

STATUTORY AUDIT SERVICES MARKET INVESTIGATION

Case studies—note by the CC

Case studies 1 (Companies A to J)

1. Following a consultation in January 2012 on the selection of case studies to focus on particular market features relevant to its analysis, the CC selected ten companies from the FTSE 350 index. The companies covered a variety of industry sectors including: banking, insurance, investments, retail, oil and gas and industrial products. The companies were audited by a mixture of Big 4 and non-Big-4 firms. Some had recently changed or tendered their audit firm whereas others had had the same audit firm for several years.
2. In each case study, the CC interviewed the company's:
 - (a) Audit Committee Chair (ACC);
 - (b) Finance Director (FD) or Chief Financial Officer (CFO) or similar; and
 - (c) Audit Engagement Partner (AEP).
3. In some cases, where relevant, former auditors or former ACCs were contacted. In addition, the CC spoke with two institutional investors who held investments in several of the case study companies.
4. Cases studies 1 are published anonymously as Company A to Company J.

Case studies 2 (Companies G, K to W)

5. In publishing Case studies 1, the CC noted that, as the inquiry progressed, further case studies might be conducted to complement the initial set. Following the publication of the Notice of possible remedies (www.competition-commission.org.uk/assets/competitioncommission/docs/2011/statutory-audit-services/remediesnotice.pdf), the CC considered it desirable to do so. Two of the remedies that the CC was considering were designed to encourage, or mandate, more frequent tendering by companies of their audit engagements and rotation of audit firms, and further conversations with companies were arranged to focus on the effectiveness and the proportionality of these proposed remedies. Interviewees were also invited to offer views on the other proposed remedies listed in the Notice.
6. Fourteen companies were selected from the FTSE 350 index for Case studies 2. The criteria for selection were: the companies had recently voluntarily tendered and in some cases had switched their auditors (enabling the CC to improve its understanding of the costs and benefits to companies in tendering and switching), companies that had switched auditor on the occasion of a merger or acquisition (therefore removing any selection bias), companies intending to tender, and companies that had explicitly stated they would not be running a tender. In each case, the CC aimed to conduct conversations with ACCs and/or CFOs (or equivalent) of the company. This was not possible in all cases.
7. Case studies 2 are published anonymously as Companies G (since a case study 1 interview was held with this company) and K to W. In addition, the CC held a more

general meeting with a former Chairman of a Big 4 audit firm, who is now the ACC of four major multinational companies, three of which are listed on the London Stock Exchange.

8. The CC has excluded from the published versions of the case studies information which the Inquiry Group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [X]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive alternative wording is also indicated in square brackets.