

# 2018 Audit Fee Report



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## Introduction

MyLogIQ's 2018 Audit Fee Report finds that after a significant rise in public company audit fees in 2017, the growth in median fees paid fell in 2018.

Using our CompanyIQ™ platform, we reviewed the 2019 SEC filings (annual DEF 14 proxy statements) of some 6,100 public companies to identify their spending on auditors for the 2018 audit year across the following eight indices:

- Dow 30
- S&P 100
- S&P 400
- S&P 500
- S&P 600
- Russell 1000 (R1000)
- Russell 2000 (R2000)
- Russell 3000 (R3000).

Our analysis indicates that public companies faced a median increase in audit fees of 3.23% in 2018, which is down from 4.92% in 2017. Table 1 has the details.

Table 1: Median and Average Change in Audit Fees 2016-2018

	2018 (n=6,181)	2017 (n=6,705)	2016 (n=6,970)
Median Fee	\$606,936	\$514,670	\$474,855
Median % Change	3.23%	4.92%	2.83%
Average Fee	\$2,060,849	\$1,911,809	\$1,776,530
Average % Change	29.55%	31.01%	25.03%

The average audit fees paid by the 6,181 filers in 2018 for their prior year audits reached \$2.1 million. The median for the same period was \$606,936.

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Other major findings of our study include:

- Large accelerated filers do not always pay the highest audit fees. (Table 2, p. 5)
- After three years of sizeable increases in audit fees, 2018 brought some significant relief and a slowing in the growth rate for all indices. (Chart 1, p.6)
- The Pharmaceutical & Life Sciences sector experienced a 70% increase in average audit fees during 2018. (Table 5, p. 7)
- The three major indices—Dow 30, S&P 500, and R3000, faced double digit audit fees increases over the past six audit years. (Chart 2, p. 8)
- About two-thirds of companies in the three major indices reported increased audit fees over the past seven audit years (2012-2018). (Chart 4, p. 10; Chart 5, p. 11; and Chart 6, p. 11)
- R3000 companies experienced a 42% increase in median audit fees from 2012 to 2018 and a 24% increase in the average audit fees for the same time frame. (Chart 7, p. 12)
- The recent trend of significant upward pressure on audit fees for the S&P 500 has been interrupted by 2018 where the average increase was cut by a third. (Chart 12, p. 18)
- Dow 30 companies saw a slight decrease in audit fees for the 2018 audit year, marking the first time we see a reversal of the prior six years of increases. (Table 15, p. 22)
- There was little to no change in auditing firms among the larger companies while smaller and mid-cap companies switched auditors about 20% of the time. (Chart 19, p. 25)
- Up to 7% of mid-cap and smaller companies report ineffective financial controls. (Chart 20, p. 26)



## Section 1: All Indices

**Large Accelerated Filers Do Not Always Pay the Highest Audit Fees** – As presented in Table 2 below, large accelerated filers paid the highest average audit fees within five of the eight indices in 2018, indicating that this group of filers do not always have the greatest audit costs. Accelerated filers in the S&P 400, S&P 500, and R1000 reported paying more substantial fees when compared to the large accelerated filers within their index.

Table 2: Average Audit Fees Across the Eight Indices by Filing Status 2018

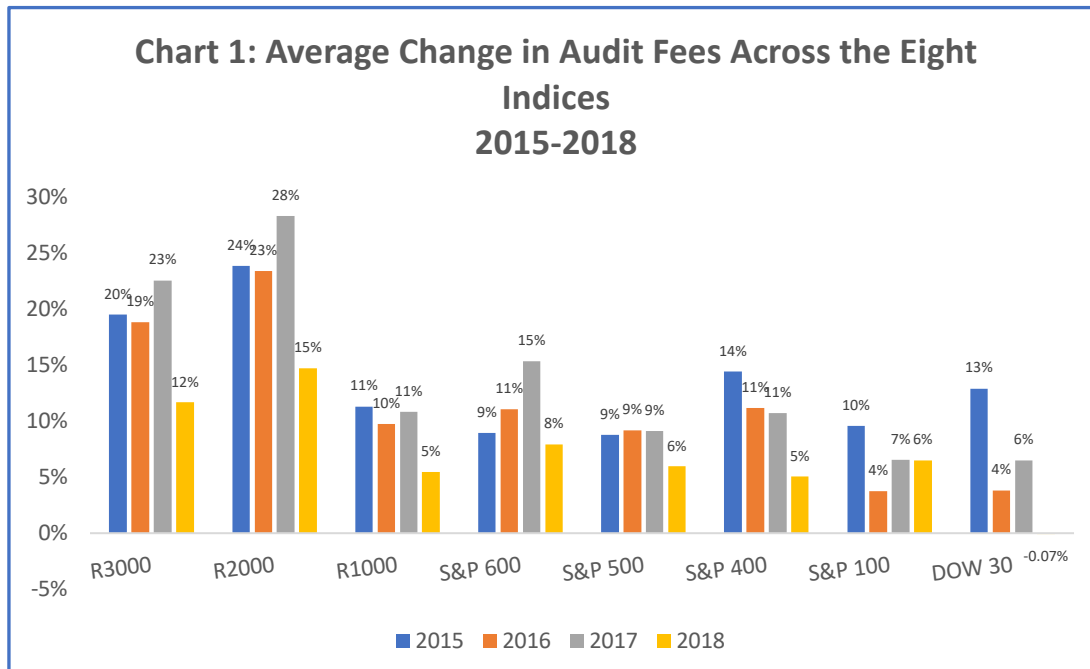
Name	Number of Filers	Average Audit Fees	Audit Fees for Large Accelerated Filers	Audit Fees for Accelerated Filers	Audit Fees for Non-Accelerated Filers	Audit Fees for Smaller Reporting Companies
RUSSELL 3000	2,850	\$3,458,742	\$4,711,270	\$1,194,469	\$2,380,088	\$567,747
RUSSELL 2000	1,909	\$1,627,483	\$2,178,769	\$1,100,389	\$1,864,933	\$567,747
RUSSELL 1000	942	\$7,169,486	\$7,189,430	\$8,917,610	\$4,827,073	-
S&P 600	552	\$1,856,557	\$2,044,634	\$1,361,795	\$1,414,560	\$1,137,354
S&P 500	495	\$10,091,387	\$10,075,191	\$12,312,805	\$6,904,111	-
S&P 400	376	\$3,272,270	\$3,221,474	\$8,518,040	\$3,680,014	-
S&P 100	100	\$22,873,883	\$23,020,636	\$15,683,000	-	-
Dow 30	30	\$28,045,997	\$28,045,997	-	-	-

**All Indices, Except the Dow 30, Reported an Increase in Audit Fees** – As Table 3 shows, companies in seven of the eight indices experienced an increase in average audit fees. The exception, the Dow 30, saw a very slight decrease of less than 1%.

Table 3: Average Change in Audit Fees Across the Eight Indices 2018

Index Name	Number of Filers	Average Change in Audit Fees
RUSSELL 3000	2,850	12%
RUSSELL 2000	1,909	15%
RUSSELL 1000	942	5%
S&P 600	552	8%
S&P 500	495	6%
S&P 400	376	5%
S&P 100	100	6%
Dow 30	30	-0.07%

Chart 1 provides a historical perspective on changes in audit fees for the companies in the eight indices from 2015-2018. After some sizeable increases in audit fees for the preceding three years, 2018 brought some significant relief and a slowing in the growth rate.



## Section 2: Sector Analysis

### Which Sectors Have Seen the Most Growth in Audit Fees? –

Most sectors have experienced a similar rate of increase in audit fees. Table 4 shows that Energy & Mining paid the highest in average fees. Looking further at Table 5, we see that the Pharmaceutical & Life Sciences sector experienced the greatest average percentage increase in 2018. This was due, in part, to multiple filers preparing for their initial public offering (IPO) and changes in auditors.

