Audit Tendering in the UK: A Review of Stakeholders' Views

Allam, A., Ghattas, N., Kotb, A. and Eldaly, M.K.

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Amir Allam[1]
Cairo University
Faculty of Commerce
Giza P.O. Box 12613
Cairo, Egypt
a.allam@foc.cu.edu.eg

Noha Ghattas
American University of the Middle East
College of Business
Aqaila, Kuwait
noha.ghattas@aum.edu.kw

Amr Kotb
Prince Sultan University (Saudi Arabia) and Cairo University (Egypt)
P.O. Box No. 66833
Riyadh, Saudi Arabia
kotb.amr@gmail.com

Mohamed Khaled Eldaly
University of Bradford
School of Management
Bradford BD9 4JL
England, UK

[1] Corresponding author

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Abstract

This study reports the results of a content analysis of the comment letters sent to the UK Financial Reporting Council (FRC), in response to its consultation document on the 2012 revisions of the UK Corporate Governance Code, concerning the proposal for mandatory audit tendering. The results indicate a general support for the FRC's proposals with a number of key concerns related to audit quality, auditor independence and audit cost. There is also clear conflict of interests among some stakeholder groups such as audit firms and companies on one side and institutional investors on the other side. There is evidence of conflict of interest between Big 4 and non-Big 4 audit firms. Implications for future consultations and legislations are also discussed.

Keywords: Audit tendering; Audit change; Independence; Audit quality; Audit market structure; Corporate governance; Content analysis; FRC

INTRODUCTION

In 2011, the UK's Financial Reporting Council (FRC), the independent regulator responsible for promoting high quality corporate governance and reporting, indicated its intentions to take action with regard to the client-auditor relationship in a report titled "Effective Company Stewardship: Next Steps" (FRC, 2011). The report stressed that some auditor-client relationships "have lasted for over half a century and that necessarily calls into question the nature of the relationship and the degree of institutional (if not personal) familiarity that has developed" (FRC, 2011, p. 20). The report highlighted that similar concerns have also been expressed by the European Commission – those concerns being based on institutional familiarity" (FRC, 2011, p. 20). Further, the FRC pointed out the lack of competition and auditor choice in the audit market and its concentrated structure as an issue calling for intervention. For instance, the Big 4 audit firms audit 99 out of the FTSE 100 companies and make 99% of all audit fees paid by all FTSE 350, and switching rates from one audit firm to another are low, on average 4% for listed companies and 2% for FTSE 100 companies (Oxera, 2006). The House of Lords Economic Affairs Committee and the European Commission has expressed similar concerns with regard to the audit market structure with the latter planning for regulatory intervention to re-structure the market (FRC, 2011).

As such, through amending the UK Corporate Governance Code, in April 2012, the FRC (2012b) released a consultation document for public comment in which audit tendering was proposed to be part of the UK Corporate Governance Code and in October 2012 a new provision required FTSE 350 companies, on a comply or explain basis, to put their audit contract out to an open tender at least once in every ten years or explain their non-compliance. The FRC expressed that "… [audit] tendering provides an effective way by which companies can examine whether they have the best auditor available …" (FRC, 2013, p. 1). It generally aims at increasing the public confidence in the auditing profession and to increase the competitiveness within the audit market (FRC, 2013).

A review of the literature reveals a lack of prior research on studying the views of the different stakeholders affected by audit tendering with exception to the work of Beattie and Fearnley (1994, 1995, 1998a, 1998b), who mainly focused on exploring the views of only one stakeholder group, management. Thus, this study attempts to fill an apparent gap in the literature by contrasting the different views of various stakeholder groups on audit tendering. More specifically, the present study reports the results of a content analysis of the comment letters written in response to the FRC consultation document on the 2012 revisions of the UK Corporate Governance Code. The revisions covered a number of issues; however, the scope of the study is the comments made on the tendering proposal only. In order to highlight the different stakeholder groups' views, comment letters were categorised to eight groups of stakeholders based on their business core and/or Interests. These are: auditing firms, companies, professional bodies, consultancy firms, institutional investors, lobbyist association, advisory, and private capacity.[2]

The findings indicate a general support for the FRC's proposals with a number of concerns expressed by different groups of stakeholders. The main concerns are related to audit quality, auditor independence and audit cost. There is also clear conflict of interest among some groups such as audit firms and companies on one side and investor relation on another side. There is evidence of conflict of interest between Big 4 and non-Big 4 audit firms. To the best of our knowledge, this study is the first that takes advantage of the comment letters made available online by the FRC and fills a gap in the literature. The findings could be a source of guidance for the FRC and potentially influence future revisions of the UK Corporate Governance Code, with regard to tendering, and

[2] The rationale behind this categorisation is discussed in the Research Design section.

should contribute towards enhancing policy makers' understanding of the position taken by each group of stakeholder.

The rest of the paper is organised as follows. The background section presents the recent developments in the UK that led to the revisions proposed by the FRC in 2012 and then reviews the literature on the impact of long audit tenure on audit quality, provides a discussion of the audit market structure, and presents the different strategies introduced to deal with these issues focusing on audit partner rotation, audit firm rotation and audit tendering. The research design and results are presented in the following sections. The paper concludes with implications of the findings and concluding remarks.

BACKGROUND

After the consolidation of the Cadbury report of 1992 and the Greenbury report of 1995 to form the Combined Code in 1998, it was later reviewed in 2010 and started to be known as the UK Corporate Governance Code (hereafter, the Code). Ever since, the Code has been subject to a two-year revision cycle and in 2012 the proposed revisions (FRC, 2012b) included, among other issues, suggestions to enhance the audit quality and effectiveness that deals with the threats associated with long audit tenures. The consultation process started in September 2011 when the FRC declared its intentions to introduce a requirement in the Code for companies to put out the audit contract to tender at least once in every 10 years or explain their non-compliance (FRC, 2011). The report also highlighted the European Commission concerns with regard to competition in the audit market. In April 2012, the FRC released for public comment a consultation document, in which audit tendering was proposed to be part of the Code (FRC, 2012b). In October 2012 a new provision required FTSE 350 companies, on a comply or explain basis, to put their audit engagement out to tender every ten years. In July 2013, the FRC released another report in which it gave guidance on running the audit tendering process including when to tender, who to invite, and how to make the decision (FRC, 2013). The Code was subject to another revision in 2014 (FRC, 2014); however it did not consult on tendering. The FRC decided to wait for the final Orders of the Competition Commission (now the Competition and Markets Authority) on audit contract tenders, which in turn decided to postpone the finalization of its Orders to accommodate the revised EU Audit Directive and the new EU Regulation on the audit of public interest entities, thus avoiding any potential overlap.

