



SELECT COMMITTEE ON ECONOMIC AFFAIRS
HOUSE OF LORDS
LONDON SW1A 0PW
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CALL FOR EVIDENCE

Auditors: Market concentration and their role

Audit is dominated globally by the Big Four. The narrow field of choice raises concerns about competition and the quality of audited accounts, and about possible conflict of interest between audit and consulting arms. Questions have also arisen whether auditors could have mitigated the banking crisis of 2008 by alerting investors to the riskiness of the assets held by banks.

The Economic Affairs Committee has decided to conduct an inquiry on 'Auditors: Market concentration and their role'. Evidence is invited by 24 September. The Committee will welcome written submissions on any or all of the issues set out below.

The inquiry will seek to answer questions such as:

1. Why did auditing become so concentrated on four global firms? For example, do economies of scale make it too difficult for smaller firms to compete?
2. Does a lack of competition mean clients are charged excessive fees?
3. Does a narrow field of competition affect objectivity of advice provided?
4. Alternatively, does limited competition make it easier for auditors to provide unwelcome advice to clients who have relatively few choices as there is less scope to take their business elsewhere?
5. What is the role of auditors and should it be changed?
6. Were auditors sufficiently sceptical when auditing banks in the run-up to the financial crisis of 2008? If not, was the lack of competition in auditing a contributory factor?
7. What, if anything, could auditors have done to mitigate the banking crisis? How can auditors contribute to better supervision of banks?
8. How much information should bank auditors share with the supervisory authorities and vice versa?
9. If need be, how could incentives to provide objective and, in some cases unwelcome, advice to clients be strengthened?

10. Do conflicts of interest arise between audit and consultancy roles? If so, how should they be avoided or mitigated?
11. Should more competition be introduced into auditing? If so, how?
12. Should the role of internal auditors be enhanced and how should they interact with external auditors?
13. Should the role of audit committees be enhanced?
14. Is the auditing profession well placed to promote improvement in corporate governance?

Please note:

Evidence submitted becomes the property of the Committee, and may be published. Witnesses may publicise their written evidence themselves, but in doing so should indicate that it was prepared for the Committee.

Evidence should be clearly printed or typed on single sides of A4 paper, unstapled, and should be set out in numbered paragraphs. The submission should be signed and dated, together with a note of the author's name, address and status and of whether the evidence is submitted on an individual or corporate basis. Submissions by e-mail are preferred (as attachments in Word), with a signed, hard copy to follow.

Concise submissions of 6 pages or fewer are preferred; longer submissions should include a single page summary. Annexes may be submitted, but will not necessarily be published. Relevant material prepared for other purposes (such as reports or submissions to other inquiries and consultations) may be submitted to the Committee for information, but will not be printed. Witnesses who submit original written evidence may be invited to give oral evidence at Westminster; transcripts of such sessions are published.

Evidence and inquiries should be addressed to:

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London SW1A 0PW

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