COMMENTS OF BDO LLP ON COMPETITION COMMISSION WORKING PAPER ON ECONOMETRIC ANALYSIS OF AUDIT COSTS

1  ECONOMETRIC ANALYSIS OF AUDIT COSTS

At paragraph 72, the CC reports a finding from its econometric analysis that labour costs reduce by 2.6% per year on average between years two and ten of auditor tenure. This should not be taken as a reason to discourage switching. Even if it is the case that labour costs reduce with tenure, there is no evidence that these reduced costs are passed through to customers; in the Descriptive Statistics Working Paper (Figure 6) the CC reports that while audit fees fall in the first year following a change of auditor, they subsequently increase in years two to five.