As shown in Table 1, the FRC 2012 revision suggested, and consulted on, the introduction of a number of adjustments to Provision C.3.7 of the Code under which FTSE 350 companies would be required to put their external audit contract out to tender at least every 10 years. The document also consulted on whether tendering should be mandatory or on comply or explain basis, tendering frequency, transitional arrangements, and previous year disclosure.

INSERT TABLE 1 HERE

The following three sections provide a review of the literature on the impact of long auditor-client relationship on audit quality, discuss the audit market structure and its lack of competition, and then conclude with a review of the different strategies introduced in the market to deal with the familiarity threat resulting from long tenures and the market concentration, leading to research questions being addressed in the empirical study.

Long Audit Tenure and Audit Quality

It has been suggested that long-term auditor-client relationship may impair independence and negatively affect audit quality (DeAngelo, 1981b; Deis Jr & Giroux, 1992; Keefe, King, & Gaver, 1994). According to Mautz and Sharaf (1961, p. 208) the main threat to auditors' independence is “a slow, gradual, almost casual erosion of [their] honest disinterestedness.” Hence, it is claimed that long audit tenures could lead to the development of “bonds of loyalty or emotive relationships [that] will consciously or subconsciously impact the auditor’s independence and objectivity” (Carey & Simnett, 2006, p. 657). A long auditor-client relationship could also create a 'familiarity threat' that can have a negative impact on the creative approaches that auditors usually show in the first few years of a new engagement (Hoyle, 1978; McLaren, 1958). It is also argued that long tenures can result in “complacency, lack of innovation, less rigorous audit procedures” (Shockley, 1981, p. 789). Such audit environment can, arguably, lead to situations where auditors develop a tendency to anticipate outcomes instead of seriously investigating anomalies (Arrunada & Paz-Ares, 1997).

However, a number of studies (Hussey & Lan, 2001; Knechel & Vanstraelen, 2007; Lennox, 2012; Shockley, 1981; Tepalagul & Lin, 2015) concluded that the auditor tenure has no impact on auditor’s independence and quality. Monroe and Hossain (2013) found evidence that long audit tenure can even lead to higher audit quality. Furthermore, St. Pierre and Anderson (1984) found that auditor’s independence might be affected by auditor change as it is likely for them, in the early years of the engagement, to be considered as inexperienced with their client and need more time to develop their understanding of the client’s business. Also, there is evidence of a decline in audit quality in the early years of the engagement and this probably due to the lack client-specific knowledge and expertise (Carey & Simnett, 2006). Incumbent auditors have a quality advantage resulting from a long learning process (DeAngelo, 1981b). Using internal assessment of audit quality data of a Big 4 audit firm, Bell, Causholli, and Knechel (2015) found evidence of lower audit quality in the first-year and later as the tenure becomes very long with evidence of quality improvement in between. However, breaking down the data to private and SEC registrants, they found evidence of declining quality in the first group and improving quality for the second.

In addition to the familiarity threat and the concerns of many parties with regard to its potential impairment of audit quality, another aspect that was raised by the FRC (2011) is the audit market structure that features high concentration level, resulting in lack of competition and auditor choice. This issue is being discussed in the following section.

Audit Market Structure and Concentration

There is little doubt that the audit services market has become increasingly concentrated over the past few decades. Relatively recent policy reports, in the US and the UK, indicate not only a significant increase in the level of concentration, but refer also to the fact that the top-tier audit firms have progressively had the opportunity to exercise substantial market power (GAO, 2003; Oxera, 2006). For instance, the American General Accounting Office’s study (GAO, 2003) indicates that the Big 4 firms virtually audit 97 percent of all large public firms. Similarly, in the UK, a report about competition and choice in the audit market, prepared by Oxera in 2006 for the Department of Trade and Industry (DTI) and the FRC (Oxera, 2006), demonstrates that the Big 4 firms audit almost all (99 percent) public listed firms, with very little change (down to 98 percent) during 2013 and 2014 (FRC, 2015), and a constant pattern of increasing concentration over the period of the last 50 years or so (by big firms) – e.g. the level of concentration rose from about 21 percent in 1968 (Briston & Kedslie, 1985) to about 72 percent in 1991 (Beattie & Fearnley, 1994), and to 75% in 1995 (Pong, 1999) of UK listed market to be audited by the largest six audit firms during that period. Comparable high level of concentration is also found in other contexts such as Japan (GAO, 2003), Netherland (Deumer, 2008; Hesp, 2007), Belgium (Weets & Jegers, 1997), Germany (Quick & Wolz, 1999), Spain (Corona, Benau, Barbadillo, & Martinez, 1995), Denmark, and Sweden (Loft & Sjöfors, 1993). Such high level of audit market concentration posits a question: what are factors contributing toward the change in concentration and audit market structure?

Audit market structure is commonly measured by the level of concentration in the market (Beattie & Fearnley, 1994), which captures the degree to which a relatively small number of suppliers (i.e. audit firms) account for a large proportion of the total work (i.e. audit service) in a market (Moizer & Turley, 1987). The literature of audit market concentration has emerged with early studies in the US (Burton & Roberts, 1967; Zeff & Fossum, 1967) and the UK (Briston & Kedslie, 1985; Moizer & Turley, 1987), referring to behavioural changes in the auditing environment worldwide that led to concerns being raised frequently about a possible lack of competition and choice of auditors (i.e. concentration) since at least 1989, and the potentially adverse effect this concentration may have on the audit quality and auditor independence (for example, Beattie & Fearnley, 1994, 1998a, 1998b).

Beattie and Fearnley (1998a) date back behavioural changes in the audit market to the late 1980s, during the worldwide recession, when large number of companies failed, resulting in overcapacity on the supply side of the audit service market, while those suppliers survived sought to compete on the audit fee. On the one hand, audit clients have been able to use their increased bargaining power to aggressively renegotiate the incumbent auditor. On the other hand, audit firms appeared to adapt to these competitive pressures, given the relaxation in ethical guidelines concerning advertising and solicitation in 1983 (Beattie & Fearnley, 1994), through using aggressive marketing strategies to advertise and promote their services to non-clients. This has resulted not only in a real decline in audit fees, but also in a number of ‘low-balling’ or ‘predatory pricing’ cases, where incoming auditors were believed to have secured their appointment by offering large audit fee discounts.

Another factor contributed towards the increasing level of concentration is the waves of mega-mergers of international audit firms that have taken place in 1980s and 1990s, reducing the number of global audit firms from Big 8 to Big 5 and then in 2002 to Big 4 (after the demise of Arthur Andersen as a consequence of the collapse of Enron in 2001). This increase in the level of concentration has led, arguably, the audit market structure to feature “few rivals, stable market shares and medium-to-high entry barriers” (Beattie & Fearnley, 1994, p. 308).