Table 4: Average Audit Fees by Sector for All Indices 2014-2018

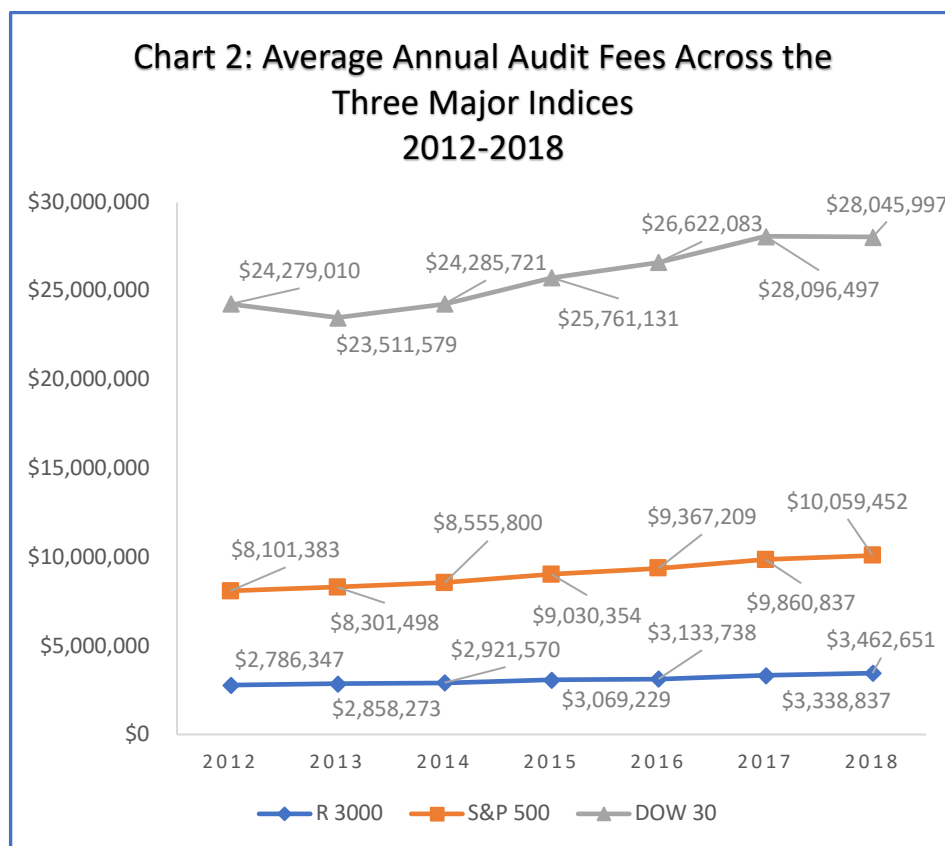
Sector	2018	2017	2016	2015	2014
ENERGY AND MINING	\$2,881,615	\$2,823,931	\$2,526,854	\$2,284,256	\$2,029,356
ENTERTAINMENT, MEDIA AND COMMUNICATIONS	\$2,180,100	\$1,921,475	\$1,739,419	\$1,487,002	\$1,311,092
FINANCIAL SERVICES	\$2,235,894	\$2,055,026	\$1,938,629	\$1,710,605	\$1,592,048
HEALTH INDUSTRIES	\$1,656,614	\$1,491,726	\$1,418,799	\$1,323,632	\$1,259,221
INDUSTRIAL PRODUCTS	\$2,242,728	\$2,080,653	\$1,897,748	\$1,728,720	\$1,609,651
PHARMACEUTICAL AND LIFE SCIENCES	\$1,291,843	\$1,148,099	\$1,134,748	\$1,106,326	\$969,595
RETAIL & CONSUMER	\$2,139,403	\$1,934,429	\$1,837,698	\$1,710,550	\$1,584,844
TECHNOLOGY	\$2,157,124	\$2,030,794	\$1,803,403	\$1,687,915	\$1,544,069
OTHER SECTORS	\$345,859	\$357,153	\$307,905	\$276,048	\$283,891

Table 5: Average Increase in Audit Fees by Sector for All Indices 2014-2018

Sector	2018	2017	2016	2015	2014
ENERGY AND MINING	18%	15%	22%	14%	21%
ENTERTAINMENT, MEDIA AND COMMUNICATIONS	31%	39%	33%	24%	28%
FINANCIAL SERVICES	18%	19%	20%	25%	27%
HEALTH INDUSTRIES	33%	18%	18%	40%	50%
INDUSTRIAL PRODUCTS	15%	31%	25%	15%	47%
PHARMACEUTICAL AND LIFE SCIENCES	70%	32%	34%	44%	116%
RETAIL & CONSUMER	27%	53%	23%	38%	28%
TECHNOLOGY	22%	44%	31%	27%	41%
OTHER SECTORS	26%	24%	14%	18%	13%

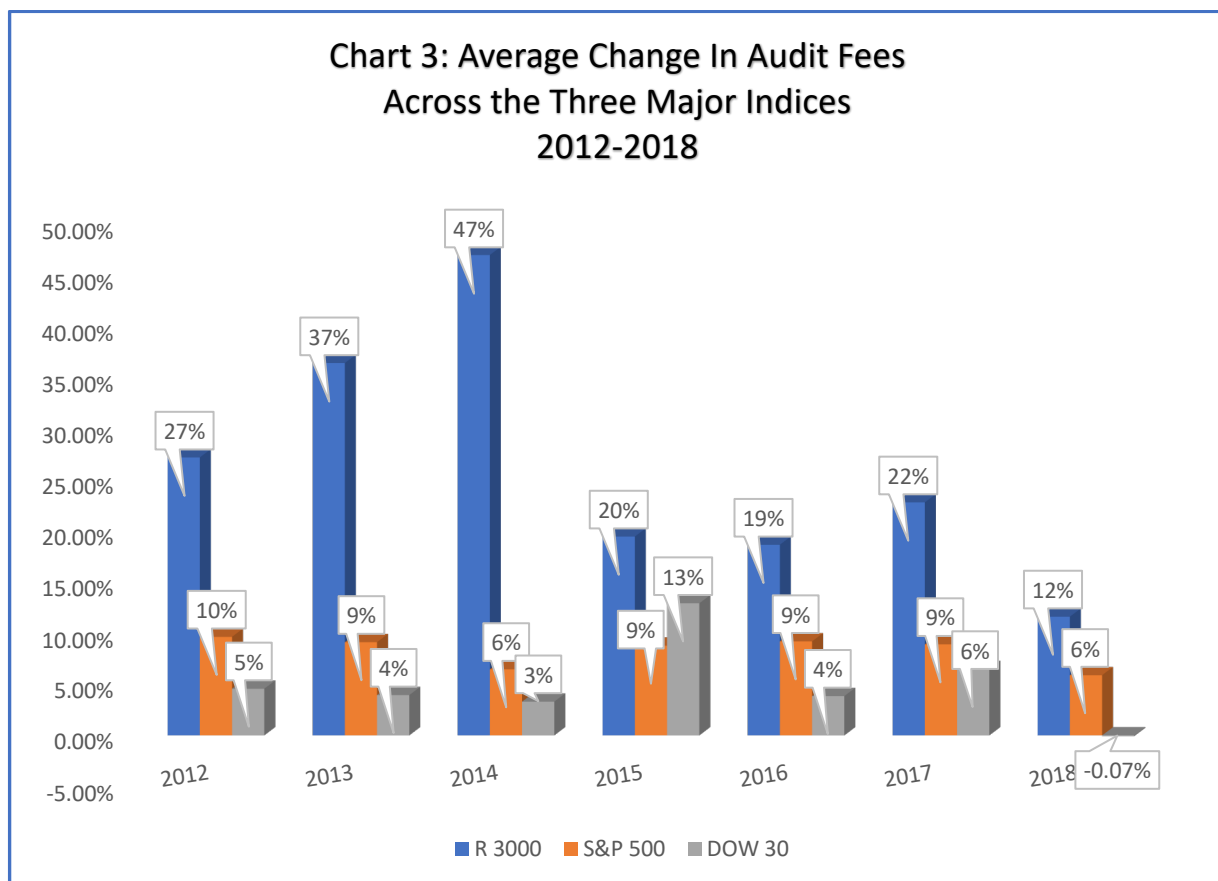
## Section 3: The Major Indices

**Major Indices Faced Double Digit Increases in Audit Fees Over the Past Six Audit Years** – As Chart 2 indicates, the three major indices have seen double digit growth in audit fees. Both the R3000 and S&P 500, at 24 and 25 percent, respectively, have experienced a substantially greater increase from 2012–2018 when compared to the Dow 30 which faced a 16 percent increase in the same time frame.



