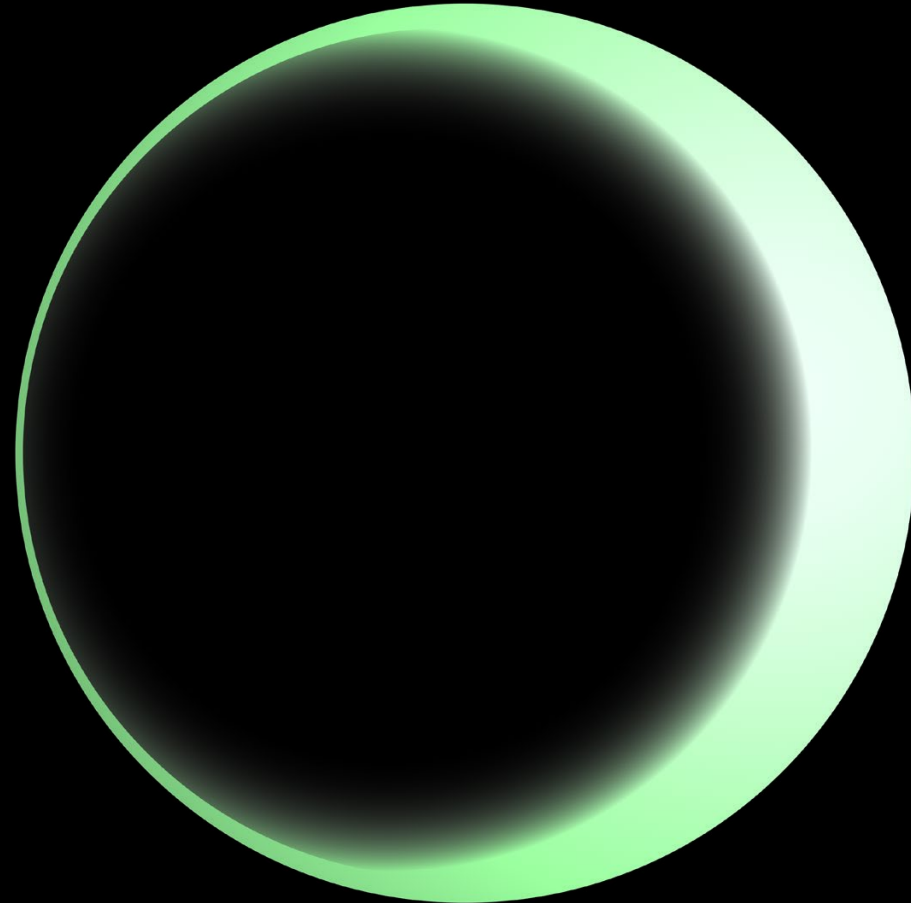


**Deloitte.**



***Audit Evolved***

Results from the  
Deloitte Audit Value Survey

Financial statement audits have been a fundamental pillar of the capital markets, helping investors make informed decisions and invest with confidence. But today, that's just part of the value an audit can provide. Powered by cutting-edge technology and innovation, the audit has evolved into a strategic opportunity that can help guide and inform future business decisions—identifying problems and improvement opportunities that might otherwise have been missed so companies can improve their strategies, operations, and business performance.

“We continue to take great pride in the auditor’s foundational role of enhancing trust and confidence in the capital markets. This survey indicates that board members and executives also recognize the power of the audit to provide insights, identify inefficiencies or risks, and help inform companies’ best practices.”

Joe Ucuzoglu, Chairman & CEO of Deloitte & Touche LLP



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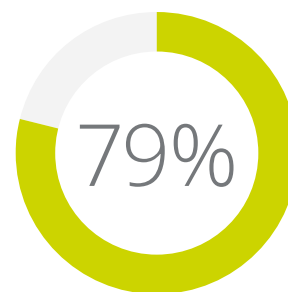
# Today's audits deliver valuable business insights

Commissioned by Deloitte, Wakefield Research recently conducted a survey of 300 C-suite executives and 100 audit committee members to better understand the value and impact of financial statement audits. The survey results show a strong and widespread appreciation for audit insights that go beyond the audit's critical role of promoting trust and confidence in financial statements.