These two behavioural changes in the audit services market (audit fee reductions and merge of accounting firms) have coupled and, in turn, resulted in a third behavioural change: an increase in the overall rate of voluntary auditor-client realignment or auditor switching (Beattie & Fearnley, 1998b), positively contributing towards increasing the level of concentration (Pong, 1999). For instance, Beattie and Fearnley (1994) reported that the auditor switching rate had almost doubled (from 3.8% to 6.1%) during the period 1988 – 1991, with most reported switches involving a change from a non-big audit firm to a big audit firm. To explain this, McMeeking (2009, p. 9) claims that there is a general belief among the audit service demand side that the Big 4 audit firms can offer a *quality-differentiated* service because of their ‘strong brand reputation’, ‘specialist expertise’, and ‘significant resources’. These beliefs coupled with the stable market share referred to by Beattie and Fearnley (1994) have the potential, arguably, to result in long relationships between ‘big’ audit firms and their clients.

In combination, given their potential adverse effect on audit quality and auditor independence, these three key behavioural changes (audit fee reductions, merge of accounting firms, and auditor switching) in the audit service market have frequently been intensifying the debate on lack of competition and long auditor-client relationships, leading regulatory bodies to introduce various rules and safeguards (e.g. audit partner rotation, audit firm rotation, joint audits and most recently mandatory audit tendering) in many jurisdictions in order to increase the level of competition and choice of auditors in the audit service market in an attempt to enhance audit quality. A discussion on different strategies introduced to deal with the familiarity threat emanating from long tenures and high level of concentration in the audit market is provided in the following section.

Audit Procurement Strategies

In spite of the lack of a conclusive evidence of the negative impact of long audit tenures on audit quality and to deal with the concerns highlighted above, a number of strategies have been introduced. These primarily include mandatory audit firm rotation (Arel, Brody, & Pany, 2005; Brody & Moscove, 1998; ICAEW, 2002; Jennings, Pany, & Reckers, 2006; Ramsay, 2001) audit partner rotation (Young, 2012), and audit tendering (Beattie & Fearnley, 1998a, 1998b). The remainder of this section discusses each of these strategies.[3]

Mandatory Audit Firm Rotation

Mandatory audit firm rotation has been a requirement in Italy since 1975, Spain between 1988 and 1995, South Korea since 2006 (Bell et al., 2015). The findings of a number of studies conducted in these countries do not support mandatory audit rotation. In Italy, Cameran, Francis, Marra, and Pettinicchio (2015, p. 1) found evidence of negative impact of rotation on audit quality and concluded that "… rotation is costly and earnings quality improves with longer auditor tenure …". In another study, Cameran, Pettinicchio, and Frison-Roche (2011, p. 5) reported an increased concentration in the Italian audit market through a steady increase of the market share of international audit firms which is "ironic because a rationale for rotation was to increase market competition." They also reported decreased audit quality in the first year of engagements as reflected by increased numbers of partners that have been suspended for poor quality audits. In Spain, Ruiz-Barbadillo, Gomez-Aguilar and Carrera (2009, p. 132) found that mandatory rotation "not only fails to enhance auditor independence, but may in fact harm independence". Kwon, Lim and Simnett (2014) examined the South Korean audit market in which mandatory rotation started in 2006 and reported minimal impact on audit quality as it slightly declined or did not change. In

[3] Joint audits were also introduced as an alternative strategy to enhance the external audit quality (For more details see, ICAEW, 2003, 2015; Zerni, Haapamäki, Järvinen, & Niemi, 2012).

Australia, Jackson, Moldrich, and Roebuck (2008, p. 420) reported that audit firm tenure does not negatively affect audit quality and that “there are minimal, if any, benefits of mandatory audit firm rotation.” In 2011, the US considered imposing mandatory audit firm rotation, but a bill was approved by the House of Representatives in 2013 that banned mandatory rotation (Cameran et al., 2015). Thus, it is not unexpected to find several countries such as, Spain and Canada have abolished earlier issued regulations on audit firm rotation (Catanach & Walker, 1999; Ewelt-Knauer, Gold, & Pott, 2012). On the other hand, a number of studies have reported contradictory findings. For instance, in Italy, Healey and Kim (2003) conclude that audit rotation increases the reliability of the audit regulatory system. In Australia, Lai and Cheuk (2005) found evidence that audit firm rotation is more effective than audit partners rotation in enhancing the quality of audit reports.

Audit Partner Rotation

The concept of audit partner rotation has first appeared in the 1970s in the US, when the AICPA Practice Section mandated audit partner rotation after a seven-year period. The Sarbanes-Oxley Act of 2002 decreased this period to five years for listed companies (Carey & Simnett, 2006). By the early 2000’s, the UK and Australia also adopted similar standards to address the perceived threat to audit quality and independence associated with long auditor tenure. In 2001, the 7-year partner rotation period was recommended by the International Federation of Accountants' (IFAC) Code of Ethics as a precaution against 'familiarity threats'. It is argued that audit partner rotation can deal with the threat of long audit tenure to audit quality as it helps maintain the independence of the audit partner or that the new partner will have a different perspective on the engagement and consequently could identify issues overlooked by the current partner (Carey & Simnett, 2006, p. 653). However, there is little evidence on the impact of partner rotation on audit quality and this due to the lack of a requirement to disclose partner names and thus it is not possible to track when partners rotate

(Lennox, Wu, & Zhang, 2014). Investigating the effect of audit partner rotation on audit quality, Jenkins and Vermeer (2013, p. 75) provide a review of the literature on the issue and reported that the "collective evidence is inconclusive at best." In China, Lennox, Wu and Zhang (2014) found that mandatory partner rotation leads to higher audit quality in the first few years after rotation. Taiwan introduced a 5-year mandatory rotation period in 2004. Chi, Huang, Liao, & Xie (2009) found little evidence of the impact of partner rotation on audit quality.

Audit Tendering

Audit tendering has been used on a voluntary as well as mandatory basis in a number of countries. Audit tendering is a process whereby an open tender for audit services is sought from qualified auditors (Beattie & Fearnley, 1995; Boon, Crowe, McKinnon, & Ross, 2005). It has been claimed that the tendering route is usually followed to create an opportunity to renegotiate the audit fees. DeAngelo (1981a) argue that changes in auditors were highly motivated by decreased audit fees. Beattie and Fearnley (1998a) found evidence of price cutting as over one third of bids were at least 20% lower than the fees charged under existing contracts. These results were consistent with Gregory and Collier's (1996) estimate of a 22.4% discount in audit fees for 28 companies that changed auditors. Although competitive tendering might seem to deliver cost savings, the extent of such savings is unclear over long-term period (Boon et al., 2005; Steane & Walker, 2000). Indeed, earlier literature has delivered mixed and inconclusive results concerning competitive audit tendering and its relationship to cost savings. Boon et al. (2005) documented a relatively large audit fee decrease subsequent to the introduction of compulsory audit tendering in Australia (in local council of the New South Wales state). This reduction or discount in the initial engagement year is consistent with low balling policy predicted by DeAngelo (1981a), where the audit fees of the new appointed auditor is more likely to go up to their normal level after a few years from the initial engagement (Simon & Francis, 1988).