## Rate of Increase in Audit Fees Slows Down Across the Three Major Indices

The years between 2012 and 2015 saw a large increase in the rate of change for audit fees in the observed indices. After these years, this trend slowed down substantially resulting in more conservative average changes for audit fees. Chart 3 has the details.



**Varying Distribution of Companies with Changes In Audit Fees for the Top Three Indices –** While the Russell 3000 (Chart 4, Table 6) and the S&P 500 (Chart 5, Table 7) held a very similar distributions of companies with a change in audit fees in 2018, the Dow 30 (Chart 6, Table 8) is the only index that reported a majority of companies with decreased audit fees for the same year.

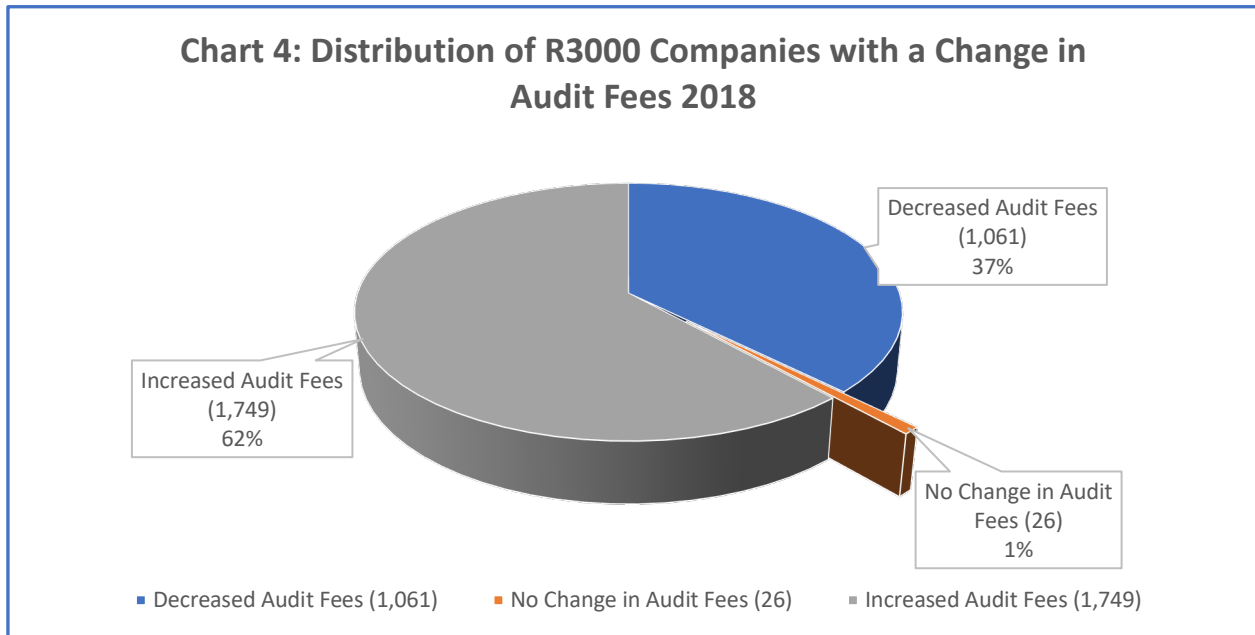


Table 6: R3000 Companies with Decreased Audit Fees 2012-2018

R3000	2012	2013	2014	2015	2016	2017	2018
% of Companies with a Decrease in Audit Fees	29%	28%	29%	32%	34%	29%	37%
# of Companies with a Decrease in Audit Fees	687	719	780	874	995	856	1,061

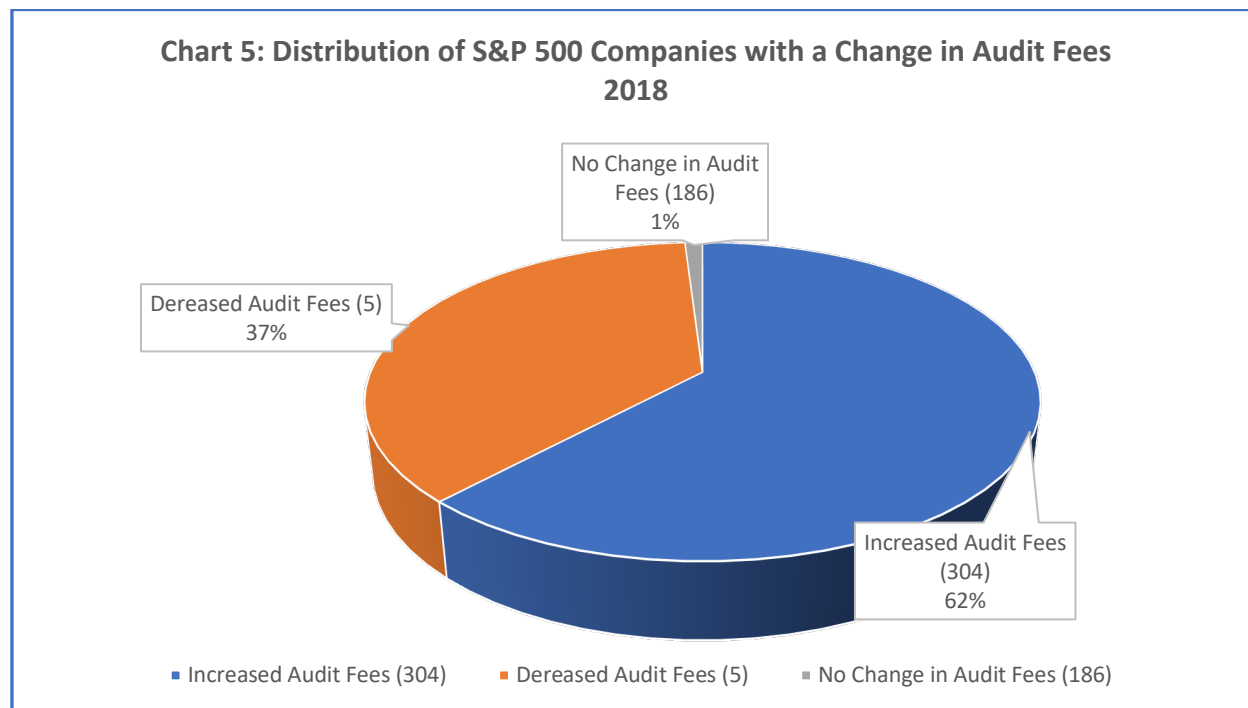


Table 7: S&P 500 Companies with Decreased Audit Fees 2012-2018

S&P 500	2012	2013	2014	2015	2016	2017	2018
% of Companies with a Decrease in Audit Fees	29%	29%	31%	35%	35%	30%	38%
# of Companies with a Decrease in Audit Fees	136	136	149	169	172	149	187