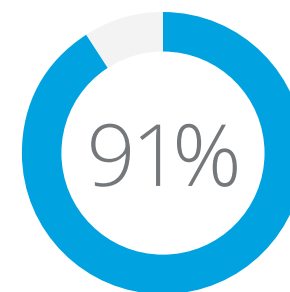
The vast majority of C-suite executives (79 percent) and audit committee members (91 percent) agree that today's audits reveal things their companies could be doing differently or better. Moreover, 46 percent of C-suite executives and 62 percent of audit committee members whose audits delivered information about market or industry insights, inefficiencies, or risks say they would likely have missed this information if not for the audit (see Figure 1).

**Figure 1: Audit delivers valuable insights**

## ▶ Finding improvement opportunities



**C-suite executives** agree audits of their companies' financial statements reveal things that their companies could be doing differently or better



**Audit committee members** agree audits of their companies' financial statements reveal things that their companies could be doing differently or better

## ▶ Identifying what companies sometimes miss

Likelihood of events being missed if the audit had not occurred	C-suite executives	Audit committee members*
Very likely	5%	13%
Somewhat likely	41%	49%
Somewhat unlikely	40%	32%
Very unlikely	14%	6%

\* Small base size; findings are directional



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## Today's audits deliver valuable business insights

An audit's outside perspective is especially valuable, according to 80 percent of C-suite executives and 93 percent of audit committee members. Audit insights that may prompt companies to take action include: comments about the industry and market; comments on company processes and policies; and identification of company inefficiencies, redundancies, and risks.

More companies are starting to leverage insights that auditors are capable of delivering through the auditors' use of the latest audit analytics tools. At a large hospital, for example, the use of data visualizations to evaluate the Property, Plant & Equipment balance—down to the location, asset, and transaction levels—enabled the audit team to pinpoint its risk assessments more specifically and provide management insights regarding the depreciation and in-service date analyses.

The potential benefits from leveraging audit insights resonate with survey respondents as well. C-suite executives and audit committee members noted they would place a higher premium on audits that provide more insights. Nearly all business leaders polled said they would spend more for an audit that provides business insights.



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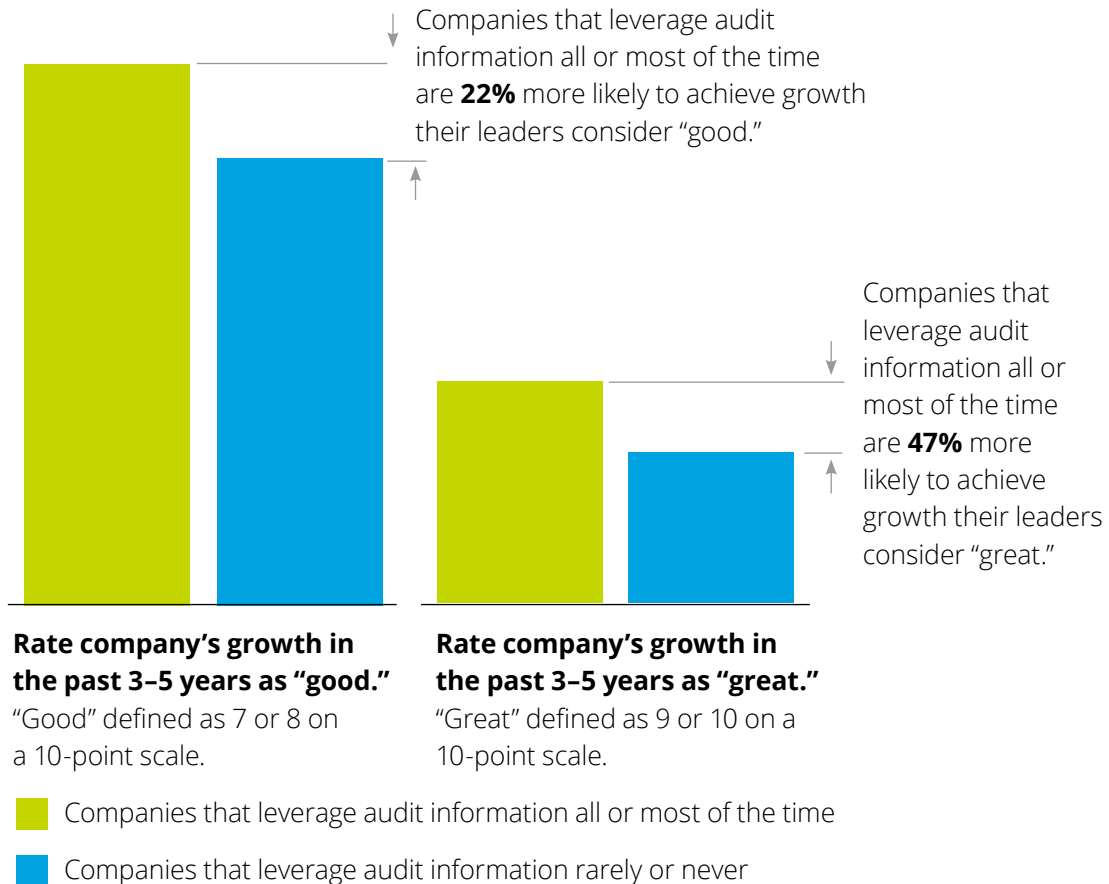
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# A link between audit insights and growth?