Due to the narrow adoption of mandatory tendering worldwide, the literature on its impact on audit quality is very limited. Boon et al. (2008) claim that audit tendering may lead to impairment in audit quality as the balance of power could shift in favor of the client and accordingly weakening the auditor independence (Boon et al., 2008). It is also argued that the impact on the level of fees may lead auditors to cut audit procedures resulting in reduced audit quality (Aldhizer III & Lampe, 1997; Beattie & Fearnley, 1998a; Copley & Doucet, 1993). However, Boon et al. (2008) questionnaire-based study examined the perceptions of finance professionals and internal auditors, working in local councils in the Australian state of New South Wales, and found no evidence of audit quality impairment resulting from mandatory tendering.

Although the tendering process does not necessarily result in auditor change, it can be argued that the probability of change is higher in voluntary compared to mandatory tenders, as the former is usually motivated by some kind of dissatisfaction with the incumbent auditor. Beattie and Fearnley (1998a) examined 73 cases that conducted a competitive tender in the 1990s in the UK when there was no regulatory requirements for tendering (i.e. in an era of voluntary tendering). In 78% of these cases, the incumbent was invited to participate as obviously a decision was taken to change the auditor in the other 22%. They found that in 82% of these cases, the tendering process led to changing auditors. However, a recent survey, after the introduction of the 2012 revisions to the Code, by PricewaterhouseCoopers (PwC) found that 2 in 3 of the 51 FTSE 350 companies that tendered their audit contracts between October 2012 and July 2014 have switched auditors (PwC, 2014). Although the FRC requirement for tendering is on a comply or explain basis and not completely mandatory, the audit tenders made by FTSE 350 companies cannot be seen entirely on a voluntary basis. Thus the resulting switching rates of 75% for FTSE 100, 62% for FTSE 250, and 67% for FTSE 350 companies can be seen as high *'quasi-mandatory'*[4] audit tenders when compared to the figures reported by Beattie and Fearnley (1998a) above. On the other hand, there is evidence that mandatory tendering results in high retention rates. For example, Butcher, Harrison, McKinnon, and Ross (2011) examination of auditor appointment decisions in local councils in the state of New South Wales in Australia, revealed high retention rates under compulsory audit tendering. However, these results were conducted in a different setting, local government, and thus are not ideal as comparable findings. Nonetheless, one explanation to the high switching rates, post the FRC 2012 revision, is that FTSE 350 companies opted to change auditors in preparation for the 2016 EU Audit Reform in which mandatory audit firm rotation was introduced (PwC, 2014).

Although it can be argued that the introduction of audit tendering has some impact on dealing with the familiarity threat, as the high switching rates above may suggest, the same can probably not be claimed for market concentration. The high switching rates, reported by PwC above, should not be explained as having significant impact on the market concentration as it is suggested that the new regulation led to a "merry-go-round" impact among the Big 4 audit firms (Agnew, 2014). For example, PwC replaced KPMG in auditing HSBC in August 2013, and in April 2014 the London Stock Exchange replaced PwC with EY (Ernst & Young). Based on this rather limited evidence, it can be claimed that tendering does not appear to have an impact on market concentration. This probably contradicts Boon et al. (2005, p. 222) findings that mandatory tendering "achieved the objective of increasing the competitiveness of the local government audit market" and suggest that this may also be applicable in other jurisdictions. However, it should be noted that Boon et al. (2005) study was conducted in a different setting, local government.

[4] The term, *quasi-mandatory,* could be used as the FRC proposal does not mandate tendering and allows companies to comply or explain. So, it is not completely voluntary nor mandatory.

The above review of the literature reveals a lack of prior research on studying the views of the different stakeholders affected by audit tendering with exception to the work of Beattie and Fearnley (1998a, 1998b), who mainly focused on exploring the views of only one stakeholder group (i.e. management). Given that, this study attempts to fill an apparent gap in the literature by contrasting the different views of various stakeholder groups on audit tendering. More specifically, the present study attempts to fill this gap by addressing the following research questions:

(i) What is the level of support/opposition for each of these proposals? and

(ii) What are the positions of the different stakeholder groups and their arguments to support or oppose the FRC's proposals?

RESEARCH DESIGN

Given the two research questions, in line with the methodological approach adopted in prior research (e.g. Kenny & Larson, 1993; MacArthur, 1996; Asekomeh, Russell, & Tarbert, 2006; Yen, Hirst, & Hopkins, 2007; Adhikari, Betancourt, & Alshameri, 2014), a content analysis of the comment letters, received by the FRC, was carried out. In this kind of research, analysing the content of comment letters is strongly supported by the perception that "data are obtained unobtrusively, and there is a high likelihood of the letters conveying … companies' interpretations of how the issues paper's proposals might restrict their … strategies … and may reveal their … policy preferences" (Asekomeh et al., 2006, p. 58). This approach of indirect exploration of stakeholders' views is likely to complement other existing research approaches (e.g. interviews, questionnaires, etc.) (Asekomeh et al., 2006).

Content analysis of comment letters has been adopted in many studies as a technique to analyse the different and, sometimes, conflicting views of various parties. For example, Kenny and Larson (1993) analysed comment letters received by the

International Accounting Standards Committee (IASC, now IASB) to study lobbying behaviour and its impact on the standard-setting process. Larson (2008) examined the letters sent to the IASC with regard to Special Purpose Entities (SPEs). Adhikari, Betancourt and Alshameri (2014) analysed comment letters sent to the US Securities and Exchange Commission (SEC) in response to its consultation on the potential use of IFRS in the preparation of financial statements by US companies. Yen, Hirst and Hopkins (2007) analysed the letters sent to the Financial Accounting Standards Board (FASB) with regard to comprehensive income reporting. Anantharaman (2015) studied the evolution of SFASs 141 and 142 by analysing the letters sent to the FASB in response to its Business Combinations exposure drafts.

In the current study, a total of 70 comment letters were sent to the FRC in response to the consultation document, which were made available on the FRC's website. Nine of these letters did not include any comments about tendering, resulting in 61 letters commenting on audit tendering. In order to highlight the different stakeholder groups' views, comment letters were categorised to eight groups of stakeholders based on their business core and/or Interests (see Table 2). These are: auditing firms (i.e. providers of the service); companies (i.e. audit clients); professional bodies (i.e. the profession's governors); and institutional investors (i.e. users of the audited disclosed information). The remaining groups were categorized as they described themselves (e.g. in the comment letters or on their websites).

Table 2 shows a breakdown of the letters by stakeholder group and the average number of words per group (based on comments on the tendering proposal only) .[5] The number of words, in commenting on audit tendering, ranged between 21 and 2,972 with an overall average of 442 words. It is not

[5] Table 2 shows the average number of words based on the 61 letters that included comments on tendering. The number of words includes only the comments made by each respondent excluding any quotations taken from the FRC's Consultation Document.

surprising to notice the relatively high average (1,177 words) for the auditing firms group compared to any other group.

