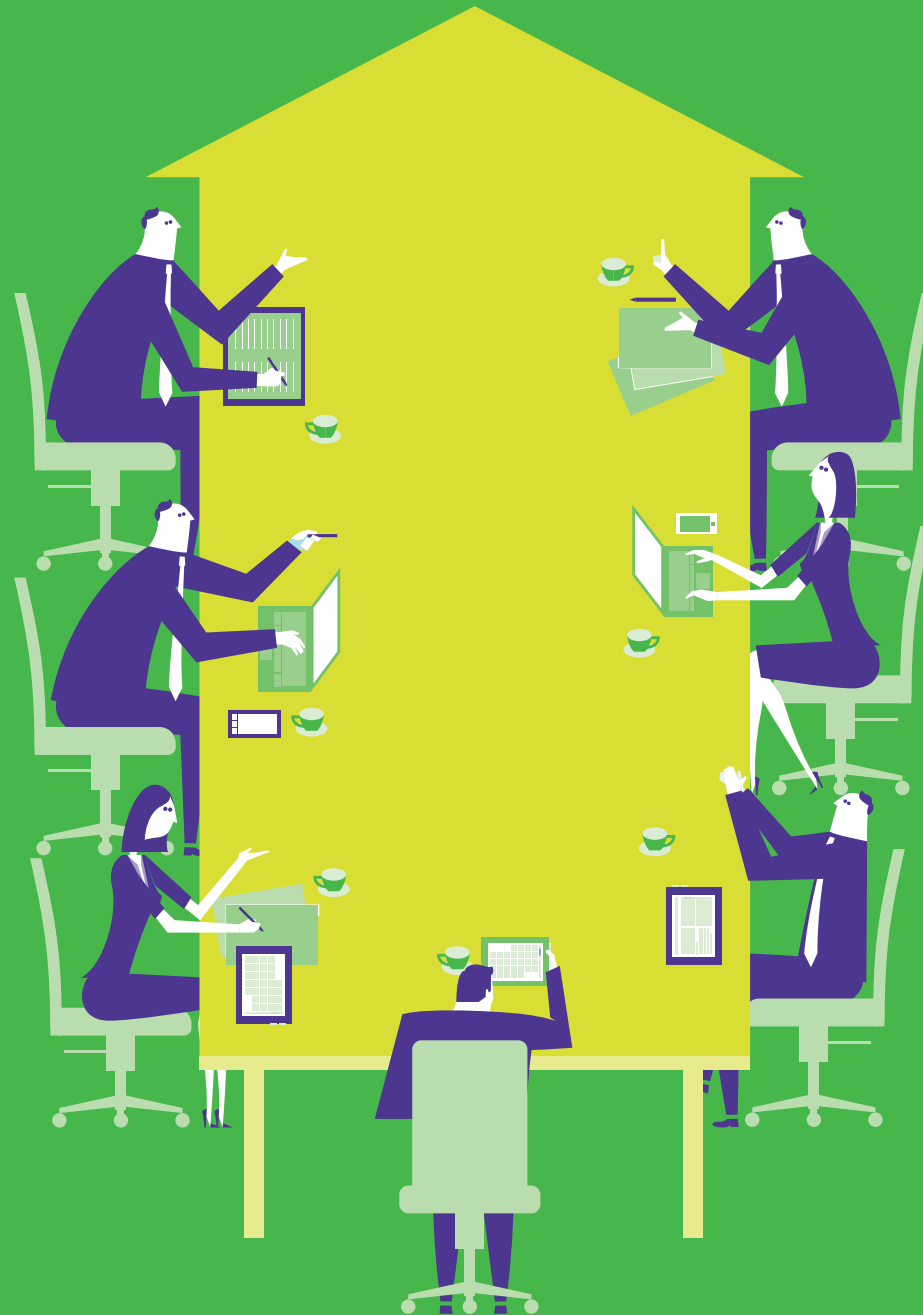


THE CLIENT OF THE FUTURE

How audit firms need to change the way they work and market their services



Twenty years ago an audit firm could have differentiated itself on the basis of its product, but in today's world it's become easier to replicate service quality and customer experience, so any advantage you create is short-lived. Differentiation today also depends on our vision of what the audit of tomorrow will look like.

Marc Macaulay, Partner, US Cognitive Technology Audit Leader, KPMG

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OUR STARTING POINT

Audit is—inherently, inevitably, and undeniably—a conservative business.

A process that's been built up over decades; that's been adjusted to crises and other, more gentle market changes; and that's dependent on the ability to analyse data over time, isn't something anyone wants to reinvent overnight.

Yet the same forces that have kept the audit within a narrow evolutionary path, have also resulted in a market where differentiation is so difficult that regulators have to intervene to force clients to change auditors, and where manual processing persists long after it's been automated in other industries. Audit firms themselves suspect they're living on borrowed time. Digital technology has disrupted many industries: surely it's only a matter of time before it changes audit, too?

