



# Auditor transition

## Pulse survey on experiences of auditor transition

Audit Committee Institute part of  
KPMG Board Leadership Centre



Regular audit tendering and rotation is now a reality with over 75% of FTSE350 tenders leading to a change of auditor in the last three years. Transitioning from one auditor to another is now commonplace, but does the incoming auditor deliver on the promises made during the tender process? Does the outgoing auditor continue to deliver the same service quality in their final year? And are companies well prepared for the transition? We surveyed 31 FTSE350 audit committee chairs who had changed auditors as a result of a tender during the last three years. We asked questions about the transition process, handover from one auditor to another, impact on the business, the degree to which tender 'promises' had been delivered and the challenges of transition.

### 1 How was the transition process?

Of our respondents, **70%** strongly agreed that the transition process was highly effective and efficient. The other **30%** of respondents somewhat agreed that the process had been well run.



### 2



### Impact on the business

Transition can have a disruptive impact on the business, particularly within the finance function. Preparation and execution by the incoming auditor and the right level of engagement with the company is key. Close interaction with management throughout the process enables knowledge to be shared easily and key decisions made, allowing 'business as usual' to be reached quickly.

Of our respondents, **65%** said they were well prepared for the impact of transition and **87%** said the handover from the outgoing auditor to the incoming auditor was well managed.

### 3 Delivery on audit tender 'promises'

Did the new audit firm deliver on the promises they made in the audit proposal? **67%** strongly agreed that they did deliver, **30%** somewhat agreed and **3%** disagreed, citing the following shortfalls; composition of the audit team, not delivering on data analytics, and overruns. On the positive side, it was noted that audit tender processes are improving and that audit committees now have more objective evidence on which to base their selection decision.



### 4



### Final year of service delivery

**94%** of respondents said they received the same or an improved level of audit quality and service from the outgoing firm in their final year as auditor. Only **6%** felt that the outgoing auditor allowed their service levels to fall during their final year.

### 5 Barrier to a successful transition

With **84%** of our respondents having completed transition, most of these also had further ideas as to the barriers that need addressing when facing transition. The themes here included; time required in forming new relationships, a lack of planning and communication, increased workload on the finance function, insufficient management and audit committee time investment, company needing a point of responsibility for ensuring successful transition and a delay between selection and the incoming auditor taking on the audit.



Our publication [Audit Reform](#) sets out many of the considerations for audit committees seeking to comply with the new 'tendering and rotation' requirements — in particular, how audit committees might approach the new prescriptive requirements relating to the audit tender process itself.

You might also be interested in the [Twenty Five Insights](#) on audit tendering and rotation arising from our recent ACI breakfast.

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