

The voice of responsible shareowners

Press release.

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PIRC welcomes Competition Commission findings

On mandatory rotation

Alan MacDougall, managing director of PIRC, said: “We are very pleased that the Commission is to consider the question of mandatory rotation of audit firms. It is clear that an increasing number of institutional investors are vocal in support of mandatory rotation as the best way to address problems of auditor independence.”

“Mandatory tendering will not be enough. If the concern is that audit firms get too close to their clients there is no reason to expect that simply re-tendering the business would make any difference. A company with a compliant auditor would simply reappoint them. In our view mandatory tendering is simply a more sophisticated way of defending the status quo.”

“It is important that all investors are heard in this debate. Unfortunately an impression has been created that the UK institutional investor community speaks with one voice against mandatory rotation. This is not the case, and PIRC believes that, in reality, an increasing number of large shareholders favour a rotation requirement. We would strongly encourage the Commission to consider all investor views on this point.”

On audit and accounting issues

“PIRC has been concerned for sometime that there is a crisis in audit and accounting. It is clear that auditors are signing off on highly unreliable accounts which do not give a true and fair view of a company’s financial health. This may be both a breach of contract as well as a breach of statute.”

“Over a period of time the accounting profession has played with words to give the impression that true and fair view means something different to that of the law to deliver the solvency requirements of the Companies Act. Its regulator has been an accessory to that.”

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“They have also been hiding behind audit committees for too long. But as failed audits in banks showed, hiding behind the audit committee may not deliver the goods, the audit committees are depending on the auditors.”

More information

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