To help answer this question, we surveyed 200 senior executives in US corporations, all of whom were, in some capacity, involved in the audit process—details of which can be found on page 7.

This report has been written for audit firms, but not by auditors. Instead, we've applied the expert understanding we've developed about the consulting industry to the audit world, in order to take an outside-in view of the way the audit market may develop in the future.

OUR METHODOLOGY AND RESEARCH SAMPLE

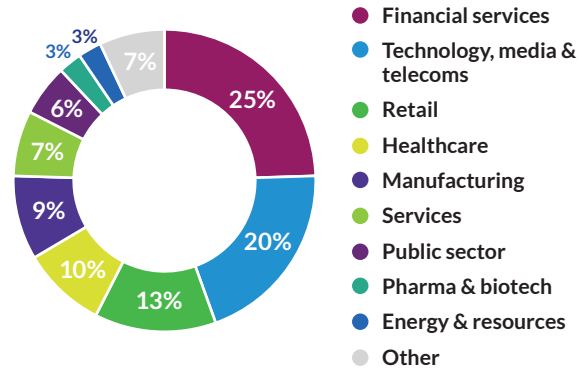
We surveyed 200 senior executives in US organisations in January 2017.

Respondents came from a range of different sectors, although we skewed the sample towards financial services (25% of the total), because this is such a crucial market for the professional services sector.

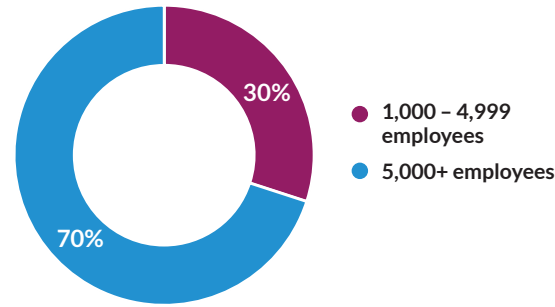
All were senior executives, including 71% at CXO level. Thirty-four percent of the sample came from the finance function. All had direct involvement with their auditors: 77% were involved in selecting them.

Eighty-percent of respondents had either put their external audit out to tender in the last 12 months, or were expecting to do so in the next 12 months. The reason for putting the audit out to tender varied. Just over a third of respondents said they did so as part of a standard rotation process, and a further 22% did so because audit regulations forced them to change. Other reasons were specific to the organisation and included on-going strategic changes, conflicts of interest, or because they weren't happy with their current auditor.

