Dear Rachel,

Thank you for your letter of 6 June, following my response to the BEIS Select Committee’s report on the Future of Audit. I appreciate your continued interest in the audit market and I welcome the Committee’s valuable contribution to the debate, alongside those of Sir Donald Brydon, Sir John Kingman and Lord Tyrie.

I am grateful to Lord Tyrie and his team for these ambitious and far-reaching proposals and I am committed to acting to deliver change where it is needed. There is a great deal of crossover and interaction between the CMA’s proposals and the recommendations in the Independent review of the FRC, by Sir John Kingman. Both of these reviews will require primary legislation to implement the recommended changes. I am therefore keen to consider the CMA’s proposals within the wider context of Sir John’s recommendations.

The forthcoming consultation has this goal in mind and will help us to develop a coherent, effective and proportionate package of reforms for the audit sector, which balances the requirement to improve audit quality with the need to maintain the UK’s global status as a centre of audit expertise. I can confirm that the Government normally responds to CMA reports within 90 days. It is my intention to publish our consultation within that window, and the consultation will be open for two months.

In relation to the advice that we are seeking from the Institute of Chartered Accountants in England and Wales (ICAEW) on capital maintenance issues, we have asked the ICAEW to provide some technical advice and options for government on ways in which potential new distributable reserves disclosure requirements might be framed. I can confirm that once we receive this input we will seek other stakeholders’ views, including Sir Donald Brydon, on those options. I agree that the ICAEW’s guidance ‘Guidance on Realised and Distributable Profits’ needs to be clear and concise, which is why we have also asked the ICAEW to consider ways in which that advice might be simplified and clarified.
I am hopeful that with yours and other interested stakeholders support we can clarify this complicated and important aspect of the accounting rules.

I look forward to continuing the helpful and constructive dialogue with you and your committee on the future of the audit market.

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