

**COMMENTS OF BDO LLP (“BDO”) ON THE  
COMPETITION COMMISSION’S SURVEY RESULTS WORKING PAPER<sup>1</sup>**

**1 COMPETITION COMMISSION SURVEY RESULTS**

- 1.1 BDO notes with regret that the CC did not analyse results at a sector level *“given insufficient sample size”* (paragraph 14).
- 1.2 Paragraph 45 shows that even when firms do tender, they often only invite Big Four firms to tender – only 23% of FTSE 350 companies going out to tender invited BDO; only 14% invited GT. Less than 3% invited other non-Big Four firms. 27 out of 44 FTSE 350 tenders within the last five years were Big Four firms only. BDO considers that any mandatory tendering requirements to be imposed on FTSE 350 companies must require companies to consider firms outside the Big Four if they are to be effective in increasing choice and opening up the market.
- 1.3 Paragraph 49 shows that 21% of FTSE 350 companies retained the incumbent on tenders (i.e. 80% did not). This suggests that tendering generally leads to switching.
- 1.4 Paragraph 53 states that *“for many companies, switching was said to have resulted in lower fees and/or improvements in quality, with over 41% saying that the audit fee was lower in the first and following years and 40% that quality was better in the first and following years”... “75% said switching resulted in some benefits in first and/or following years”*. This clearly shows the advantages to be gained through switching.
- 1.5 Paragraph 54 states that few companies said switching was negative in the first year on quality. This suggests that claims that switching leads to a reduction in audit quality in the first year are exaggerated, particularly by incumbent auditors who have most to lose by switching.
- 1.6 Paragraphs 55 and 56 show that pressure from intermediaries is a key trigger to seriously consider switching. This supports BDO’s concern that pressure from intermediaries leads growing companies, which have the potential to join the FTSE 350, to change to Big Four firms.
- 1.7 Paragraphs 68 and 69: the biggest reason for considering Big Four firms only was the size and geographical coverage of Big Four firms; yet most FTSE 350 companies do not need global coverage and many do not need audits outside the UK; moreover, BDO has a global network which is similar in reach to the Big Four.

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<sup>1</sup> Reference to paragraph numbers are to paragraphs of the relevant working paper (“WP”) unless stated otherwise.