need replacing. The FRC approach is a proportionate solution and should not, in my view, be changed.

Martin Jackson  
7th August 2013