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Dear Karin

Proposed extension of audit exemption in the Companies Act 1985

This is the Consumer Panel's response to the proposal made in Chapter 4 - Proposed extension of audit exemption in the Companies Act 1985 in CP06/6* Quarterly consultation (No.8).

We note that if these firms hold client money, they are required to have their accounts audited, and other protections remain in place, so in practice we do not oppose the change in rules.

However we are interested in the proposal to make greater use of skilled persons as a supervisory tool. We believe that the proposed selection of only 50 firms for review annually means that firms will be aware that they are unlikely to be selected for a review. So we cannot see that it will '*minimise* the risks of a reduction in the standard of a firm's internal controls because firms will know that they could still be subject to a detailed inspection.'

Yours sincerely,



John Howard
Chairman