Surveyed business leaders of companies that capitalize on information received from the audit all or most of the time indicate stronger growth than those that do so rarely or never. In fact, the survey results show such companies are 22 percent more likely to have achieved growth over the past 3-5 years that business leaders consider “good,” and 47 percent more likely to have achieved growth that business leaders consider “great.”

**Figure 2: Audit insights linked to growth?**  
Ratings of company growth rates



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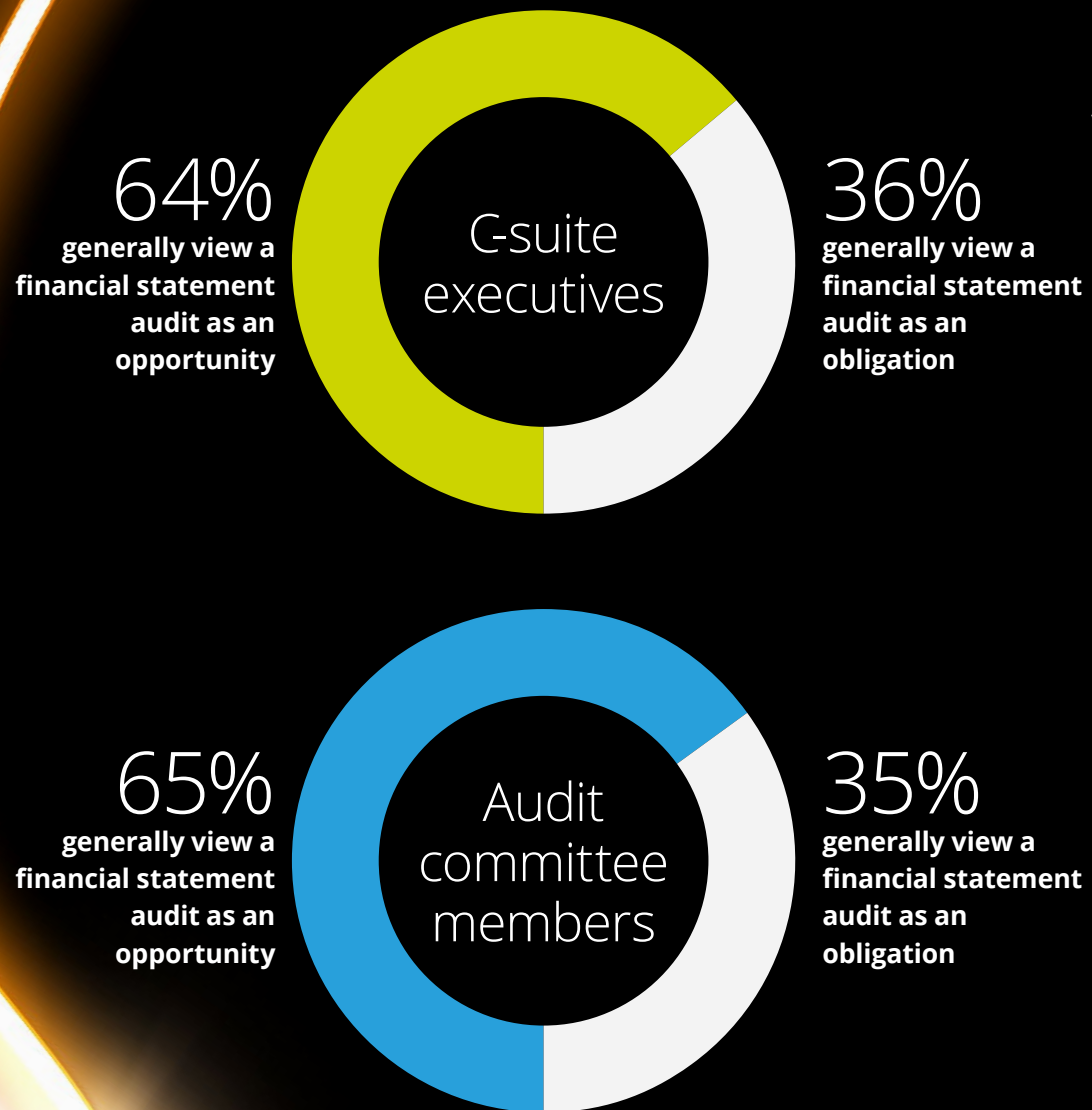
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# Obligation becomes opportunity