INSERT TABLE 2 HERE

Content analysis technique was applied into the stakeholders' views written in the 61 comment letters to induce meaningful inferences. As a technique, its core is to organize text to specific groups that can be used to extract patterns or views of different entities or to follow trends over time (Krippendorff, 2012). There are two approaches of content analysis, form-oriented analysis that focuses on word counts and meaning-oriented analysis that focuses on the meaning behind the words (Yen et al., 2007). According to Yen et al. (2007), the first is more objective while the second provides 'richer insights' into the content. Given the purpose of this study, the latter was adopted to analyse the responses to the FRC's consultation document about audit tendering proposals. The analysis was undertaken by two researchers and discussions were held whenever a difference in the coding existed. A third opinion was obtained in a number of occasions.

Throughout the coding process, an approach was adopted under which the comments were deemed supportive of a proposal if it was either explicitly or implicitly expressed. This also includes 'not opposing' the proposal in a number of cases. Comments against the proposals were considered so, if they were expressed explicitly in the letters or, in very few cases, they were extremely negative and cautious of the negative consequences of the proposals. For example, Ernst & Young did not explicitly oppose the proposal, but provided a number of alternatives in a dedicated appendix to their letter and warned of the increased risk "*that auditor independence could be impaired*" and that it could "*create additional market concentration and impact audit quality*" (Ernst & Young). If we could not infer from the comments that they were supportive or not, *No Comment* was recorded for the particular respondent/proposal. To illustrate, if the respondent expressed that they are supportive of the FRC's proposals with no objection to any single proposal made by the FRC, this case would be coded as supportive to all of the proposals as listed in Table 1 above. In other cases, the respondent would support the 'intent' but does not comment positively or negatively on any details; for example: "*We support the intent of the proposed revisions. However we are concerned about what effect some of them would have in practice*" (ACCA). This was coded as supportive of P1 and *NO Comment* for P2, P3, P4 and P5. In few cases, the respondent would express concerns regarding a proposal but without explicitly objecting to it; such cases were considered as supporting the proposal. For example, "*There is a danger that the "requirement" for re-tendering at least every ten years, or more certainly, …*" (Capita Registrars).

Although only 70 respondents (with only 61 on audit tendering) commented on the FRC proposals, the responses widely represent the views of the most influential interested parties in the market and provide useful insights into the audit tendering proposal as perceived by various stakeholder groups in the UK audit market. Many of these letters come from professional associations that represent thousands of members, the Big 4 auditing firms, big companies such as Barclays, BT, Tesco, and Vodafone, and major accounting and non-accounting professional bodies (including ACCA, ICAEW, CIMA, and CFA), in addition to major institutional investors (such as BlackRock, Aviva Investors, Hermes Equity Ownership Services and a number of pension funds).[6]

FINDINGS

Tendering

Table 3 indicates high level of support (83.6%) to the principle of tendering. The level of support varied across the groups with institutional investors, professional bodies, advisory and consultancy firms showing the highest level (100%). None of the major stakeholder groups, with exception to

[6] However, it is surprising to find out that only 15 companies of the FTSE 350 responded to the consultation document. The external auditors for these firms are all Big 4 (PWC 7, KPMG 4, Deloitte 3 and Ernst & Young 1).

auditing firms (44%) and companies (20%), opposed tendering.[7] Most importantly, all the Big 4 did not support the proposal citing threats to audit quality and auditor independence.

INSERT TABLE 3 HERE

Table 4 presents a breakdown of the results for the auditing firms group by size (Big 4 vs. non-Big 4) that sheds some light on the positions of these firms towards the potential impact of tendering on their business. The table also presents the results for the other proposals (P2 through P5), which will be discussed below in the subsequent sections.

INSERT TABLE 4 HERE

For instance, expressing similar concern of the potential negative impact of tendering on audit quality, one of the three companies that opposed tendering, Associated British Foods, gave three reasons:

- "*lack of familiarity with client systems and processes together with the distraction of increased tendering*"
- "*incumbent auditors may be inclined to be more accommodating during what could be their final audit in an attempt to influence the decision on whether to reappoint and thereby jeopardise their independence*"
- "*tendency for audit firms, and particularly their most capable staff, to focus on winning tenders at the expense of servicing their existing audit clients, with a consequent detrimental effect on the quality of the audit*"

Other concerns were emphasized regarding the time and the need to plan for the potential change and its effects on non-audit activities. For example, BT plc's letter highlighted that *"companies will*

[7] The Private Capacity group represents the views of individuals and was included in our analysis for the record, but its weight is incomparable with other groups; thus, it will not be stressed in the rest of the paper.

have to plan the potential change of auditor sufficiently in advance such that a new incumbent (if not the current incumbent) will have enough time to cease and withdraw from its non-audit activities, to allow it to attain "independent" status for audit purposes." The cost of the tendering process and the possibility that tendering will be another box-ticking burden were also mentioned as reasons against tendering. Some, for example BT, suggested that tendering should take place when needed; i.e. when the company is not satisfied with the current auditor's performance, for instance.

Regardless of the concerns mentioned above, mainly by Big 4 firms and 3 companies, the data in Table 3 indicate a majority support for tendering. All institutional investors support the proposal and this finding, perhaps, reflects their doubts of the long-term relationship between auditors and companies and its related familiarity threats. The main argument for supporting the proposal was related to gaining the shareholders' trust, claiming that tendering would enhance audit quality. In addition, six professional bodies (both accounting and non-accounting) that commented on the proposal supported tendering. Only two professional bodies did not make any comments and it is interesting to note that the Institute of Internal Auditors (IIA) to be one of those. Similarly, all lobbyist associations (10), that made a comment, supported the proposal with no opposition.

Comply or Explain

This proposal is expected to enhance the transparency in the company's disclosures by providing more information to stakeholders in case the audit contract is not tendered. Table 5 demonstrates that 63.9% of the respondents support the 'comply or explain' basis, instead of mandatory tendering. The responses emphasised a number of factors for supporting P2 such as audit quality, time and cost. Timing was cited as a crucial factor for supporting the 'comply or explain' basis as it "*enables the tender to take place at a time that's right for the business, and not during periods of significant change or a time that is not in the company's* *best interests*", as commented by Ernst & Young.