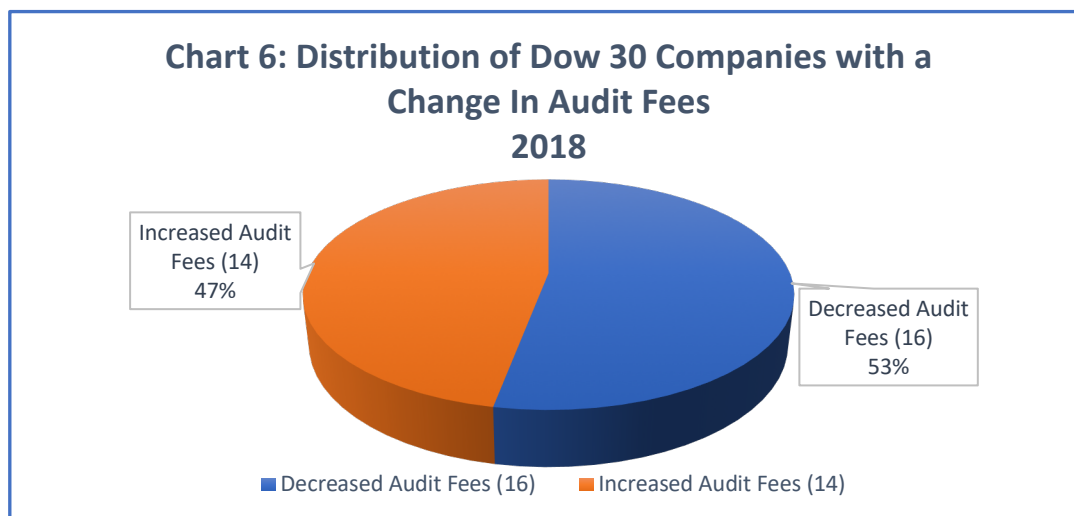
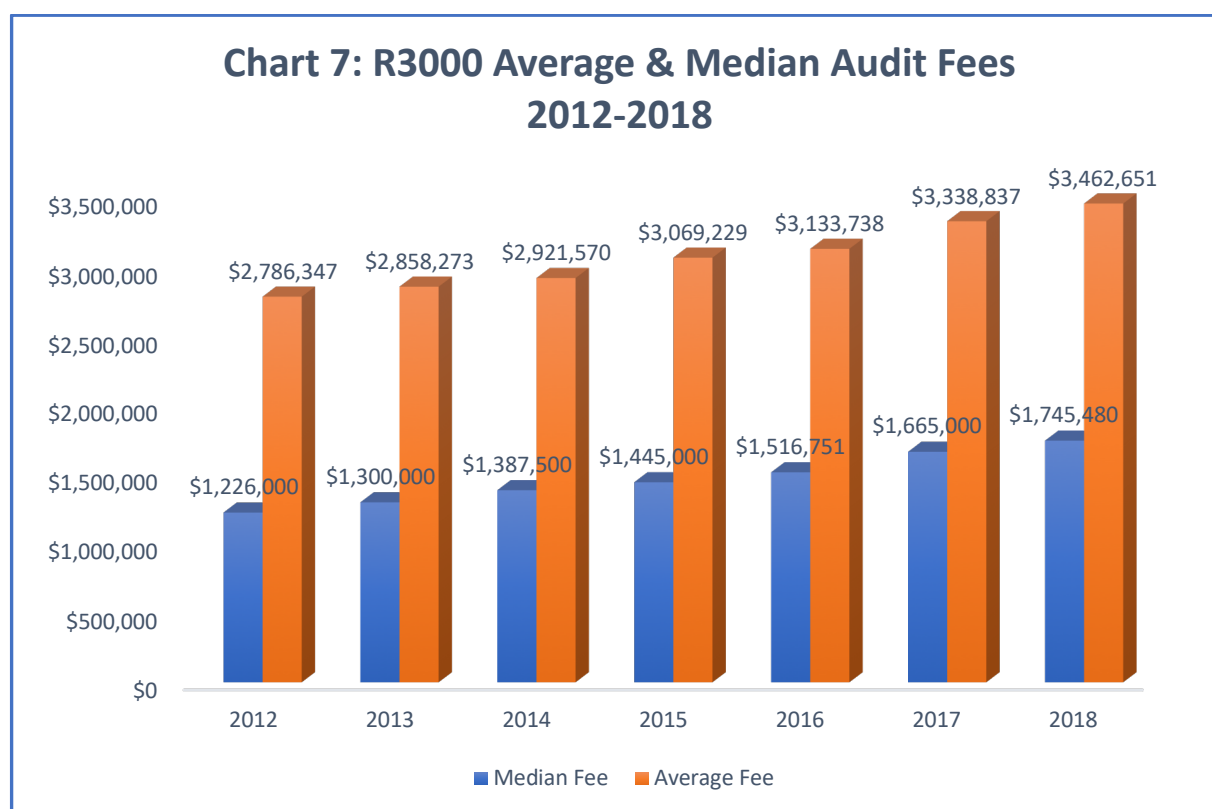


Table 8: Dow 30 Companies with Decreased Audit Fees (2012-2018)

Dow 30	2012	2013	2014	2015	2016	2017	2018
% of Companies with a Decrease in Audit Fees	25%	28%	28%	31%	37%	20%	53%
# of Companies with a Decrease in Audit Fees	7	8	8	9	11	6	16

## Section 4: R3000

**Upward Trend in Russell 3000 Audit Fees** – Over the last seven years, both the average and median audit fees paid by R3000 companies have been steadily rising. As Chart 7 presents, there was a 42% increase in median audit fees from 2012 to 2018 and a 24% increase in the average audit fees for the same time frame.





## Smaller Average Increases for R3000 Audit Fees in Recent Years

— As can be observed below in Chart 8 and Table 9, recent years have seen a substantially smaller level of average changes in R3000 audit fees when compared to previous years such as 2014-2012.

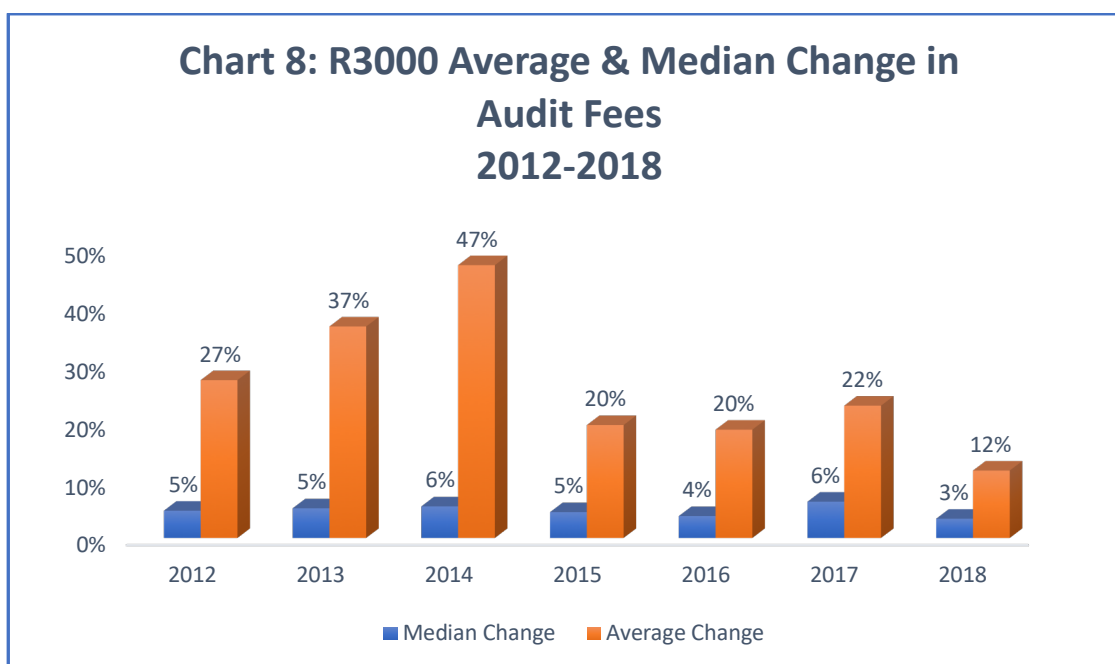


Table 9: Average Change in Audit Fees R3000 2012-2018

Year	Average % Change in Audit Fees
2018	12%
2017	22%
2016	19%
2015	20%
2014	47%
2013	37%
2012	27%

**Primary Audit Firms in the Russell 3000** - Among R3000 companies three-quarters of the 2,849 companies cited one of the Big Four audit firms as their primary external auditor in 2018. Chart 9 provides the breakdown. As Table 10 shows, this can be observed to be a constant trend within the R3000 between 2011 and 2018.