Traditionally, companies have often viewed financial statement audits as an obligation. However, given the link between audit insights and growth, it should not be a surprise that the perceived value of audit is high. In fact, the survey data shows that roughly two out of three C-suite executives (64 percent) and audit committee members (65 percent) see a financial statement audit as an opportunity to improve business performance (see Figure 3).

Figure 3: Audit is an opportunity



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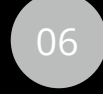
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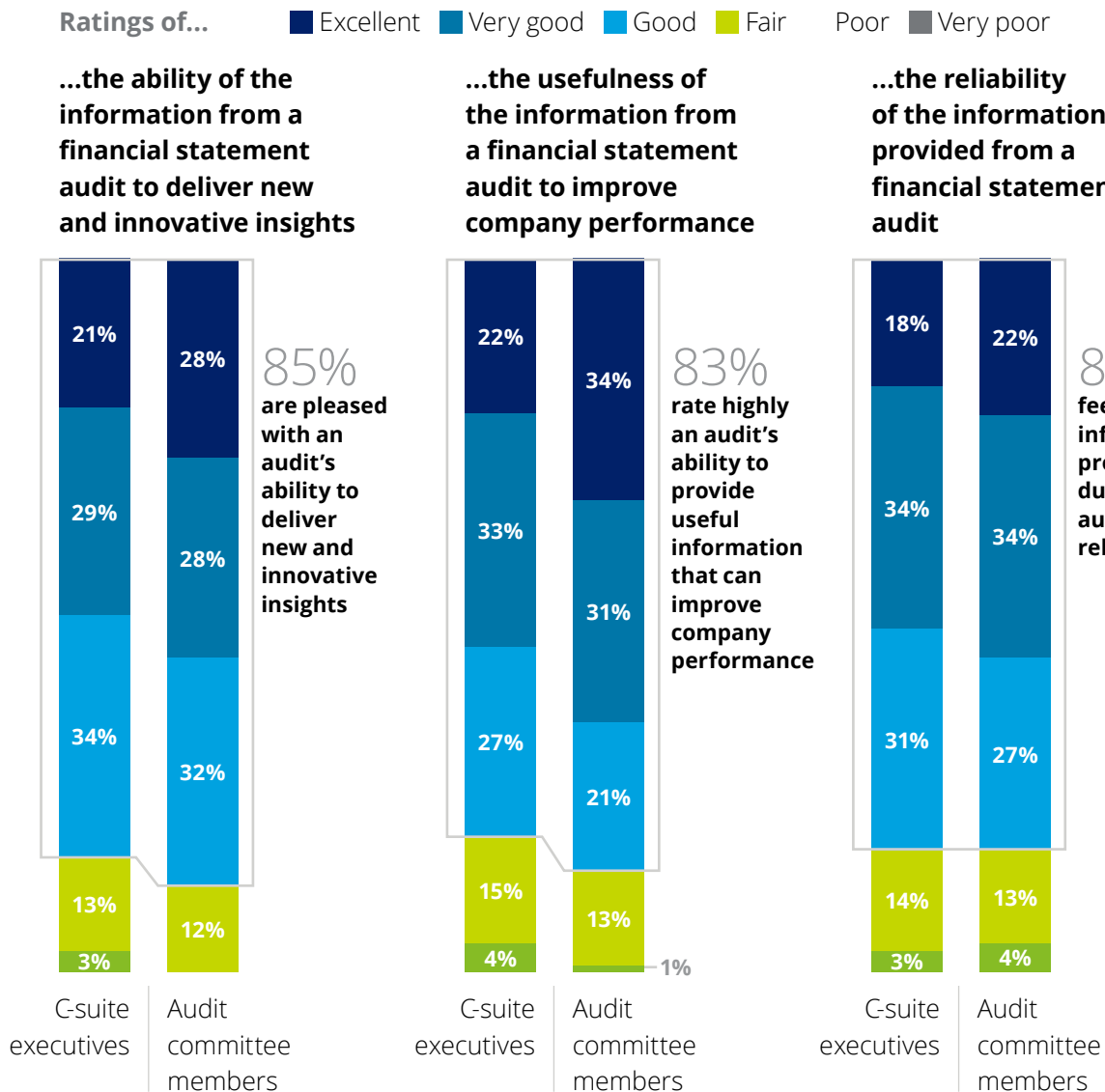
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# Looking for more insight from audit

