

AUDIT MARKET INQUIRY

Summary of hearing with Grant Thornton held on Thursday 4 October 2012

Background

1. Grant Thornton (GT) made two main points by way of introduction. First, GT considered that the large listed audit market was not working well. There were a number of relatively small barriers to entry which combined and acted together to create difficulties for new entrants. The market should be assessed holistically rather than dismissing small barriers as each being insignificant in terms of the overall market. Second, GT had the capability of providing audit services at a comparable quality, and possibly a lower price, in the long run for all of the FTSE 250 and many of the FTSE 100 companies.
2. GT had a clear strategy which it had developed for the present market. GT's approach in building its presence in the FTSE 350 listed audit market was driven by its advisory services practice where there was a greater willingness amongst FTSE 350 clients to buy its services. By building relationships with FTSE 350 clients through the provision of advisory work, GT expected to be party to more opportunities to tender for and win audit work for those companies. It also had an emphasis on developing expertise in particular industry sectors and therefore the large listed market was important to GT. Having large flagship listed clients in certain sectors was good for GT's brand profile and was evidence of its sectoral expertise.
3. Barriers to entry in the audit market directly impaired GT's strategy. GT was limited to creating visibility in the large listed market through its advisory and tax practices. This did not mean that GT was unwilling to invest in the large listed audit market. GT was already fully invested for delivering audit services to the large listed market including its audit software, international network and people and training courses. GT also invested in tenders and pitches for the FTSE 250 companies where it had a fair chance of winning the tender on the merits of the bid and the services it could offer.
4. GT had been very successful in the areas where it had invested heavily and where there was a level playing field for example, GT's restructuring and IVA practice and its public sector audit market, following the privatisation of the Audit Commission. GT was now a large supplier of services to the public sector audit market where many of the institutions audited were as complex as FTSE 250 companies including large councils with revenues over a billion pounds. GT has invested and would be willing to make further investment in the large listed market if it believed the market was a level playing field.
5. Large listed were important for GT's advisory business and GT would like it to be important for its audit practice. GT was willing to invest to make this happen but there was currently a problem in gaining entry to the market in a way that was economically viable.

Rivalry

6. A FTSE listed company could benefit through increased innovation by switching to GT's audit services. GT's stakeholders had reported a lack of innovation in the market. GT had hosted a dinner recently that comprised audit committee chairs and

FDs representing around four to five per cent of the FTSE 250. One topic of conversation was how the audit report was currently seen as a 'boiler plate' document. A higher number of audit providers would create more opportunity for change, for example, more discursive audit reports. GT and BDO were involved in discussions with bodies including the International Auditing Standards Board and more ideas for innovative audit reports were coming forward. GT had officially submitted five or six ideas in areas where it thought there could be significant improvements to the report. More participants in the market would contribute to an enriched debate.

7. At a recent dinner hosted by GT, an Audit Committee Chair of one of the FTSE 100 and two of the FTSE 250 had said that auditors were often solely focussed on complying with auditing standards and statutory procedures. It was often difficult to get a response from the auditors about the effectiveness of a company's overseas business. GT had heard concerns from Audit Committee chairs that they were not just looking for audits to be compliant with standards.
8. GT explained that individual Audit Committee Chairs were hesitant to be the first one to switch from a Big 4 audit firm to GT or another mid-tier firm. There were a small number of auditors in the FTSE 350 market and GT repeatedly heard comments that it would be a brave decision for an Audit Committee Chair to appoint a non Big 4 auditor.
9. GT said that its assurance business made a sensible profit [£]. Gaining a few more FTSE 350 audit clients would be strategically important to GT.
10. GT accepted that there was a disparity of time spent on marketing activities by its assurance partners when compared with other practice areas. The assurance practice was however a recurring practice so the number of new audit assignments was less significant compared with new work wins in the advisory practice. An advisory or tax partner generally did not have any recurring clients so these partners spent more time looking for new clients. An audit partner generally had a recurring list of clients so audit was a different business model.
11. GT considered that an average of [£] hours a year felt about right for the amount of time for its audit partners to invest in business development with the FTSE 350. If there was a significant increase in switching, GT would significantly increase the numbers of hours spent in marketing activity. However, a lot of GT's assurance business was conducted from its regional offices with no listed companies and possibly no AIM companies in a fairly static market. Those partners would not be expected to carry out as much marketing activity. GT's partners in the south east and London office were operating in a more fluid market. As part of GT's larger corporate initiative it clearly wanted more audit partners to attract new work. Those partners were expected to carry out much more than [£] hours of marketing activities a year. GT's current approach to the FTSE 350 audit market was based on its assessment of what was realistic, ie building sustainable relationships with a number of companies. Also GT's large corporate initiative involved partners from diverse client service areas who would seek to understand a potential client's needs holistically, therefore, it could be that a tax or advisory partner would be promoting the firm's audit capability to a FTSE 350 company not just the audit partners.
12. A substantial amount of investment in the audit practice in the UK and internationally had been based on the audit method. GT's audit method was based on a technology platform that had been the most significant amount of investment expenditure within GT internationally. The audit method involved paperless audits which increased compliance and efficiency for example, enabling the sharing of information across