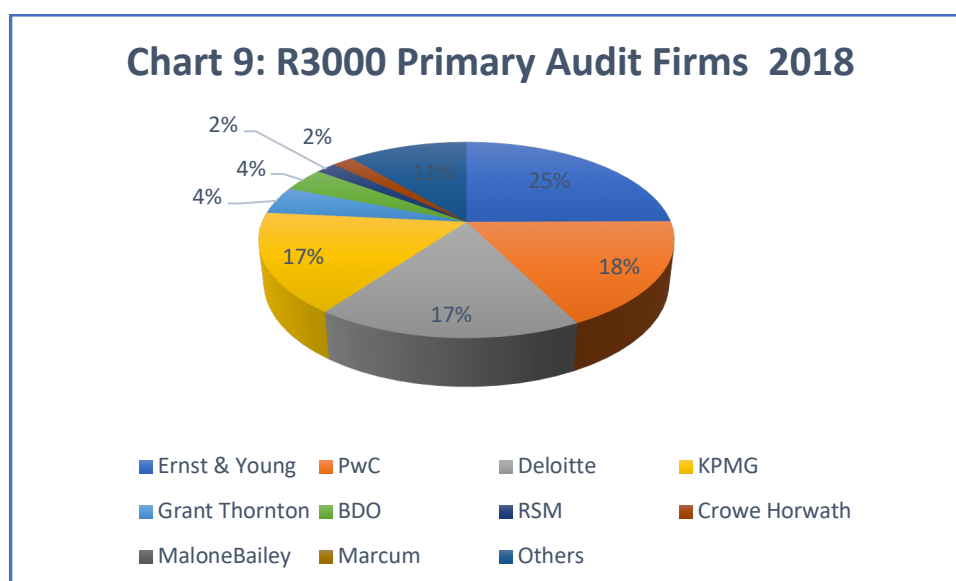
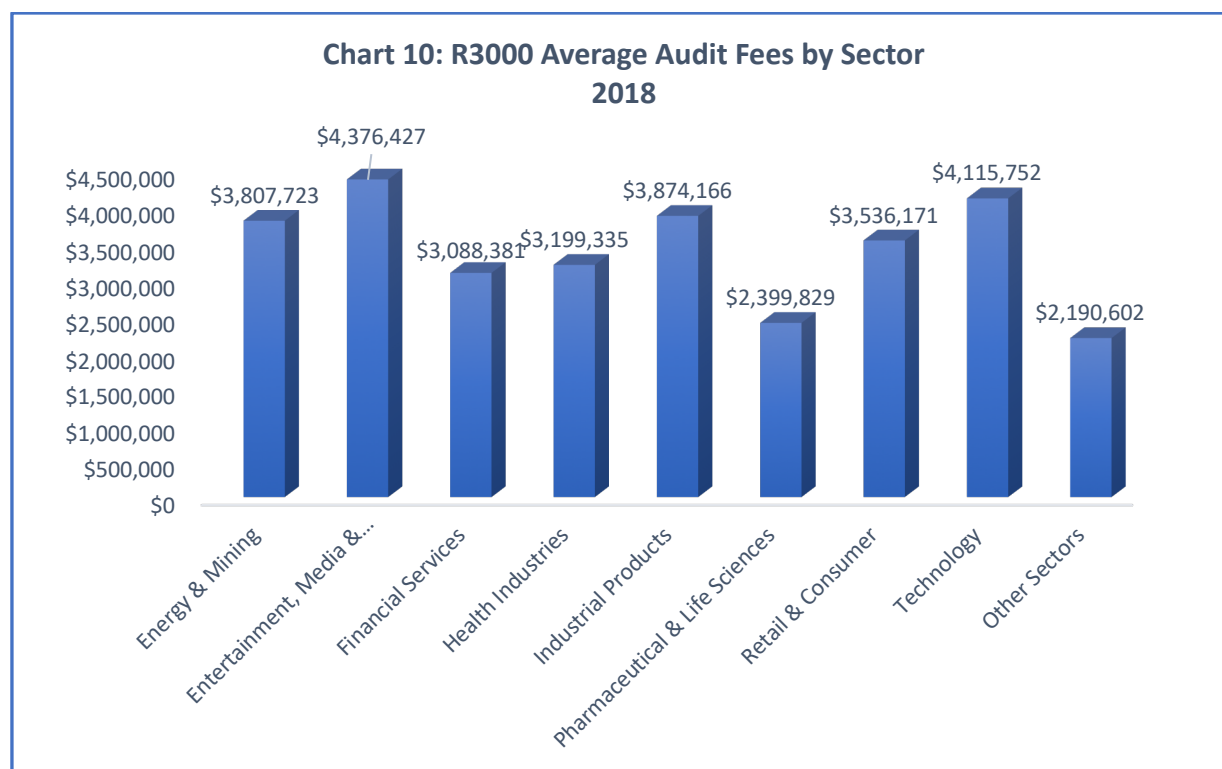


Table 10: R3000 Top Auditors 2011-2018

Firm	2011	2012	2013	2014	2015	2016	2017	2018
Ernst & Young	604	659	712	730	734	737	757	729
PwC	430	459	477	496	519	538	531	510
Deloitte	367	378	406	420	447	494	523	517
KPMG	388	408	442	471	494	509	509	491
Grant Thornton	95	102	102	111	120	133	134	135
BDO	60	71	91	103	117	125	118	114
RSM	*34	*37	*39	34	43	51	52	52
Crowe Horwath	35	33	36	41	51	55	59	56
Malone Bailey	2	3	3	3	3	3	3	3
Marcum	5	8	9	12	15	14	15	14
Others	220	214	214	225	216	230	240	229

\*RSM previously known as McGladrey 2011-2013

**Most Sectors within R3000 Report North of \$3 Million in Average Audit Fees** – Most sectors within the Russell 3000 reported an average audit fee upward of \$3 million. As Chart 10 shows, the only two sectors that did not follow this were Pharmaceutical & Life Sciences as well as Other Sectors.