Today's audits get high marks for quality and real-world impact, with the vast majority (80+ percent) of C-suite executives and audit committee members rating today's financial statement audits as "good," "very good," or "excellent" at providing information that is innovative, reliable, and useful for improving company performance (see Figure 4).

**Figure 4: Satisfaction with current audit quality and utility**



All decimals are rounded to the nearest percentage point. This may result in certain numerical totals adding up to slightly more or slightly less than 100%.



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## Looking for more insight from audit

Looking ahead, however, business leaders would like audits to evolve further and provide an even wider range of strategic and operational insights that extend well beyond the realm of financial reporting (see Figure 5). Their top priorities are: (1) information about spending patterns, (2) assessment of the effectiveness of the company's business processes, and (3) general recommendations for improving operations.

Figure 5: Top insights beyond financial statement audits

Most useful insights C-suite executives want their companies to gain from an audit (top responses)		Most useful insights audit committee members want their companies to gain from an audit (top responses)	
Assess effectiveness of company's business processes	13%	Inform on spending patterns	14%
Improve how company operates in general (not specific)	13%	Assess effectiveness of company's business processes	13%
Assess how well management structure is operating	11%	Uncover financial errors and mistakes	10%
Assess effectiveness of company's financial process	10%	Greater transparency to build trust with banks or investors	8%
Uncover financial errors and mistakes	10%	Assess how well management structure is operating	7%
Strategic insights to inform how to grow business	8%	Ensure compliance with laws and regulations	7%
Mitigate potential risks	7%	Assess effectiveness of company's financial process	6%
Uncover potential fraud or theft	6%	Strategic insights to inform how to grow business	6%
Measure company performance beyond sales	6%	Uncover potential fraud or theft	5%
Inform on spending patterns	5%	Maintain or improve credit rating for loans	5%

