

## Audit Fees Still Falling, but Not as Dramatically

**The latest analysis of audit fees shows continued good news for most companies, but not all.**

September 1, 2010

A three-year slide in audit fees may be beginning to bottom out. Fees have been dropping for several years now, first as Sarbanes-Oxley work became more routine and then as companies scrutinized expenses in response to the economic crisis.

But a recent *CFO* analysis of audit and audit-related fees paid last year suggests that the trend has begun to slow. Only three of the top eight audit firms showed a drop in fees charged as a percentage of client revenue in 2009 (see "Firming Up" at the end of this article).

That's a marked change from an earlier *CFO* analysis that showed fees dropping dramatically from 2007 to 2008 for all but one (Crowe Horwath) of the top eight firms. (In both cases, the analysis by *CFO* included only ongoing engagements. Companies that changed auditors — an event that often results in lower fees — were not included.)

A separate analysis of all Securities and Exchange Commission–registered companies by *CFO* shows that, on average, most companies still saw their audit fees drop slightly last year (see "A Slowing Descent" at the end of this article). However, the drop was less pronounced than in 2008, and companies with revenues of more than \$1 billion actually saw a sharp 9% increase.

As we reported in April (see "[Auditing Your Auditor](#)"), audit fees have been dropping across the board since 2007, and companies appear much more willing to change audit firms if the price is right. In 2004, more than a third of auditor changes were the result of audit firms walking away from clients. Last year, 82% of auditor changes resulted from companies firing their auditors (among the Big Four, the number was 90%). Companies aren't just negotiating lower fees; they have also been demanding more value — read "services" — covering everything from corporate-board education to competitive intelligence. Whether these latest figures presage a change that dynamic, or merely indicate that the most dramatic of the wheeling and dealing is now abating, remains to be seen.

**[Tim Reason](#) - CFO Magazine**

(Charts below)

## Firming Up

On average, the largest auditors saw fees move up as a % of client revenue.

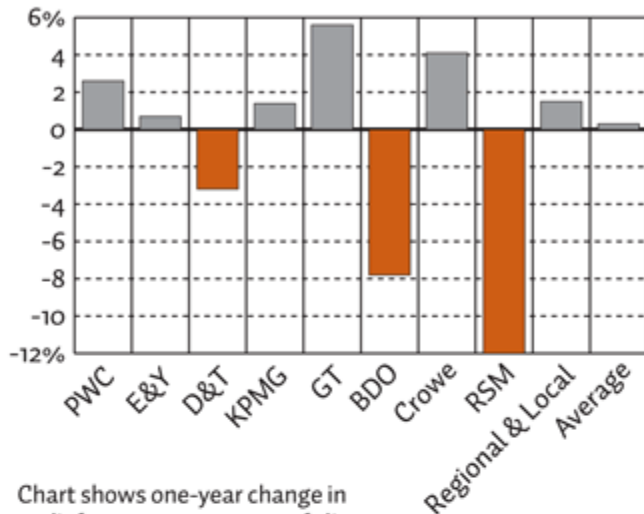
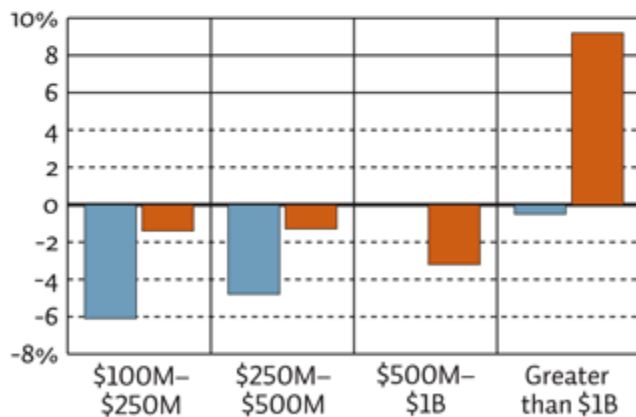


Chart shows one-year change in audit fees as a percentage of client revenue as of 2009 for audit-firm clients listed on the Russell 2000 Index, as of August 2010. Companies with auditor changes, restatements, management- or auditor-reported control failures, zero or negative revenue, or zero auditor or audit-related fees in 2008 or 2009 have been removed.

## A Slowing Descent

Small and midsize firms are seeing only modest drops in audit fees, while large companies have seen them move up.



■ 2007-2008 YoY% ■ 2008-2009 YoY%

Chart shows one-year change in reported audit fees for each year shown for all operating companies that are SEC registrants, as listed in the CFO Audit Fee Report tool.

Source for both charts: CFO analysis of data provided by Audit Analytics and contained in the CFO Audit Fee Report tool.