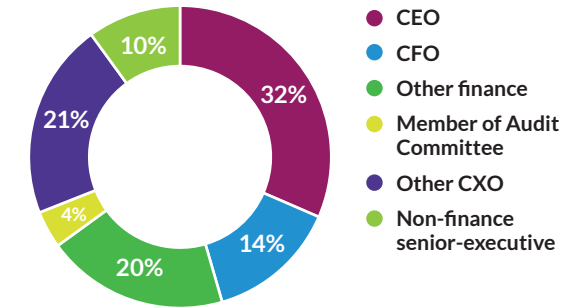
Breakdown by industry



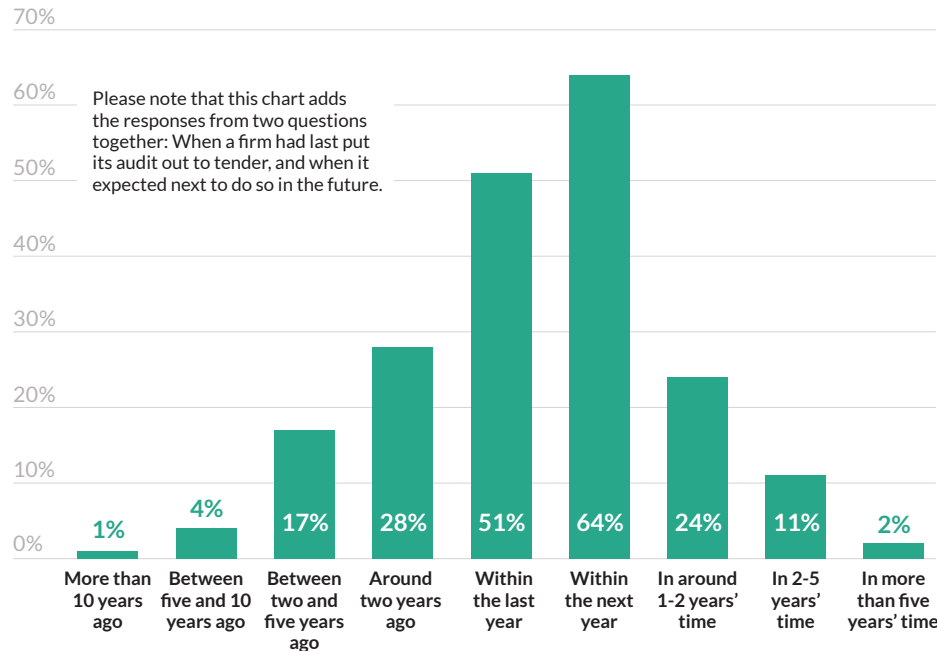
Breakdown by size of organisation



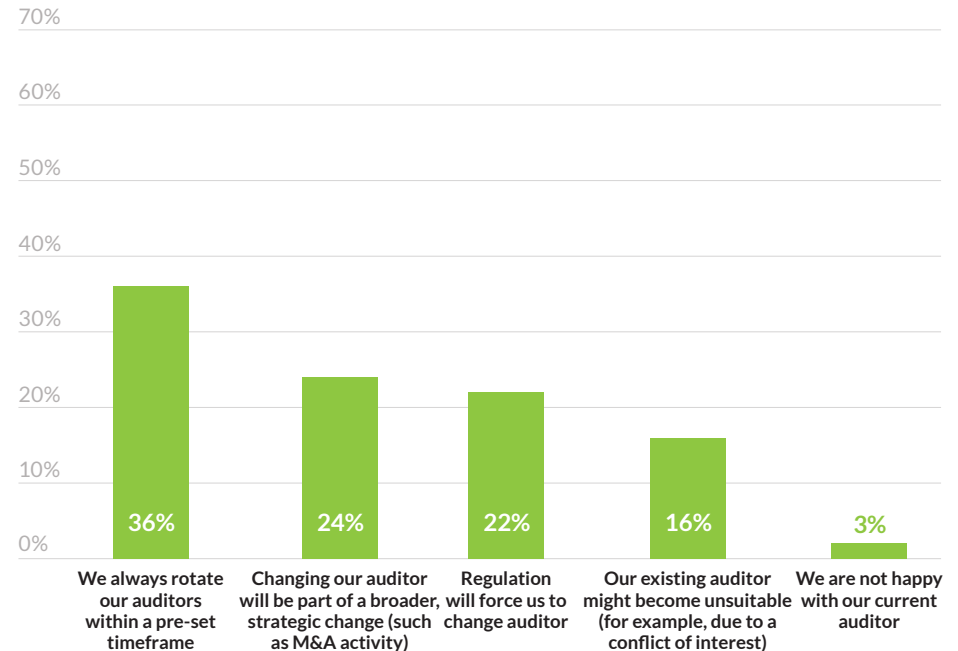
Breakdown by seniority



Breakdown of sample by timing of audit tender



Breakdown of sample by reason for tendering audit



ABOUT THE AUTHORS

Fiona Czerniawska

A Co-Founder and Director of Source, Fiona is one of the world's leading commentators on the management consulting industry. Since founding Source in 2008, she has been bringing this expertise to bear on our clients' most pressing strategic projects and business issues.

Fiona has published a dozen books on consulting topics, including two for *The Economist*: [*Business Consulting: A Guide to How it Works and How to Make it Work*](#) and [*Buying Professional Services*](#). She has more than 20 years' experience as a management consultant, working primarily in the areas of marketing and strategy. She was previously in charge of strategic planning for EY in the UK and has worked in the consulting practice of PwC. Fiona also has a PhD in seventeenth-century French art and lives in hope that it will be of practical use in business someday.



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Ed regularly speaks about the consulting market to leadership teams around the world, has lectured at Columbia University, Imperial College, and Vrije Universiteit, and he is regularly quoted by media including the *Wall Street Journal*, the *Washington Post*, the *Financial Times*, Bloomberg, and the trade press. Prior to joining Source in 2008, Ed spent seven years in various marketing roles for Sony Europe.



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March	France GCC	Mega trend #1: Digital transformation	US UK	Analysis of recent thought leadership
April	Benelux Nordics		Energy & Resources	
May	US Canada	Mega trend #2: Cognitive computing, robotics, AI	Nordics Financial Services	Analysis of recent thought leadership
June	DACH Eastern Europe Russia		Trends in procurement	
July	Italy Spain Australia	Mega trend #3: Assets and productisation		Maximising the impact of thought leadership
August	India		Healthcare TMT Germany	
September	Africa Brazil Energy & Resources	Planning for growth in 2018	France	Quality ratings of thought leadership for the first half of 2017
October	Financial Services China Healthcare			
November	TMT	Mega trend #4: Brand and business models		

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About Source

Source Global Research is a leading provider of information about the market for management consulting. Set up in 2007 with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including [The Intelligent Client](#) and [The Economist](#) books [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#).

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