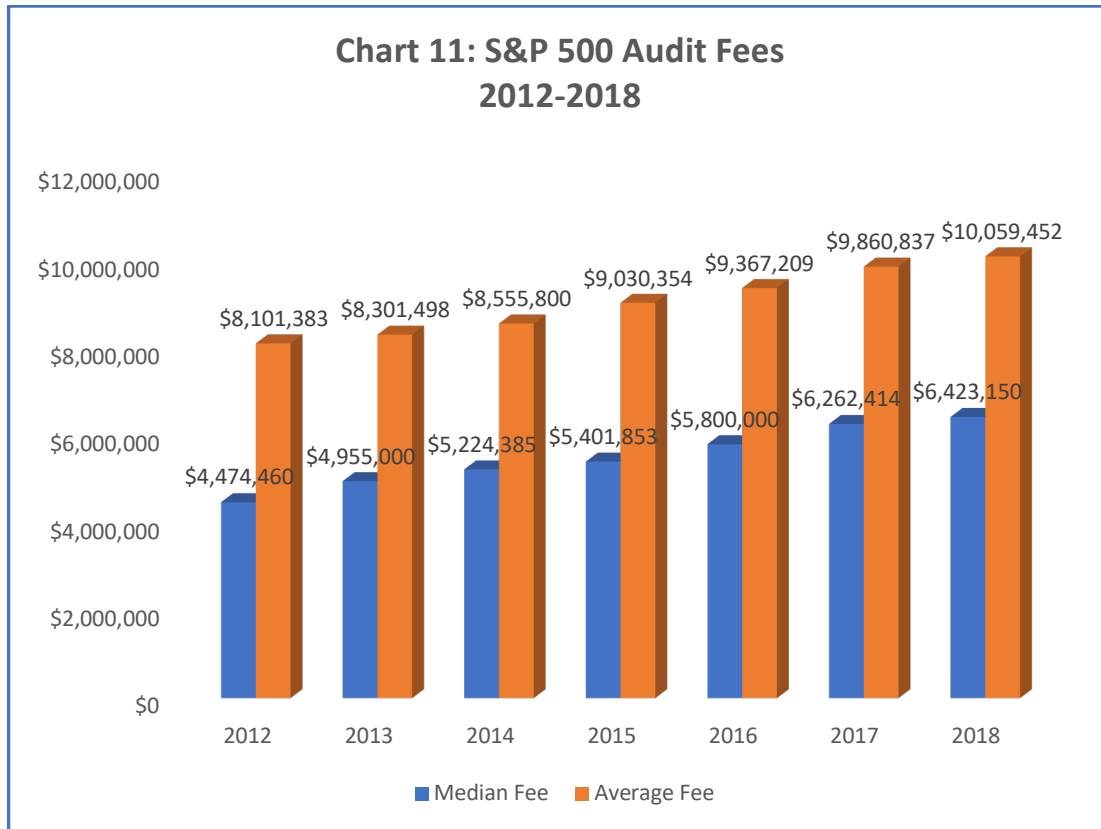
**Average Change in R3000 Audit Fees by Filing Status** – R3000 companies' average audit fees continued their upward trend within all filing statuses except for smaller reporting companies. Table 11 has the breakdown.

Table 11: R3000 Average Audit Fees by Filing Status 2011-2018

	# of Companies	Average Audit Fees	Large Accelerated Filers	Accelerated Filers	Large Filers	Non-Accelerated Filers	Smaller Reporting Companies
2018	2,850	\$3,462,651	\$4,716,348	\$1,196,600	-	\$2,380,088	\$567,747
2017	2,939	\$3,338,837	\$4,554,157	\$1,146,998	-	\$2,270,829	\$624,432
2016	2,889	\$3,133,738	\$4,301,855	\$1,052,388	-	\$1,220,076	\$504,169
2015	2,759	\$3,069,229	\$4,116,715	\$1,044,095	-	\$1,477,473	\$565,449
2014	2,646	\$2,921,570	\$3,879,241	\$994,951	-	\$1,054,409	\$714,534
2013	2,531	\$2,858,273	\$3,775,566	\$946,903	-	\$971,881	\$656,817
2012	2,372	\$2,786,347	\$3,672,982	\$829,546	\$775,337	\$1,120,036	\$550,087
2011	2,240	\$2,743,359	\$3,593,149	\$806,451	\$755,024	\$1,159,119	\$559,411

## Section 5: S&P 500

**Consistent Growth in S&P 500 Audit Fees** – As Chart 11 indicates, both median and averages S&P 500 audit fees can be observed increasing at a similar rate. Over the last seven years both metrics have shown an overall increase of close to \$2 million in audit fees.



**2018 Was The Year with the Lowest Change in S&P 500 Audit Fees of the Last Seven** – As can be observed in Chart 12 and Table 12 below, the recent trend of significant upward pressure on audit fees for the S&P 500 has been interrupted by 2018 where the average increase was cut by a third.

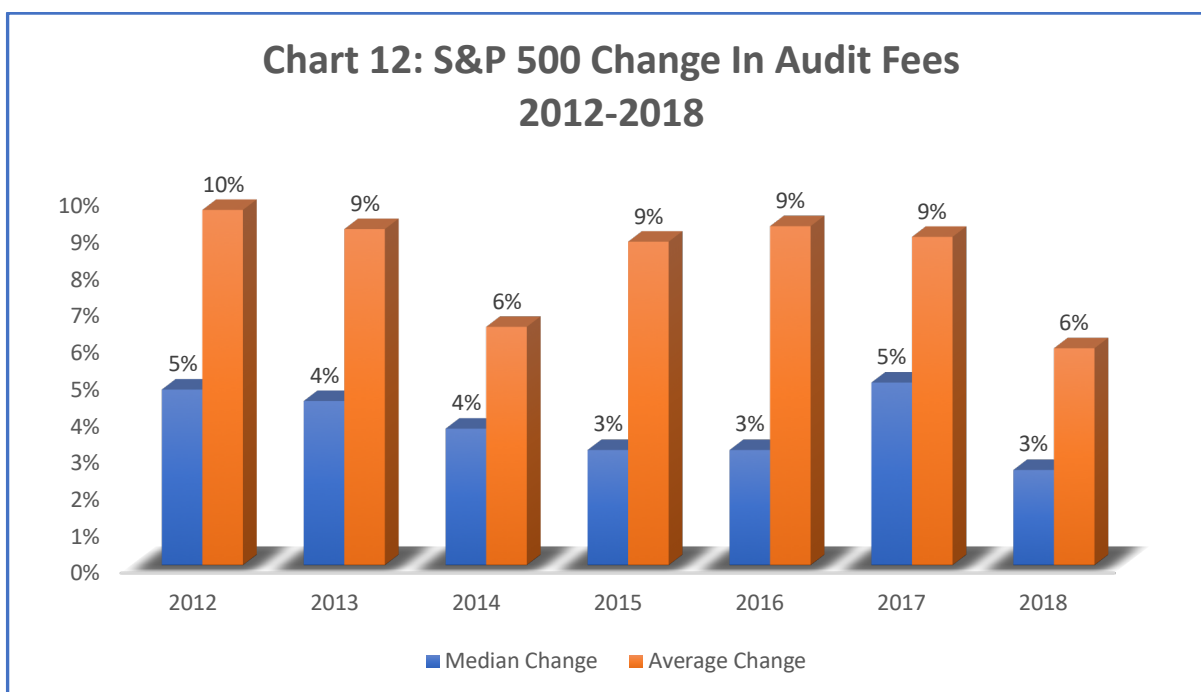


Table 12: S&amp;P 500 Average Change in Audit Fees 2012-2018

Year	Average % Change in Audit Fees
2018	6%
2017	9%
2016	9%
2015	9%
2014	6%
2013	9%
2012	10%

**Primary Audit Firms in the S&P 500** – 99% of S&P 500 companies cite one of the Big Four audit firms as their primary external auditor. Combined, Ernst & Young and PwC served half of S&P 500 companies as presented in Chart 13. This has been a consistent trend over the years as can be observed in Table 13.

