

AccountancyAge

Another day, another audit rotation

by Richard Crump

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ANOTHER DAY and another auditor cast out on its ear by a hitherto appreciative and steadfast client.

After decades of clutching their auditors close, businesses are falling over themselves to dump their long-term audit firms in favour of a fresh set of eyes to vet their accounts.

In the past two months, HSBC, Land Securities, Hargreaves Lansdown and Iberia have all replaced their auditors. Since the Competition Commission unveiled measures to shake-up the market, switching auditors has become de rigueur among Britain's biggest companies.

However, these tender processes - all four resulted in the incumbent auditors being dumped - started long before the commission delivered its final recommendations (such as five-year compulsory tendering rules) and owe more to the FRC's 'comply or explain' tendering rules - and shifting sentiment against the value of interminable audit tenures.

Ian Gorham, CEO of Hargreaves Lansdown, which regularly rotates its external auditor having previously changed to Deloitte from EY in 2006, summed the changing mood up neatly.

"The idea that there can be some pride in saying "we have had the same auditor for 50 years" is ridiculous. Failing to seek fresh expert challenge should be a source of embarrassment," he said on announcing PwC would be replacing Deloitte as its auditors.

Based on the activity so far, I would expect more companies than not to replace their auditors on initiating their first tender under the new rules. Keeping the same auditors in place following a tender may smack of box-ticking compliance, even when the process is comprehensive and exhaustive.

Nevertheless, for all the FRC's and commission's aims of breaking the dominance of the Big Four the recent notable audit wins have only served to reinforce the Big Four's dominance. In the case of HSBC and Hargreaves Lansdown, PwC replaced KPMG and Deloitte respectively, while the firm was ousted by EY at Land Securities.

Like many fashions, which can take a while to reach the sticks, the appointing of fresh auditors has yet to extend outside the Big Four.

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