INSTERT TABLE 5 HERE

The majority of respondents see mandatory tendering as un-needed regulation. All companies and audit firms that responded to the consultation document opposed having 'mandatory' tendering. This could be seen as a desire to avoid regulatory influence on the way companies manage their business. In its response, BT plc indicated that: "*There may be circumstances when a tender may not be an appropriate course of action (for example if a company is undertaking a significant transaction) and therefore the frequency of audit tendering should remain a decision for the audit committee*." One Big 4 (Deloitte) envisages that it could lead to a stance where the 10-year tendering frequency seen as a fixed term for the auditor and probably decreasing the chances of auditor change in the intervening period. Another Big 4 (Ernst & Young) advocates that mandatory tendering "*increases the risks that auditor independence could be impaired. It gives auditors an additional incentive to want to please management because it is a certainty that a tender will take place within a defined window*." On the corporate side, BT plc sees that mandatory tendering "*would inevitably result in a reduction in audit quality in the initial and final years of the appointment and an increase to audit fees*." The same concern recited by Unilever plc: "*A blanket mandating of audit tenders would add significant time and cost, with no commensurate benefit to shareholders and also have the unintended consequence of poor quality audits during the transition years*."

On the other hand, 2 institutional investors opposed P2 preferring mandatory tendering instead claiming that it would "*encourage greater competition, strengthen auditor independence and improve audit quality*", as echoed by RPMI Railpen Investments. Supporters of mandatory tendering cited the following factors: increased competition and concentration in the audit market, improved audit quality and auditors' independence, and the provision of a fresh pair of eyes. However, a counter argument provided by auditors is that fresh pair of eyes is already provided by the current partner rotation policy and there is no need to firm's rotation that may result from tendering.

Tendering Frequency

Under this proposal, companies should put the audit contract out to tender once every 10 years, as a maximum period. The results in Table 6 indicate that the respondents are almost divided equally on this proposal, with 36.1% supporting the proposal and 37.7% opposing it (and 26.2% not commenting). Out of the 23 respondents that opposed the proposal, eight suggested a longer frequency of 15 years, and six suggested a shorter frequency of five years. The other nine did not suggest an alternative. Three of the Big 4 opposed the proposal, with Ernst & Young making no comment. The three audit firms that supported the proposal were all non-Big 4. Unsurprisingly, this is another situation that highlights the different positions taking by these two groups reflecting their own interests.

INSERT TABLE 6 HERE

One of the Big 4 firms, Deloitte, believe that "*tendering every ten years even on a comply or explain basis is not in the best interest of companies nor will it accomplish the audit quality*." They further suggest instead a longer period of 14 years (the equivalent of two 7-year partner rotation periods). Another Big 4, KPMG, believe that the ten-years period will not be suitable for all companies and in particular for the larger ones as they comment: "*in particular we think that considering changing auditors every 10 years for the larger, more complex companies will not necessarily strike the right balance ...*" The ten-years period is also seen by KPMG as a threat to the role of the continual review of the external audit by the audit committee as the periodical tendering process will be seen as "*the only way that the audit committee can adequately assess the quality of different audit firms and/or that there is in fact something inherently* *wrong with long tenure. We do not agree with either proposition*."

Emphasising increased costs and disruptions to the audit process, PricewaterhouseCoopers opposed the proposal and suggested a longer "*more realistic period*" of 15 years or three audit partner rotation cycles. They see that "*setting an expectation that a tender should take place every ten years, allowing only two audit partner rotation cycles, may represent an unnecessary burden on companies and therefore on shareholders*."

On the other hand, a non-Big 4 audit firm, Grant Thornton, support the 10-year frequency as it is "*aligned with investors views*", with no further comments on how this alignment measured or can be achieved. Another non-Big 4, Mazars LLP, sees that "*The maximum 10 year period between tenders is within, albeit at the upper end of, what many would consider to be a reasonable period*." Similar to Grant Thornton, no comments were made to support their claim of what constitutes a reasonable period or whom is/are referenced to by the word 'many'.

Transitional Arrangements and Previous Year Disclosure

The FRC proposed transitional arrangements (P4) to avoid a situation where a large number of companies tender their audit contracts immediate after the introduction of the revisions to the Code; whereas under the previous year disclosure proposal (P5) companies would be required to disclose their intention to put the audit contract out to tender in the previous year's annual reports. These two proposals featured the least number of responses by the different stakeholder groups. As the figures in tables 7 and 8 indicate, about 36.1% and 49.2% of the respondents did not make a comment on P4 and P5, consecutively. The majority of respondents that made a comment on both proposals were supportive (36 out of 39 for P4 and 24 out of 31 for P5). The high level of 'no comment' could be explained by the fact that the responses were to the revisions to the Code that included a number of issues other than tendering; thus, the figures can be a reflection on the importance of the issues as perceived by the respondents. It could also reflect implicit acceptance of the proposal. For example, an institutional investor, National Employment Saving Trust, commented: "*we provide comments where we feel revisions can be further improved or expanded. Where we do not comment on proposed revisions the FRC should assume we are either in agreement with these changes or have actively decided not to comment at this stage*."

INSERT TABLE 7 HERE

INSERT TABLE 8 HERE

The three respondents that opposed P4 belonged to the audit firms, consultancy and institutional investors groups. PricewaterhouseCoopers, a Big 4 firm, expressed their concerns that the "*proposed transitional arrangements underestimate the impact of the changes since the table includes only FTSE 100 companies*." They also thought that the tendering process might lead to "*significant upheaval and cost*" for both audit firms and companies because of tendering in general and "*around any transition between firms*" in particular. They estimated a total of 35 major tender processes every year assuming 10-year cycle. The audit firm did not suggest any alternatives other than extending the tendering frequency from 10 to 15 years.

A total of 7 respondents opposed P5, the majority of which belong to the lobbyist group (3) and companies (2). One of the main reasons for opposing P5 was its impracticality as the circumstances under which a decision to put the contract out to tender might change. Also, some believed that there are other means to disclose such information. KPMG, a Big 4 audit firm, commented: "*we do not believe it will always be practical or desirable to disclose in the annual report the company's intention to carry out an audit tender in the following year*." One company, Smith & Nephew plc, referred to the possibility of the need to: "*part* *the way through a year*" with the incumbent auditor and, accordingly, the need to put the audit contract to tender. They added that this proposal "*would not make sense*" as it requires delaying the tender for another year as the shareholders would not had been made aware of the company's intentions. The Law Society of England and Wales saw no reason for P5 as it could "*delay the company's ability to commence the tender, if the company decides to do so during the course of the year*.", and suggested the company to make an announcement instead.

In response to the opposition to P5, the FRC changed the requirement and companies were not required to disclose their intention in the previous year's annual report. Under the new guidance a company "should announce its intention in advance of the commencement of the tendering process" (FRC, 2012a, p. 11). The FRC did not determine how companies should make this announcement nor when, and left the decision for the companies (mainly the audit committee) to make.

