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Shamima Hussain
Financial Reporting Council
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19th August 2022

Dear Ms Hussain,

FRC consultation document: firm-level Audit Quality Indicators

As a part of RSM's system of governance, we, as its Public Interest Committee, have regard to professional developments in audit, using them to temper our oversight of RSM UK Audit LLP's Board and of its operations.

Audit Quality is the ribbon that runs through our agenda and that of the Board, so it follows that we have scrutinised this consultation document. We are aware too of the firm's intention to respond to it in a more granular way. Therefore, we thought that it might be helpful to you if we were to offer you our independent thoughts, which, particularly if they are shared by other firms' INEs, may be useful to you.

We are supportive of the increased transparency opportunity that enhanced reporting of information can provide, we fully support the objectives set out in the consultation paper, and we are aware too that regulators in other jurisdictions are considering introducing firm-wide AQIs of their own but, of course, that opportunity will necessarily be accompanied by an opportunity-cost.

As a result we believe it is important that the FRC:

- prepares and publishes an impact assessment of the proposals as the next stage of process;
- demonstrates what firm-wide AQIs can reasonably be expected to achieve that is not already achieved by exacting engagement-level and management-level ones;
- understands that an aspiring audit firm that is trying to play its part in "[creating] a more resilient audit market through greater competition and choice"¹ may need to take a graduated approach to adoption of the proposals; and
- assimilates the introduction of the proposals with the more general audit reform proposals as they affect corporates – you may recall that we have made representations to the FRC previously that fulfilment of the principle of Proportionality will in major part be reflected in how the new regulator will address the 'regulatory asymmetry' that the Kingman and Brydon Reports pointed up.

¹ 5th paragraph, page 5 of consultation document.

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Response to FRC's consultation on Audit Quality Indicators

We appreciate, and agree with, the FRC's intention that the proposals should not be applied prescriptively but equally we are concerned that the introduction of accompanying narrative will inhibit true comparability of firms' offerings: we therefore believe that the content of the narrative should be circumscribed by FRC guidelines.

We hope that our representations to you are helpful and will be happy to provide further input or meet to discuss our views in more detail.

Yours sincerely,

Dame Teresa Graham
Chair, Public Interest Committee
RSM UK Audit LLP