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15 August 2014

Dear Denis

**Mazars LLP response to Competition and Markets Authority consultation:
The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of
Competitive Tender Processes and Audit Committee Responsibilities) Order 2014**

Mazars, the integrated international accountancy, auditing and advisory organisation with more than 13,500 professionals in 71 countries, welcomes the opportunity to comment on the Competition and Markets Authority Formal Consultation published in July 2014.

Our overall views

The 2014 Order aims to remedy, mitigate and prevent adverse effects on competition and any detrimental effects on customers arising from the UK market for the statutory audit of large companies. The proposed Order follows the Competition and Markets Authority's (CMA) consideration of the provisions in the Directive 2014/56/EU (the Directive) and Regulation (EU) No 537/2014 (the Regulation).

We have concerns whether the draft Order will achieve these aims due to the failure to clearly link the Order to the Regulation and the relevant provisions in the UK Corporate Governance Code.

Proposed linkage of the Order to the Regulation and the UK Corporate Governance Code

The introduction of mandatory tendering by the CMA was designed to be a tightening of the expectations for tendering on a 'comply or explain' basis for FTSE350 companies as set out in the UK Corporate Governance Code (the Code). The expectations set out in the Code are currently applicable and hence those in the Order should likewise come into effect immediately.

Moreover, it is not clear why the Order is not aligning its requirements with regards to the tendering process as set out in the Regulation. No real explanation is given for the relaxation discussed in paragraph 28 of the draft Explanatory Notes. It is merely stated that it is not felt that companies changing auditor shortly after the Order comes into effect should have to go out to tender immediately. Given the benefits from effective tendering, recognised by the CMA, it is not clear why this is the case.

Furthermore, the Order only requires that there be at least two bidders whereas the Regulation requires it to be open to all firms with the possible exception of certain of the largest ones. In general, the requirements concerning tendering are more robust in the Regulation and these should be transposed into the Order. In addition, section 5.1(c) of the proposed Order makes no reference to the requirements in Article 16 (2) of the regulation in respect of the Audit Committee's recommendation for the audit engagement to contain at least two choices and an expression of a duly justified preference for one of them.

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The sum total of the CMA's proposals on tendering seems to be that they will have barely any effect in practice in the sense that they will not apply ahead of those in the Regulation and once the Regulation comes into force those set out there are stronger.

The only exception to the above relates to the requirements relating to information to be provided by the Audit Committee if a tender is not to be held after five years and we can again see no reason for delaying the implementation of these requirements.

In summary, we believe the Order should seek to give immediate effect to the requirements of the Regulation as set out in Article 16. Any alternative approach creates the risk of significant confusion in the market caused by inconsistencies between the Order and the Regulation.

Member State Options

We believe it would be helpful for the CMA to express a view on how the Member State options should be exercised. In particular, we believe it would be helpful to indicate support for the introduction of the option to extend rotation to 24 years where there are joint auditors as this could, as previously discussed, introduce competition at the upper end of the listed audit market. We also think the government should be discouraged from reducing the restrictions on the provision of non-audit services by the auditor, especially for FTSE350 companies as this provides a means by which alternative potential auditors can get to know the company's management and board better ahead of a future tendering process.

Monitoring and compliance

In respect of section 7.2 (a) we are not sure why the requirement to inform the CMA (on request) of the last financial year in which a FTSE 350 company completed a competitive tender process lies with the incumbent auditor and not the company.

Further discussion

Please do not hesitate to contact me if further discussion or clarification would be helpful.

Yours sincerely



David Herbinet

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