offices and borders. The budget for developing and maintaining the technology and related activities had reached [x] to [x] a year.

13. GT had also invested in improving the delivery of the audit product by participating in public policy debates. By way of example, Mr Maslin said that he had just been appointed to chair the Global Public Policy Committee (GPPC). The GPPC Committee was a group of senior partners of the six large international accounting organisations, who in the course of their work heard concerns from regulators and institutional investors. GT was trying to position itself as a leader in bringing about change in the audit product. The majority of Mr Maslin's time was spent on public policy matters both in the UK and internationally. His chargeable hours for his audit portfolio would be around [x] or [x] hours a year. Other partners were also involved on public policy matters. For example, another senior partner chaired the Transnational Audit Committee that included the big 4, GT and BDO and 15 of the largest international accounting networks. The Committee came together on a regular basis with regulators.
14. The FRC and HM Treasury regarded GT's research on corporate governance activity within the FTSE 350 as being the leading research in the UK. One senior partner devoted a significant amount of time to this activity. A number of partners also spent a significant amount of time on general profile raising activities for GT and identifying key FTSE 350 targets with which GT wanted to build sustainable relationships. Following the financial crisis, GT's work on public policy matters, and especially its work on corporate governance, had led HM Treasury to ask GT to use its expertise with helping the FRC in developing the governance code and Sir David Walker in developing his proposals for governance reforms in the banking sector. That led to a series of events with FTSE 350 chairs about GT's findings. It was very useful to GT's business model and profile to be able to meet FTSE 350 Audit Committee Chairs and have something informative or innovative to share.
15. A range of small factors made it difficult for GT to be asked to carry out the audits of FTSE 350 clients. It was partly an outright unwillingness to consider somebody other than the Big 4 firms and the perceived risks of creating the wrong impression in changing an auditor from a Big 4 firm to a non Big-4 firm. The fact that GT had only undertaken a handful of FTSE 350 audits in itself created a block. GT did not have any recent experience with a client moving from AIM listing to a FTSE 350 listing. GT had one client where it lost the audit when the company got into a series of difficulties, changed its share ownership and became AIM listed with ambitions of getting into the FTSE 350. GT thought that one of the reasons it lost the audit was that it was seen as being the last adviser associated with the previous ownership. Audit Committee members were also involved with other companies that were audited by the Big 4 firms and did not consider replacing GT with another mid-tier firm.
16. There was such a low level of switching between the large AIM listed companies into the FTSE 350 market that there were few opportunities for GT to retain audits when clients became listed on the main market. GT's strategy was to gain large clients and build a presence in the FTSE 350 market through its advisory services or possibly a co-audit situation. This provided GT with an opportunity to demonstrate its credibility and perform well with the board prior to tendering for the audit assignment, should the opportunity arise.

Tender opportunities

17. Increased realistic tender opportunities were one of several factors necessary to change the audit market. Under current market conditions GT needed to build

sustainable relationships with individual FTSE 350 companies to overcome the perception barrier that it had insufficient expertise and experience in carrying out FTSE 350 audits. In the past two years, GT had had fee paying relationships (primarily tax and advisory) with 39 of the FTSE 100 and 65 of the FTSE 250.