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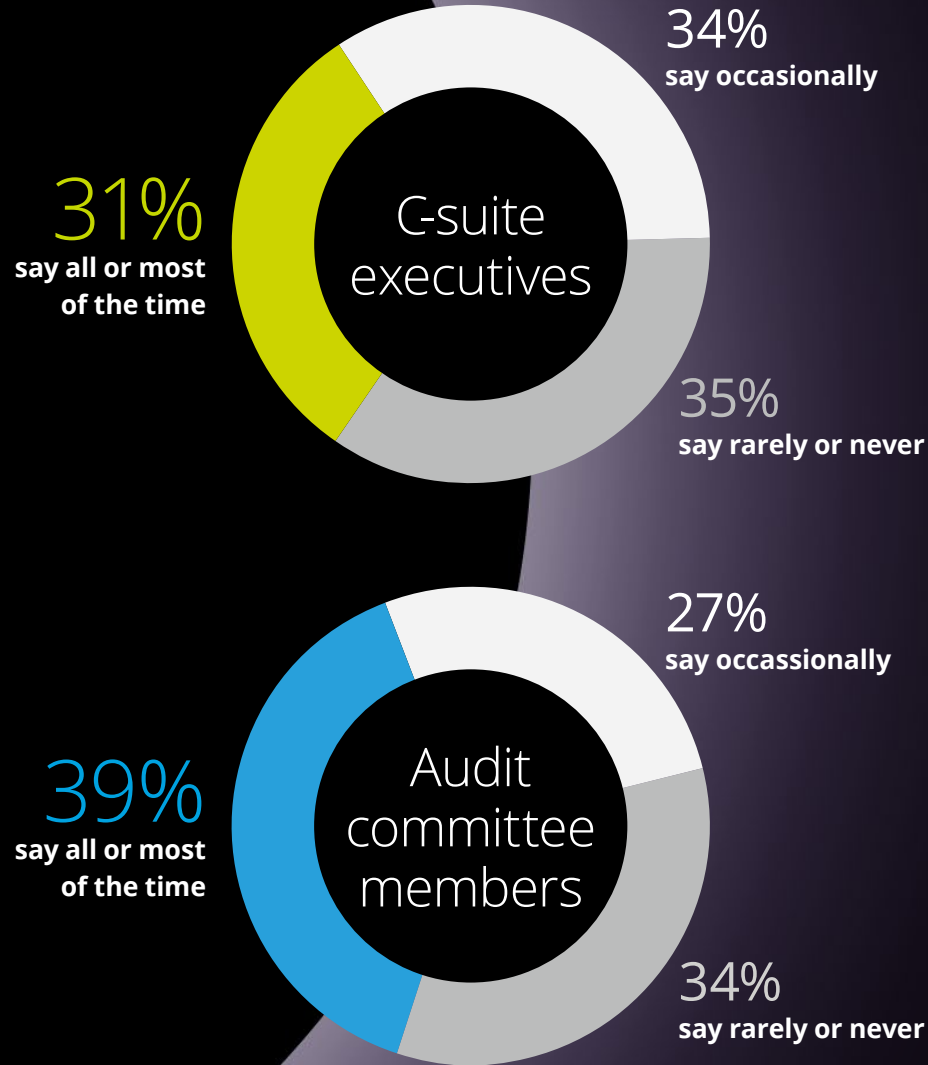
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# How to unlock the full potential of an audit

Although most of the business leaders surveyed recognize the value today's audits can deliver, many companies are missing out on the opportunity to put those valuable insights to good use. In fact, the survey results show only about one-in-three companies regularly leverage the information they receive from audits (see Figure 6). That's a lot of potential value wasted.

**Figure 6: Capitalizing on audit insights**  
Frequency with which companies take advantage of and leverage the information they receive when financial statement audits are conducted



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# How to unlock the full potential of an audit

The majority of C-suite executives and audit committee members believe an audit's value extends beyond its foundational role of providing an independent auditor's report on company financial statements; however, many are not confident that other leaders within their organizations share their view. Specifically, while most C-suite executives (63 percent) and audit committee members (79 percent) say that at least half of their companies' executives believe in expanded uses for an audit, a discouraging proportion of C-suite executives (37 percent) and audit committee members (21 percent) say less than half of their companies' executives share this broader vision of what an audit can do. This suggests that many business leaders are still clinging to a limited view of audit that is likely hindering the value their companies generate from audit insights.

When it comes to unlocking the full potential of the audit, auditors and audit clients both have room to improve. Nearly one-half of C-suite executives (45 percent) and audit committee members (48 percent) whose companies don't always leverage information from their audits do not have processes in place to leverage insights gleaned from an audit. A similar number say audit findings are not a priority for their companies' stakeholders. At the same time, more than one-third (41 percent) of C-suite executives say audit findings are not presented in an effective and useful manner—or that the findings are inconclusive. In addition, 79 percent of C-suite executives and 94 percent of audit committee members assert that making financial statement audit findings more transparent within their organizations would improve their companies' performance.



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# Audit evolved

The survey data clearly shows today's business leaders welcome audits that go beyond their foundational role of promoting trust and confidence in financial statements. In particular, today's leaders want audits that deliver business insights that can help improve their companies' strategies, operations, and overall performance. This is a prime opportunity to build on audit's long-standing core value as a pillar of the capital markets—helping companies get more value than ever from their financial statement audits.



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#### **About the survey**

The Deloitte Audit Value Survey was conducted by Wakefield Research in August and September 2016 and included responses from 300 CEOs and CFOs and 100 executives who serve on audit committees of corporate boards. The survey has a margin of error of 5.7 percent for CEOs and CFOs and 9.8 percent for audit committee members at the 95 percent confidence level. The full report can be found at [www.deloitte.com/us/auditvalue](http://www.deloitte.com/us/auditvalue).