DISCUSSION AND IMPLICATIONS

The 2012 code provisions showed that the original proposals have been incorporated into the Code and the Guidance on Audit Committees with one exception resulting from the consultation process. Companies are not required to express their intentions of tendering the audit contract in the previous annual report (P5). It can be argued that this could be a reflection of the power of the different stakeholders. For example, although the Big 4 audit firms are the most to be impacted by the proposal and while they contributed the most to the consultation process, in terms of number of words (as shown in Table 2), their opposition did not affect the final outcome of the consultation process.

Although P5 did not have significant opposition number-wise, practical reasons were cited and the FRC took them into consideration and accordingly did not make this proposal as a requirement in the 2012 version of the Code. However, the FRC did not determine how companies should make this announcement nor when. It can be assumed that companies will make this announcement on their websites; nonetheless, the FRC should have expressed this explicitly.

The highest level of opposition was on P3, the 10-year tendering frequency (37.7%). However, the opposition did not push towards a specific direction; increase or decrease. Some respondents called for a shorter frequency while others called for a longer one. In other words, there was no significant pressure from any group(s) that could have prompted the FRC to further consult or even make a change to the proposals. In future consultations, perhaps the FRC should further investigate the issues whenever there is a significant division among stakeholders, instead of disregarding the conflict and continuing with the original proposal, as happened in this case.

Although the FRC has made it clear that tendering will be on a '*comply or explain'* basis, it did not set any time frame for how long companies can continue explaining without putting the audit contract out to tender. This is perhaps the reason for Ernst & Young to refer to the proposal as 'mandatory tendering' across their response. Prior to issuing the Code (2012 version) companies had the option to put the contract to tender. However, the tendering proposal, in essence, makes it *'quasi-mandatory'* around the end of the 10-year cycle.

Although all the major stakeholders have participated in the consultation process, a total of 70 letters in response to such a major issue could be seen as proportionally low. As mentioned earlier, only 15 companies responded to the consultation. Perhaps the public consultation process should be reconsidered in any future consultations to involve more stakeholders. The FRC could conduct focus groups during professional and academic conferences to collect feedback, albeit informal, from different stakeholders, including companies. We also suggest that the FRC could write to all FTSE350 companies inviting them to complete an online questionnaire that covers the main issues/changes in the code with sections for comments. In other words, seeking a more structured response, while allowing respondents to reflect openly on any issue.

Albeit raising concerns to audit quality in their responses, it can be claimed that Big 4 firms are attempting to protect their market share. On the other hand, non-Big 4 firms stressed the need for a provision to include them (non-Big 4 firms) in future tenders, in an attempt to increase their market share. The companies seemed to stress the impact of tendering on the smooth running of their operations and the potential increase in audit costs. The professional bodies did not oppose any proposals.

The results presented earlier in Table 4 indicate that only non-Big 4 audit firms supported tendering. The main arguments made by the biggest opposing group, Big 4 firms, against tendering included potential negative impacts of tendering on audit quality and auditor independence, and increased costs to both auditors and clients. In their response, Deloitte suggest that the proposals "*are aimed at addressing the perceptions of auditor independence rather than improving audit quality***.** *Not one study links firm rotation with audit quality or market expansion*." They add: "*We believe that, on balance, tendering every ten years even on a comply or explain basis is not in the best interests of companies nor will it accomplish the audit quality objectives*." Another Big 4 firm, Ernst & Young, expressed a similar view: "*We do believe that mandatory tendering could create additional market concentration and have a negative impact on audit quality*." Perhaps this claim should be investigated in future research.

The consultation process gave an opportunity for non-Big 4 firms to defend their interests as Kingston Smith LLP responded: "*We would recommend that the FRC consider mandating that the tender process includes at least one non Big*

Four firm." Mazars LLP echoed by calling for audit committees to "*include firms other than the dominant four players in the tendering process and to report both on those invited to tender and those which were shortlisted*."

Early evidence after the introduction of the regulation in 2012 and until July 20014, about two thirds of the 51 FTSE 350 companies that tendered their audit contracts have switched auditors (PwC 2014). The PwC report revealed that the switching rate was 75% for FTSE 100, 62% for FTSE 250, and 67% for FTSE 350 companies (PwC, 2014). However, the impact of these high rates on the market concentration is questionable as it seems that the new regulation has led to a 'merry-go-round' impact among the Big 4 audit firms. Companies are switching from a Big 4 to another Big 4. This is a claim that perhaps should be investigated in future research. However, this early evidence suggests that audit tendering is not probably the solution to audit market concentration and lack of competition issues. It can also be argued that, similar to tendering, audit firm rotation is neither a solution, as companies tend to switch from a Big 4 to another. As there are risks associated with the high level of concentration in the audit market, as discussed earlier, it is recommended that the FRC and the Competition and Markets Authority should consult on other alternative to deal with this phenomenon.

The major concerns expressed by the respondents were related to the negative impact of audit tendering on audit quality, auditor independence and audit costs. These were linked to the complexity, size, and diversity of businesses. The pressure by management on auditors towards the end of the tendering cycle was highlighted as one of the main reasons behind the threat to auditors' independence as they would try to be more accommodating. This is best highlighted by a Big 4 audit firm (Ernst & Young) comment that "*Mandatory tendering increases the risks that auditor independence could be impaired. It gives auditors an additional incentive to want to please* *management because it is a certainty that a tender will take place within a defined window*." The same concern was flagged by Associated British Foods, commenting that "… *incumbent auditors may be inclined to be more accommodating during what could be their final audit in an attempt to influence the decision on whether to reappoint and thereby jeopardise their independence*."

However, evidence from previous research on audit quality is inconclusive with regard to each of these claims which potentially may affect the future of the audit profession and its reputation. More research is called for over the next few years after the adoption of the Code to investigate the claims of negative effects of tendering; however, this may require a cycle or two to monitor the impacts of tendering on audit quality and cost.

CONCLUSION

This paper reports the results of a detailed review, using content analysis, of the comment letters written in response to the FRC 2012 Consultation Document on a number of revisions to the UK Corporate Governance Code. The review is limited to the audit tendering proposals (see Table 1) in the Code and the Guidance on Audit Committees.

The only change made to the proposals was the previous year disclosure. Under the original proposal, companies would have to declare their intentions of putting the audit contract to tender in the previous annual report. However, as a result of the consultation process, companies will not be required to disclose their intention in the previous year's annual report. The FRC has decided not to include such requirement in the Code and recommended in the Guidance that companies should declare their intention in advance, without dictating a time frame or the media. The level of support/opposition to the proposals have varied across the different groups with Big 4 firms and few companies showing the biggest opposition raising concerns related audit quality, cost and auditor independence. Similar concerns were raised by the institutional investors group, albeit in support of the proposals.