18. GT was in the process of assessing members of the FTSE 350 that it could realistically target for future audit work in the short to medium term. It had eliminated about [X] of those companies on the basis that the audit fee was over £[X] million or where more than 75 per cent of the operations were international ([X]). GT also acknowledged that in certain sectors where their experience was currently lower, such as systemic banks and the oil and gas sectors, it was unrealistic to target those companies at this stage. There were [X] sectors in the FTSE 350 market and equivalent where GT felt it had strong experience and [X] companies where GT felt it had a sufficient footprint and sector experience. A team of partners was trying to build relationships with these companies. A further [X] to [X] companies were termed 'build targets' where GT needed to first build sustainable relationships for example by winning small advisory services and then progress to larger assignments. GT's average advisory assignment in the FTSE 350 was small. GT's ambition was to [X] the average value of services provided to these companies so that in this market segment GT had a more meaningful presence with a smaller number of entities.
19. A significantly greater number of companies in the FTSE 350 used GT for internal rather than external audit purposes. GT was carrying out an increasing number of internal audits in the larger listed market as a point of entry to the statutory audit market. GT had invested heavily in its financial services practice which was doing a lot of internal audit, governance or skilled persons work.
20. The key to breaking into the FTSE 350 audit market was changing buyer behaviour so that auditor choices were based on price and quality of what was being offered by audit firms. GT had been more successful in the public sector market as it already had a 11-12 per cent market share. When the Audit Commission's work was privatised, GT was in a strong position and won a very significant amount of work due to the quality and price of its services. GT's quality ratings with the Audit Commission had been very high over several years. It was competing with the Big 4 firms and many of the Mid Tier firms but there was a level playing field. GT wanted to maintain a position in the public sector market at a sensible margin.
21. Service quality and concern to carry out the job thoroughly distinguished GT from its competitors. Based upon feedback from a number of companies, GT tended to rely less on an internal control environment and more on substantive testing. The heart of GT's practice was quite often businesses that did not have very sophisticated control systems and GT spent a lot of time testing transactions and engaging at quite granular levels in an organisation to assess how the business operated. Audit Committee Chairs typically told GT that it had carried out the audit very thoroughly. There was anecdotal evidence from audit regulators in some countries that some had concerns in the financial services sector that sometimes there was too much reliance by audit firms on control systems and that not enough work had been done to ensure that those control systems were actually working robustly in practice.
22. The FTSE 350 should not be treated as a homogenous group. Systemic banks and a few mega companies like BP were at the top 50 and required a very complex audit and huge scale of resources. Most of the rest of the FTSE 350 were not like that. There was not a significant difference between what GT did for the AIM companies and what the FTSE 250 required (as a matter of comparison, the market capitalisation of the 10th largest AIM company would be around 160th in the FTSE

250, and the biggest would be about 25th in the FTSE 250). Just because somebody might say that GT had admitted themselves that they were not resourced to audit HSBC or BP that was not a reason to say that if something were to happen to change buying behaviours GT would not be able to audit most of the FTSE 250.

Annual renegotiations

23. In the current environment, GT saw a huge amount of competitive pressure in relation to its larger audit clients because there was not a lot of transaction work. A lot of partners in the Big 4 firms were building relationships with companies at market capitalisation levels in the market where GT was present. In 2010, GT had been shown two tender documents from two Big 4 firms for a large audit client, even though the audit had not gone out for tender. These firms had been decided to give an indicative quote for providing the audit in the event there was a tender exercise. [REDACTED]. All GT's larger clients were being targeted by the Big 4 firms. Pressure was more intense in the upper end of the privately held business market rather than GT's five or six FTSE 250 clients. There was no particular divide between full market listed clients and others.
24. Sometimes clients would put pressure on GT by mentioning the possibility of putting the audit out for tender, thereby asking GT to agree to more favourable conditions for future audits. GT found it easier to withstand pricing pressure on one of its AIM companies as it was the leading audit provider in that market. This situation however contrasted with a large not-for-profit business, [REDACTED], where it was unusual for members of the Audit Committee to have a non Big 4 auditor. The veiled or explicit threats to tender had intensified over the past three or four years and that was driven by the economic environment especially where firms' assurance practices were not growing. Competition from other audit providers was usually the result of a member of the Board seeking to negotiate prices down by approaching competitors.
25. GT had not frequently been approached to provide an indicative offer for companies currently audited by the Big 4. In terms of the information required to provide a reasonably accurate quote, GT would need to understand what key individuals needed an audit to deliver, including the chairman of the Audit Committee, the Financial Director, the Chief Executive and operational heads. GT would need to understand the group financial teams including their systems, the technology, structure of their accounts in the UK and overseas. It would be quite dangerous for any firm to provide an indicative quote in the absence of a proper tender process.
26. Most but not all of the firms that GT audited had an annual review of GT's performance. All GT's public interest clients would go through a process of reviewing effectiveness. [REDACTED], for example, went through a formal checklist type process. This included interviews with the chief executive, the FD and the head of internal audit. For other large AIM companies the review could consist of getting a brief response from the financial director.
27. It was highly unusual for GT to be surprised when a client decided to go out to tender. There would tend to be signals at least 18 months before GT lost a client. GT tried to see at least all its major clients on an annual basis for a service review and to ensure GT could pick up any signs of discontent. A client rarely had an issue about price at these meetings although price was usually subsequently discussed if there was dissatisfaction with another issue.
28. It was difficult to know how GT's clients knew whether GT's fee was competitive without going out for tender, though they could benchmark audit fees against comparable businesses within their sector. If they had used other firms for tax and

