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As we have discussed, the quality and independence of audit is of critical importance for public confidence in companies and the effective working of markets.

I would find it very helpful, alongside the review you are currently undertaking of the Financial Reporting Council, if you could let me have your thoughts on whether there is any case for change in the way in which audits are currently procured, and audit fees and scope are set, particularly for major companies of public interest.

In particular, it would be useful to have your view on whether any change could better promote the interests of users of accounts – and ensure quality, rigour, independence and scepticism on auditors' part – whilst at the same time, of course, needing to be feasible and workable in practice.

Given the implications for market competition of any changes in the way audits may be procured, I have asked Lord Tyrie to ensure that the CMA liaise with you in any further work it carries out on competition in the audit sector.

I recognise that this additional question goes beyond the terms of reference for the review you are currently leading, and has therefore not been covered in the call for evidence you have undertaken, although I am sure you will want to canvass views from stakeholders in forming your thoughts. Were you to suggest to me that the Government should consider any change in this area, the Government would naturally want to consult before taking any policy decision.

THE RT HON GREG CLARK MP
Secretary of State for Business, Energy & Industrial Strategy