



Patricia Sucher
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Financial Services Authority
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Dear Pat

Code of Practice for the relationship between the external auditor and the supervisor

PwC welcomes the publication of the consultation guidance Code of Practice for the relationship between the external auditor and the supervisor published by the Financial Services Authority in February 2011, and fully support its intention of improving the quality of discussions between auditors and supervisors. We particularly welcome the fact that the Code encourages the flow of information shared between supervisors and auditors to be two-way.

As you know, we have been directly involved in the discussions which led to the formation of the code and our principal comments have therefore been addressed through the development process.

The Code provides a starting point for the relationship, but it will be important to see this realised in practice. We are developing implementation guidance for our professionals and looking at how to embed the Code into the annual audit cycle. To this end, it would be helpful if the FSA were to confirm to us at an early stage the individual audit client firms for which additional bilateral meetings will be required (i.e. those identified as 'very high impact' under ARROW assessment). This will enable us to engage with those clients to explain the enhanced consultation process.

We recognise that the information we might reasonably discuss under the Code will be more extensive than the information which we are currently obliged to provide under the provisions of the Financial Services and Markets Act 2000. In order to facilitate these discussions, we suggest that the FSA advises regulated firms that they will be expected to give consent for their auditors to discuss such matters as the auditor believes are relevant to the functions of the FSA.

We believe that effective two-way communications between regulators and auditors will improve the quality and value of both the statutory audit and the supervisory process, and thereby contribute to the credibility and efficiency of financial markets.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

Anne Simpson
Partner, FS Regulatory Practice

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