advisory work, they could compare prices. The feedback GT had received from these comparisons was that it was price competitive. GT had rarely been told by its bigger clients that they thought the Big-4 were cheaper. Clients could also directly compare GT's prices with other firms if it had previously used them for audit services. GT thought that clients generally had a good idea about market prices even if they did not carry out a regular re-tendering process.

Independence

29. GT would typically engage with the finance director and Audit Committee chair about what process they would like to go through when rotating partners. Some Audit Committee chairs wanted to have dinner with two or three possible replacement partners while others trusted GT's judgement. There were occasions where GT would try to get the new audit partner involved with the company before he/she was appointed but care needed to be taken to avoid them becoming part of the audit team because this could reduce their permitted tenure. The process was more of a fresh pair of eyes rather than a smooth process that started a long way ahead of rotation. There was also some continuity in the audit team as not everyone was rotated off the audit.
30. From an audit quality stance, it was right that the rotation introduced a fresh pair of eyes. A five year rotation for the listed companies was perhaps too short as it took a long time to understand the complexity of a FTSE company. It was also only when a company changed its audit provider that it obtained a completely fresh perspective in terms of approach and technical issues.
31. The benefits of a fresh pair of eyes could be seen from the example of one large audit client, [REDACTED]. During the tendering process GT flagged that there was something that looked odd in the financial instruments in the balance sheet. After winning the audit and before starting work, GT began to receive further information and flagged that the financial instrument had been wrongly included so the balance sheet was fundamentally misstated. There was then concern over what would happen with respect to FSA regulations. GT could not accept the mistreatment of the accounts and advised the company what it should do in terms of the financial reporting arm of the FRC and the FSA.
32. Partner rotation could be a point of vulnerability for GT as it had lost a few clients at this stage, but it was also an opportunity as GT had received tenders for full list and AIM companies where there had been a rotation. GT did not always track audit rotations for the FTSE 350. GT rather focussed on the strategy issues affecting those companies and where GT could help them. Those strategy issues tended not to concern the audit. From feedback received from FTSE 350 Audit Committee chairs, partner rotation was an opportunity for another Big 4 firm and not GT. GT first needed to build sustainable relationships with these potential clients and to get past the potential audit client's perception difficulties with providing audit services to listed companies.
33. GT had been told by FTSE 350 Audit Committee Chairs recently that there could be audit opportunities for GT, although these were more likely to be in the bottom half of the FTSE 250. GT was doing the right thing by looking to build sustainable relationships, seeking to provide advisory services with larger FTSE 350 companies rather than audit in the short term. GT's strategy of positioning itself to win audit work from the FTSE 350 was a long term investment. Partners at GT had spent up to 10 years in some cases building relationships with some FTSE 350 companies through delivering advisory services. However FTSE 350 companies were not typically currently providing GT with opportunities in the audit market. Absent

intervention, GT was at least [~~3~~] years away from providing audit services to these companies.