This study covers the views of almost all stakeholder groups and contributes to the literature on tendering by documenting the positions of these stakeholders. The study also documents the different positions, albeit expected, of Big 4 against non-Big 4 firms. This, perhaps, provides an example of how the first group are trying to protect their dominant market share, whilst the later are trying to increase their market share. Big 4 firms stressed the adequacy of partner rotation as an alternative for tendering and highlighted the potential negative impacts of tendering on audit quality (due to loss of institutional knowledge), and threats to auditor independence. The negative impact on audit quality was also flagged by a number of companies. Interestingly, the impact on audit quality and auditor's independence were cited by other groups in support of tendering; mainly highlighted by institutional investors. The paper also shed lights on the positions of other stakeholders such as professional bodies, consultancy firm, and lobbyist associations; none of which were against tendering.

The results reported in this study should be viewed with the limitations of content analysis in mind. Perhaps the biggest limitation is related to the coding process. The explanation of the views expressed in each letter is a subjective matter and frequently the views were not spelled out clearly. However, by involving two researchers in the coding process and holding discussions to deal with confusing comments, the potential effect of this limitation on the findings was minimized.

The debate on audit tendering is still going on with expected consultations in futures revisions to the UK Corporate Governance Code. The findings of this paper should inform interested parties in understanding the views of the different stakeholder groups. The recent EU audit reform includes provisions for audit tendering. Both the UK's BIS and the FRC have published consultation documents regarding the alternative pathways to adopt the new EU directive. The analysis of the responses to both consultation and linking the results to this study is an opportunity for future research to enhance our understanding of audit tendering and its role in shaping the audit profession/market in the future. Other directions for future research include an investigation of the impact of audit tendering on the audit market structure and audit quality as a result of the 2012 revisions to the Code, and to study how audit committees assess the effectiveness of the auditor.

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Table 1: FRC Proposals on Tendering

Proposal	Explanation
P1: Tendering	FTSE 350 companies should put the external audit contract out to tender at least once every ten years
P2: Comply or Explain	Comply with the UK Corporate Governance code provisions with regard to tendering or explain reasons for non-compliance
P3: Tendering Frequency	The most relevant time to call for the tendering process; ten years as suggested by the FRC
P4: Transitional Arrangements	The combined effect of these proposals would be to defer the date for tendering the audit contract of a significant number of FTSE 100 companies until 2018 or later
P5: Previous Year Disclosure	Companies to disclose their intention to put the audit contract out to tender in the previous year's annual reports

Table 2: Summary of Letters by Stakeholder Group

	Frequency		Avg.
	No.	%	Words
Auditing Firms	9	15	1177
Companies	15	25	330
Professional Bodies	6	10	135
Consultancy	4	7	497
Institutional Investors	10	16	267
Lobbyist Associations and Societies	11	18	312
Advisory	3	5	471
Private Capacity	3	5	366
Total / Overall Average	61	100	442

Table 3: Tendering

Group	**Support**		**Against**		**No Comment**		**Total**
		%		*%*		*%*	
Auditing Firms	5	*56*	4	*44*	0	*0*	9
Companies	12	*80*	3	*20*	0	*0*	15
Professional Bodies	6	*100*	0	*0*	0	*0*	6
Consultancy	4	*100*	0	*0*	0	*0*	4
Institutional Investors	10	*100*	0	*0*	0	*0*	10
Lobbyists / Associations	10	*91*	0	*0*	1	*9*	11
Advisory	3	*100*	0	*0*	0	*0*	3
Private Capacity	1	*33*	2	*67*	0	*0*	3
Total	**51**	***83.6***	**9**	***14.8***	**1**	***1.6***	**61**

Table 4: Big 4 versus non-Big 4 Audit Firms

Proposal	Support			Against			No Comment			Total
	All	Big-4	non-Big4	All	Big-4	non-Big4	All	Big-4	non-Big4	
Tendering	5	0	5	4	4	0	0	0	0	9
Comply or Explain	6	4	2	0	0	0	3	0	3	9
Tendering Frequency	3	0	3	3	3	0	3	1	2	9
Transitional Arrangements	7	2	5	1	1	0	1	1	0	9
Previous Year Disclosure	4	0	4	1	1	0	4	3	1	9

Table 5: Comply or Explain

Group	**Support**		**Against**		**No Comment**		**Total**
		%		*%*		*%*	
Auditing Firms	6	*67*	0	*0*	3	*33*	9
Companies	15	*100*	0	*0*	0	*0*	15
Professional Bodies	4	*67*	0	*0*	2	*33*	6
Consultancy	1	*25*	0	*0*	3	*75*	4
Institutional Investors	4	*40*	2	*20*	4	*40*	10
Lobbyists / Associations	7	*64*	1	*9*	3	*27*	11
Advisory	2	*67*	0	*0*	1	*33*	3
Private Capacity	0	*0*	1	*33*	2	*67*	3
Total	**39**	***63.9***	**4**	***6.6***	**18**	***29.5***	**61**

Table 6: Tendering Frequency

Group	**Support**		**Against**		**No Comment**		**Total**
		%		*%*		*%*	
Auditing Firms	3	*33*	3	*33*	3	*33*	9
Companies	7	*47*	6	*40*	2	*13*	15
Professional Bodies	4	*67*	0	*0*	2	*33*	6
Consultancy	0	*0*	2	*50*	2	*50*	4
Institutional Investors	3	*30*	5	*50*	2	*20*	10
Lobbyists / Associations	4	*36*	3	*27*	4	*36*	11
Advisory	1	*33*	1	*33*	1	*33*	3
Private Capacity	0	*0*	3	*100*	0	*0*	3
Total	**22**	***36.1***	**23**	***37.7***	**16**	***26.2***	**61**

Table 7: Transitional Arrangements

Group	Support	%	Against	%	No Comment	%	Total
Auditing Firms	7	*78*	1	*11*	1	*11*	9
Companies	11	*73*	0	*0*	4	*27*	15
Professional Bodies	2	*33*	0	*0*	4	*67*	6
Consultancy	2	*50*	1	*25*	1	*25*	4
Institutional Investors	5	*50*	1	*10*	4	*40*	10
Lobbyists / Associations	7	*64*	0	*0*	4	*36*	11
Advisory	2	*67*	0	*0*	1	*33*	3
Private Capacity	0	*0*	0	*0*	3	*100*	3
Total	**36**	***59.0***	**3**	***4.9***	**22**	***36.1***	**61**

Table 8: Previous Year Disclosure

Group	Support	%	Against	%	No Comment	%	Total
Auditing Firms	4	*44*	1	*11*	4	*44*	9
Companies	9	*60*	2	*13*	4	*27*	15
Professional Bodies	2	*33*	0	*0*	4	*67*	6
Consultancy	1	*25*	0	*0*	3	*75*	4
Institutional Investors	5	*50*	0	*0*	5	*50*	10
Lobbyists / Associations	3	*27*	3	*27*	5	*45*	11
Advisory	0	*0*	0	*0*	3	*100*	3
Private Capacity	0	*0*	1	*33*	2	*67*	3
Total	**24**	***39.3***	**7**	***11.5***	**30**	***49.2***	**61**