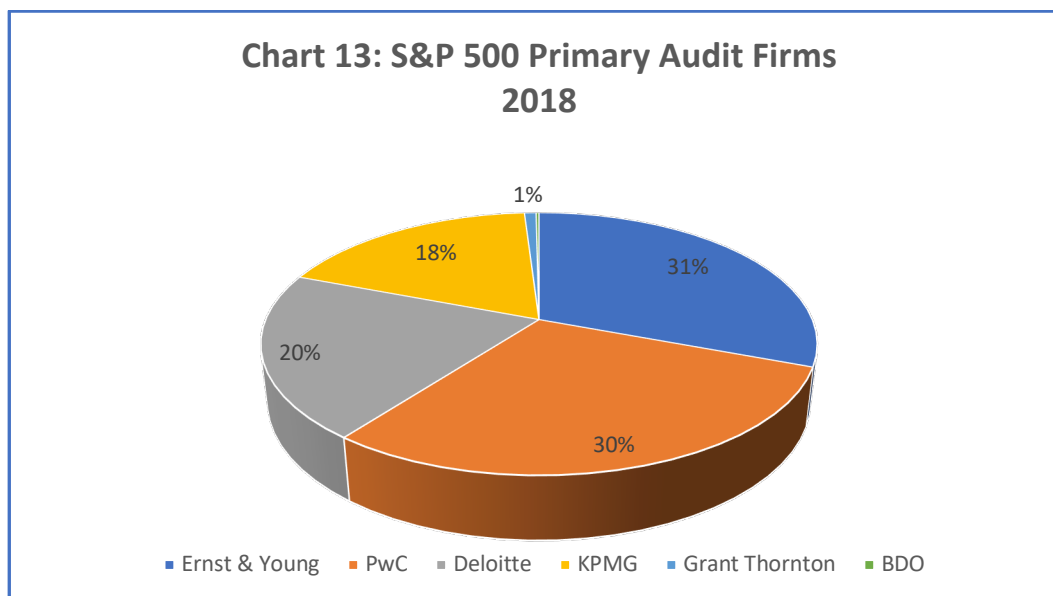
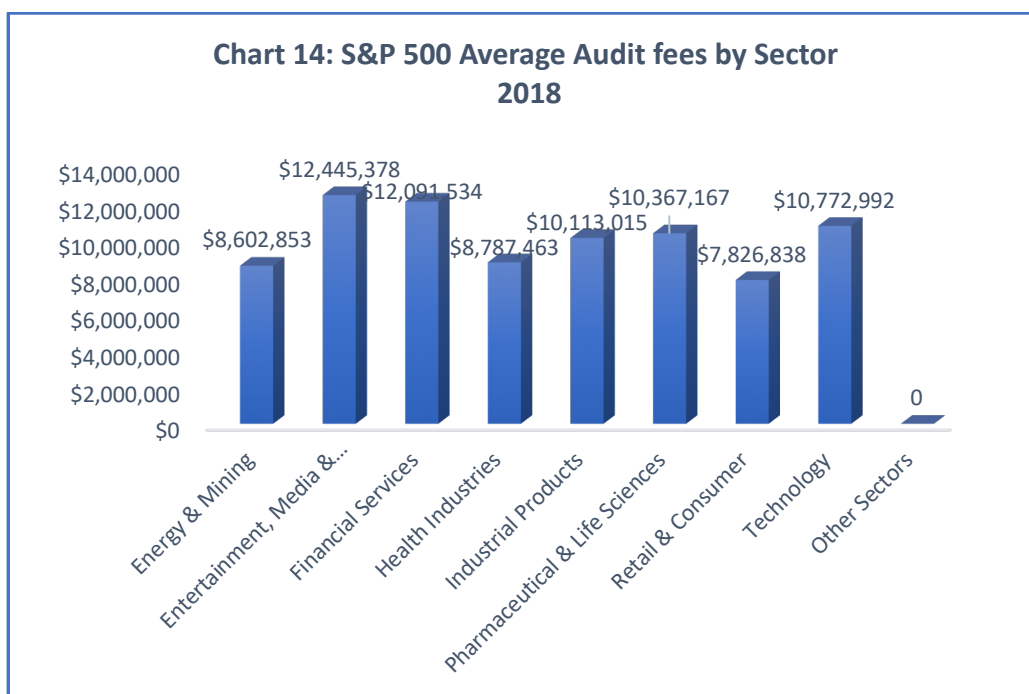


Table 13: S&amp;P 500 Top Auditors 2011-2018

Firm	2011	2012	2013	2014	2015	2016	2017	2018
Ernst & Young	144	148	150	150	151	151	152	152
PwC	125	131	133	137	137	142	147	147
Deloitte	100	99	102	100	100	102	102	101
KPMG	86	87	88	91	89	91	90	90
Grant Thornton	4	4	4	4	4	4	4	4
BDO	1	1	1	1	1	1	1	1

## Entertainment, Media & Communication Reported the Highest Average Audit Fees in 2018 within the S&P 500 – The

Entertainment, Media, & Communications sector reported an average of \$12.5 million in audit fees in 2018, more than \$2 million higher than the index average for the S&P 500. Chart 14 has the details.



**S&P 500 Audit Fees by Filing Status** – Over the last seven years, S&P 500 accelerated filers have consistently reported higher audit fees than their large counter parts. We can also observe that in the year 2018, a non-accelerated filer entered the S&P 500 for the first time in the observed period. Table 14 shows the details.

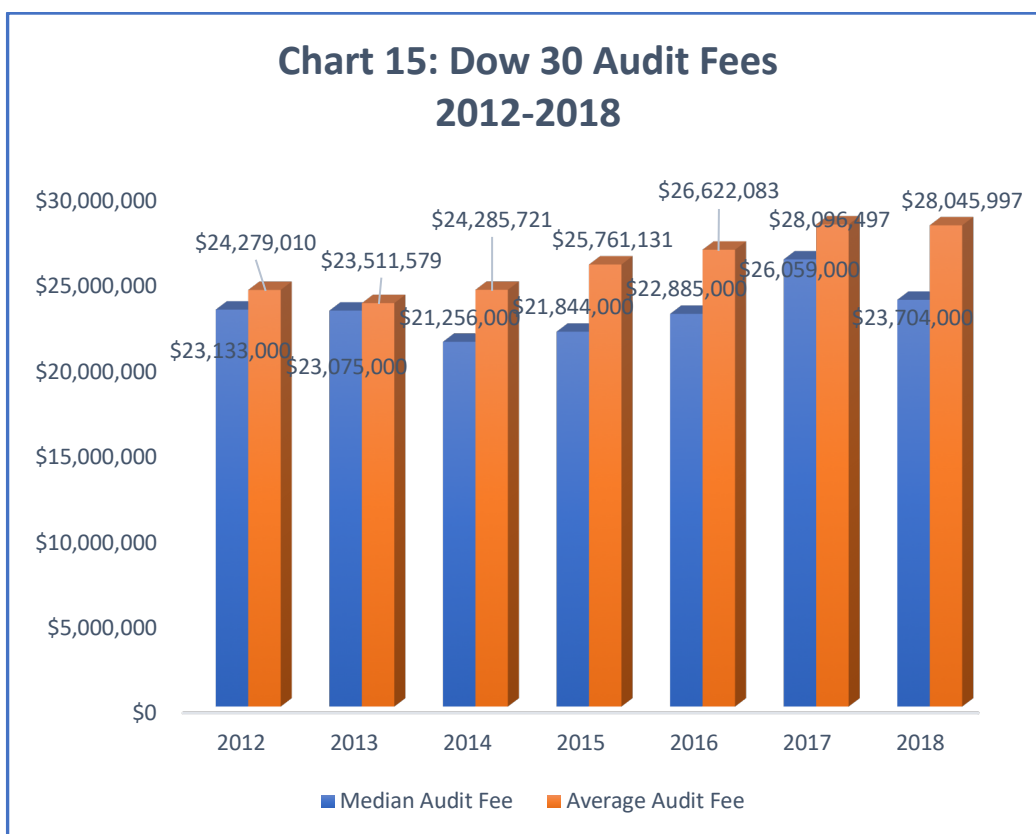
Table 14: S&P 500 Average Audit Fees by Filing Status 2011-2018

