COMMENTS OF BDO LLP ON COMPETITION COMMISSION WORKING PAPER ON CHARACTERISTICS OF LONG AUDIT TENURE COMPANIES

1 CHARACTERISTICS OF LONG AUDIT TENURE COMPANIES

1.1 CC survey

1.1.1 Paragraph 18 states that “among financial companies there was a larger proportion of long-tenure companies among FTSE 350 companies compared with other companies”. This is consistent with less choice of auditor in financial services than for other sectors.

1.1.2 The CC’s findings in this working paper support the proposition that competition is not operating effectively in this market, as switching levels are remarkably low. Paragraph 25, for example, states that “82 per cent of companies that have been FTSE 350 for the entire ten-year period have not switched audit firm” and paragraph 32 notes that long tenure tends to be self-perpetuating: “companies with an existing long tenure were more likely not to switch auditor”.