

Early Engagement Notice

Research project

Competition and market conditions in the UK statutory Public Interest Entity (PIE) audit market

1. Summary

The Financial Reporting Council (FRC) welcomes Expressions of Interest for a potential future research project supporting our monitoring of the UK market for Public Interest Entity (PIE) audits.

2. Background

The FRC regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes. It seeks to promote transparency and integrity in business and its work is aimed at investors and others who rely on company reports, audit and high-quality risk management. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

As part of its work, the FRC is required to report on developments in the UK market for statutory audit services to PIEs: under an EU Audit Directive the FRC, as the "Competent Authority" for audit in the UK, has the task of monitoring developments in the market for providing statutory audit services to Public Interest Entities, including market concentration levels. The Competent Authority must report every three years on developments in the market for statutory audit services to PIEs. The FRC also collects and publishes some information about the PIE audit market on an annual basis, for example, [Key facts and trends in the accountancy profession \(2019\)](#) and [Developments in Audit \(2018\)](#).

The FRC is now seeking to develop its approach to market monitoring, taking into account recent analysis and proposals for reforms in the audit market including the Independent Review of the FRC by Sir John Kingman which proposed the replacement of the FRC with a new regulator (ARGA), as well as the Competition and Markets Authority (CMA)'s audit market study. The Kingman review recommended enhanced monitoring of the audit market while the CMA analysed the audit market and proposed a set of interventions to improve competition.

3. Project aims

The FRC recognises that there is no single metric or measure for assessing the conditions for competition in the market for statutory audit of PIEs. A wide range of information will be needed to assess how the market is developing, and the impact of any interventions. This would likely include both quantitative and qualitative information, derived from a range of sources.

The potential objectives of our research project would be to:

- Develop a comprehensive set of indicators for the routine monitoring of the UK market for statutory audits of PIEs, taking account the Independent Review proposals for market monitoring and the Competition & Market Authority's (CMA) market study's analysis, findings and recommendations. This work will need to build upon the CMA's market analysis and the FRC's existing work on audit market indicators and audit quality, potentially including data from the FRC Audit Quality Review processes.

- Develop a methodology for collecting the necessary data to report against all the indicators on a routine basis so the analysis can be replicated, and trends tracked over time. This would include setting out any potential options for sampling, data collection, frequency, and any potential limitations to robustness and reliability.
- Produce an initial analysis of the market based on the suggested indicators and data sources, including providing the underlying data sets. This initial report would then form the 'baseline' for comparison in future years.

4. Timing

The expected timings for the research project are as follows:

- Deadline for EOIs – 23.59 Friday 15 November 2019
- The invitation to tender issued as soon as possible after that.

The research project is expected to run from January/February to May 2020.

5. Expressions of interest

Expressions of interest should include:

- Expertise and experience in market monitoring and analysis
- Understanding of the specifics of the UK market for statutory audit of PIEs
- Understanding of the policy environment and experience of working with policy customers
- Experience publishing high-quality analysis and reports

Expressions of interest must be no more than six pages, including annexes.

6. How to submit an Expression of Interest

Please complete your expression of interest to research@frc.org.uk by 23.59 on Friday 15 November 2019.