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Dear Sirs

BIS discussion document – Auditor Regulation – implication of EU and wider reforms

LAPFF is pleased to reply to the request for comments.

Given its fundamental importance LAPFF writes to address one substantive matter.

LAPFF is concerned about the delegation of any statutory powers to the Financial Reporting Council (“FRC”) and its constituent boards unless there is substantial reform of the governance of the FRC and its boards.

The current FRC structure displays an over-representation of the accounting profession at both board and staff level giving an actual risk of regulatory capture.

A better model is that used by the Competition Commission (now Competition and Markets Authority). The CMA has general representation of public interest expertise, and has avoided replication of over representation of accounting expertise. The difference in practice between the two bodies had a visible practical effect in the matter of audit reforms relating to competition and choice. LAPFF has previously supported the final recommendations of the CMA. The FRC position was clearly influenced directly by the position of the ICAEW and accounting institutes, accounting firms and indirectly via the CBI (where the accounting firms also have a presence on the company law committee). The Competition Commission was demonstrably robust and independent in comparison.

Whilst the subject matter may appear complex requiring professional representation, LAPFF has concluded that the core issues are actually simple, and it is in fact over-representation of the accounting profession in matters of audit regulation and standard setting that confuses things.

Given where things are with the electoral cycle, this letter is being copied to both BIS, FRC and HM Opposition spokespersons. LAPFF recommends that the concerns it has about auditor regulation and audit standards is best reviewed by the incoming government.

Yours sincerely,



CLlr Kieran Quinn, Chair