Barriers

Big 4 clauses

34. With regard to making concerted efforts to speak to any City institutions about their audit work, GT's previous CEO and head of the restructuring team, wrote to the four High Street banks in the UK requesting a meeting to explore why they were resistant to GT's audit services. Only one of those banks responded to the letter and followed up. One replied that it was not considering putting its audit out for tender and one bank replied that it had no idea that there were restrictive clauses in bank lending agreements and that it would seek to change that. GT had also approached the British Banking Association, who were on record as saying that these restrictive agreements did not exist but they still arose.
35. The Big 4 clauses tended to be included by rote. GT was sometimes told that there were some standing agreements that had been in place for a long time. Some FTSE 350 non-executives had told GT that that some of the lenders were moving away from naming the Big 4 firms to using a firm 'of international standing'. This could include GT and BDO. It was however not necessarily at the top of people's agenda to address Big 4 clauses with so much happening in the market place. The Big 4 clauses did not just affect the audit market but also restructuring services even though GT had a major standing in this market.
36. GT also had evidence of one lender who had threatened to increase the rate of interest of their loans if a non Big 4 firm were appointed rather than one of the Big 4.
37. The most objective measure of quality was currently the AIU public reports. The reports showed that over a sustained period, there was no difference between the files it inspected produced by Big 4 firms, GT and BDO. Clearly in any individual year some firms would attract better or worse grades than some others. The AIU independent inspections showed that audit quality was broadly comparable between the Big 4 firms and GT and BDO. The banks only wanted to know that the accounts of a business in which they were investing were sufficiently robust to ensure their lending was safe. From that viewpoint, audit quality inspections were a good test.
38. It would be symbolically important if the Big 4 clauses were removed from bank lending agreements. It was however difficult to know what difference this on its own would make to GT's business. It would certainly lead to more work in the advisory practice but it was unclear whether it would create more audit work. It would not make a fundamental percentage change to the revenue but it would enable GT to remove one of the perception barriers and would be helpful in the short to medium term. It could have an impact if a number of other factors in the market were also changed.

Insurance

39. Winning more FTSE 350 clients would not require GT to hold higher levels of indemnity insurance. GT had significant levels of indemnity insurance and it was seen in the market as being strong in that regard. If GT wanted to audit banks, it might need to increase insurance cover, but not for typical FTSE 250 companies. However, there was no audit firm that had PI cover that was close to being able to sustain a claim that amounted to the market capitalisation of one of these large

banks. GT did not think that it would ever be in a position where it needed to take an uninsured risk. Some people might have an inaccurate perception that a Big 4 firm would have more cover than GT and that could be a barrier.

40. The risk of litigation was relatively low but the impact on an audit firm could be very significant. Therefore companies might prefer to go to a Big 4 firm with the perception that, in the unlikely event that something went wrong, the Big 4 would have higher insurance cover or otherwise be able to sustain a larger law suit. There tended to be a correlation between size of assignment and profitability.
41. There was no norm in the audit market for the level of PI cover a firm held and firms were protective of information about PI cover. Some, if not all of the Big 4 firms, self insured through building up off-shore captives. GT had a captive insurance company for the lower levels of risk and it also insured in the market. It was difficult to know the level of PI cover held by individual firms but GT had been told by its brokers and lawyers that it had quite a high level of cover at £[REDACTED].
42. In tender documents, [REDACTED]. There was no audit firm that had PI cover that was close to being able to sustain a claim that amounted to the market capitalisation of a very large company. A very large claim would be sustained through using all the company's insurance cover and all its partner capital. Often the headline claim against a company would be very significant for example, £500 million. However the evidence suggested that the actual settlements were much lower.
43. [REDACTED].

Auditor choice

44. There were concerns in the audit market about a possible four to three scenario. The Oxera study noted that people would like to see more choice of audit providers. A number of market participants would be very unhappy if one of the Big 4 firms were to exit the market. It was therefore important that this potential issue was analysed. More choice of audit providers would deliver more innovation.
45. It would be very damaging for the audit profession if one of the Big 4 firms collapsed due to the effect on the reputation of the profession. If there was a merger between two of the Big 4 firms, it was not realistic to expect GT or BDO to automatically fill the gap. When Andersen collapsed in the US, Grant Thornton US took some of Andersen's business but only in those areas where GT was already significantly involved. If one of the Big 4 firms collapsed in the UK, it would be unlikely that the partners would come and join a GT or BDO because the Big 4 firms' average profit per partner, at over £600,000 was ahead of GT's at around £300,000 or £350,000. Partners at the Big 4 firms were more likely to go to another Big 4 firm. It was more likely that GT would be successful in attracting the clients of a collapsed Big 4 firm than its partners.

Theory of Harm 2

Shareholders

46. GT agreed that the aim of the audit was to provide assurance to shareholders. It was however challenging to get investors engaged on audit issues. The range of shareholders with different interests presented problems for both Audit Committee chairs and auditors engaging with investors. Long term investors in a company would be interested in an audit as a stewardship responsibility that somebody was

looking after their money. The hedge funds had no long term interest in the company whatsoever.

