

CMA Study Into Statutory Audits

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The Competition and Markets Authority (CMA) has launched a detailed study into the statutory audit market.

The initiative follows growing concerns about the quality and resilience of statutory audits, in particular as a result of the collapse of construction firm Carillion and retailer British Home Stores, and the criticism of those responsible for reviewing the companies' accounts, as well as recent poor results from reviews of audit quality. The CMA's study will sit alongside the current independent review led by Sir John Kingman into the Financial Reporting Council as the sector regulator.

The CMA's market study will examine 3 main areas:

- **Choice and switching.** Changes put in place by the Competition Commission (the CMA's predecessor) appear to have strengthened competition between the big four firms – Deloitte, KPMG, E&Y and PwC – but the largest UK Plcs still rely almost exclusively on one of them when selecting an auditor.
- **Resilience.** The market study will examine what the role of the big four firms means for resilience – the risk being that each of the big four is “too big to fail”, potentially threatening long-term competition.
- **Incentives.** Companies, rather than their investors, select their own auditor. The CMA will examine concerns that this may result in a lack of incentive to produce challenging performance reviews.

Representations to the “[Invitation to Comment](#)” should be made to the CMA by no later than 30 October 2018.

The CMA will publish its market study report and the action (if any) which it proposes to take by no later than 8 October 2019.

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