47. GT in the UK and US had taken initiatives to try to build relationships with institutional investors. GT was also the first of the large firms to put three independent non-executives on the Governance Code's oversight board. The ABI in England was leading the engagement between GT's independent non-executives and the investor market. The Scottish institutions were being led by Standard Life. GT took a team of executives to Scotland to talk about its engagement with investors. On policy issues, Mr Maslin partnered with the ACCA to chair its investor panel. These initiatives had helped to create a change in perception. For example, the ABI's response made clear that investors felt there were more FTSE 350 companies that could be audited by a wider range of firms.
48. GT had identified a long term opportunity to change the dynamic between the way auditors dealt with the FTSE 350 audit market by trying to improve engagement with investors as they are the primary customer. Investors tended to consider the Audit Committee as being their agent. Investors did not have enough understanding of the audit process. GT's view was there should be greater auditor commentary so that the auditors could provide a hook for investors to engage with Audit Committees on key issues arising from the audit. GT took professional issues seriously and engaged on professional debates to increase confidence in the market. Some of the largest audit firms seemed to have been focusing their business development and client retention emphasis on the companies rather than the investors.
49. There was inertia in the investor market and there were not enough investment companies expressing an interest in policy issues and fewer still in detailed audit issues that were occurring in the companies in which they invested. Audit Committee chairs tended to get most value from the audit in the discussions that took place outside of the formal reporting concerning how the company was operating, for example in its overseas subsidiaries. It was these discussions in which auditors could provide Audit Committee Chairs with their thoughts about the company and issues which may concern them but where they had insufficient evidence to include in a public report.

Audit Committee Chairs

50. Audit Committee Chairs were hampered by time limitations. Chairs were typically faced with a lot of documents and their dilemma was whether to delve into the detail or to rely on higher level reports. Sector knowledge also limited their effectiveness. Complex businesses demanded a lot of complex knowledge and an Audit Committee of a manageable size could only cover a certain number of those bases. The best test for a shareholder on the effectiveness of the Audit Committee Chair was to ask probing questions and assess the quality of the answers. Investors did not have enough hooks to ask probing questions and audit firms could probably do more to provide some hooks in the future.
51. GT recognised some truth in the quote from the PwC survey: *'Boards are a club and I do not think they [Audit Committees] are ever sufficiently independent. I can think of almost no example of an Audit Committee doing what they are supposed to do in the sense of being independent.'* For example, there were a number of companies that did not have a Nominations Committee. Consequently members of the Board appointed members of the Audit Committee.
52. Audit Committee chairs tended to come from certain sectors of society and certain pools for example, many were former Alumni of large accounting firms. The investor

concern that there were some club behaviours with some Audit Committee chairs was therefore realistic. The quote was a fair representation of some but not all Audit Committees.

53. GT would not deal with a public entity that had inappropriate governance. GT had experienced situations where the non executives were very close to the management team. One FTSE 350 company had some question marks raised about the independence of its Audit Committee because two of the members had served more than nine years. However, it behaved as a very professional and independent Audit Committee.
54. Investors had more to gain than to lose from switching auditor because the benefits of a fresh perspective and independence of thought outweighed the issues that typically concerned finance directors. New auditors needed to be brought up to speed. This required time and energy but was investment rather than an inconvenience. Many investors would be happy to pay an extra five or ten percent on audit fees if that improved the audit product. The audit fee remained small in comparison with board remuneration.

Conclusion

55. GT had invested in its international network, audit methodology, business development, technical support and training, as well as getting to know FTSE 350 companies. It had also invested in public policy which impacted on Audit Committee Chairs and investors. GT struggled to know what more it could do to enter the FTSE 350 market. The view of many finance directors and Audit Committee chairs was that the tendering process provided a robust assessment of auditor effectiveness and that a tender provided a very good outcome in terms of both price and quality. The tender forced people to rethink what they had been doing for five years or more.
56. GT's work in the public sector audit environment was interesting. For example, GT had been successful in winning audit work previously carried out by the Audit Commission. Some of those audits, for example, the [X], were for very large entities that had many features of a FTSE 350 company. GT won that tender because it was competing on a level playing field. In terms of audit fees, the audit contracts won from the Audit Commission in 2012 was the equivalent of GT taking 35 new FTSE audit appointments. This was an example of how much change could be brought about relatively quickly if the perception barriers were broken and a level playing field created in the market for audit services to FTSE companies.