	# of Companies	Total	Large Accelerated Filers	Accelerated Filers	Large Filers	Non-Accelerated Filers	Smaller Reporting Companies
2018	486	\$10,059,452	\$10,042,553	\$12,312,805	-	\$6,904,111	-
2017	495	\$9,860,837	\$9,842,137	\$11,697,039	-	-	-
2016	489	\$9,367,209	\$9,360,983	\$9,969,878	-	-	-
2015	482	\$9,030,354	\$9,025,388	\$9,504,158	-	-	-
2014	482	\$8,555,800	\$8,546,651	\$9,428,536	-	-	-
2013	476	\$8,301,498	\$8,290,180	\$9,367,594	-	-	-
2012	469	\$8,101,383	\$8,091,923	\$8,979,296	-	-	-
2011	460	\$7,856,760	\$7,849,720	\$8,659,324	-	-	-



## Section 6: Dow 30

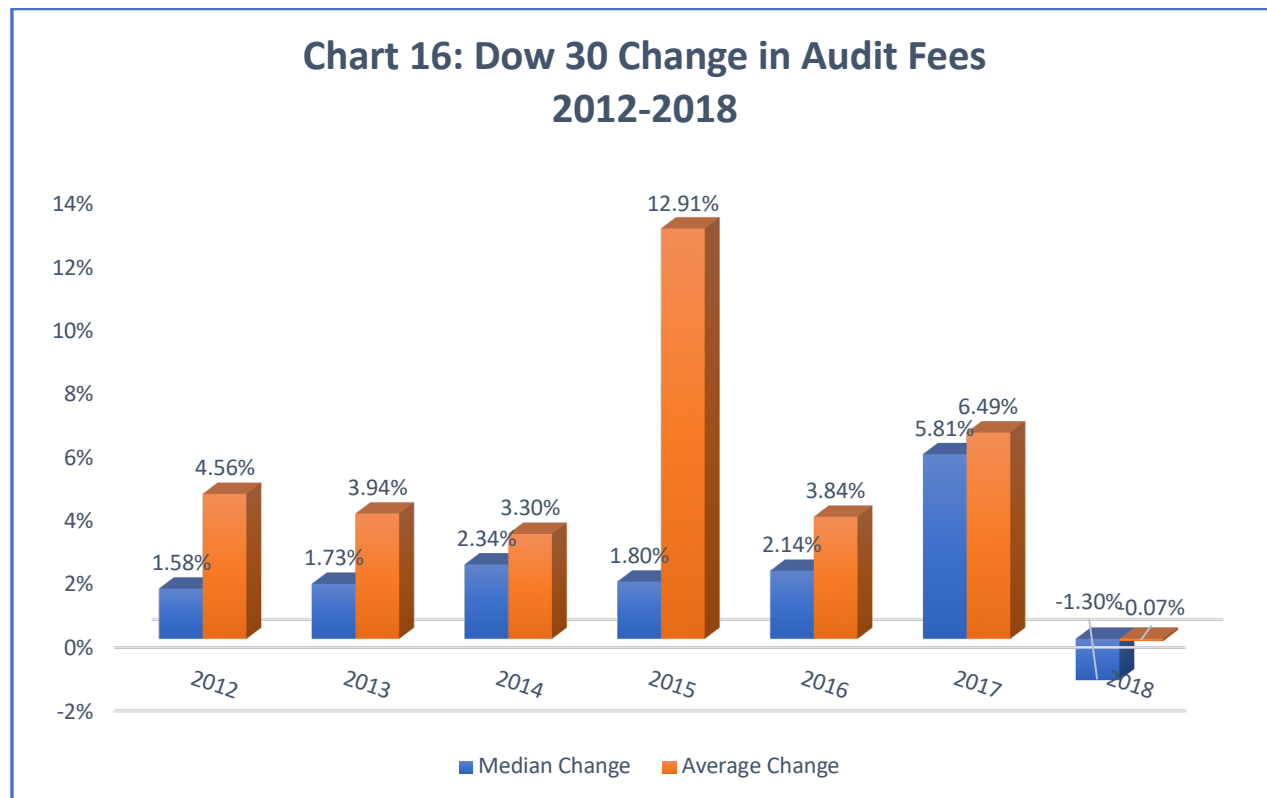
**Dow 30 Audit Fees Trending Upward** – Although from 2012 to 2018 there was only a 2.47 percent increase in the median audit fees within the Dow 30, the average fee paid have increased by a more substantial 16 percent. Chart 15 has the details.



**Dow 30 Companies Saw a General Decrease of Audit Fees in 2018** – Although none of the six years before 2018 saw a decrease in average or median audit fees within the Dow 30, in 2018 most of the companies within the index reported decreases in audit fees. The largest decrease coming from Intel Corp. Table 15 and Chart 16 have the details.

Table 15: Dow 30 Average Change in Audit Fees 2012-2018

	Average % Change in Audit Fees
2018	-0.07%
2017	6.49%
2016	3.84%
2015	12.91%
2014	3.3%
2013	3.94%
2012	4.56%



**The Last Eight Years Have Seen Little to No Change in Dow 30 Auditing Firms** – Since 2011 there has not been any change in the number of Dow 30 companies each big auditing firm is contracted by. The only exception was Deloitte who was contracted by both Dupont and Microsoft as they entered the index raising their number of clients from four to six. Chart 17 and Table 16 have the breakdown.

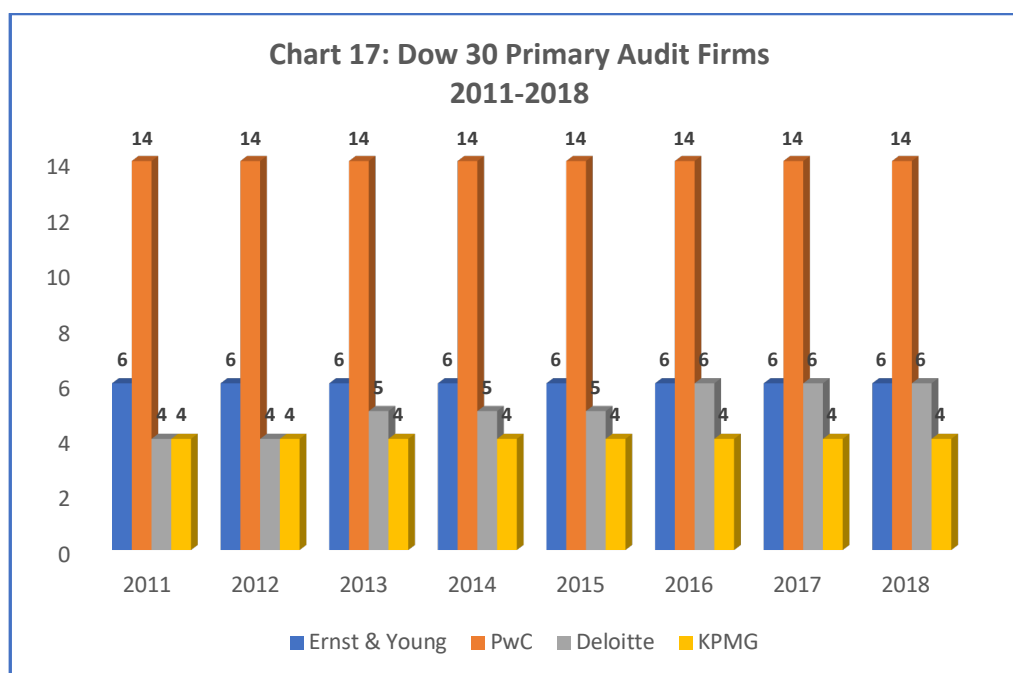
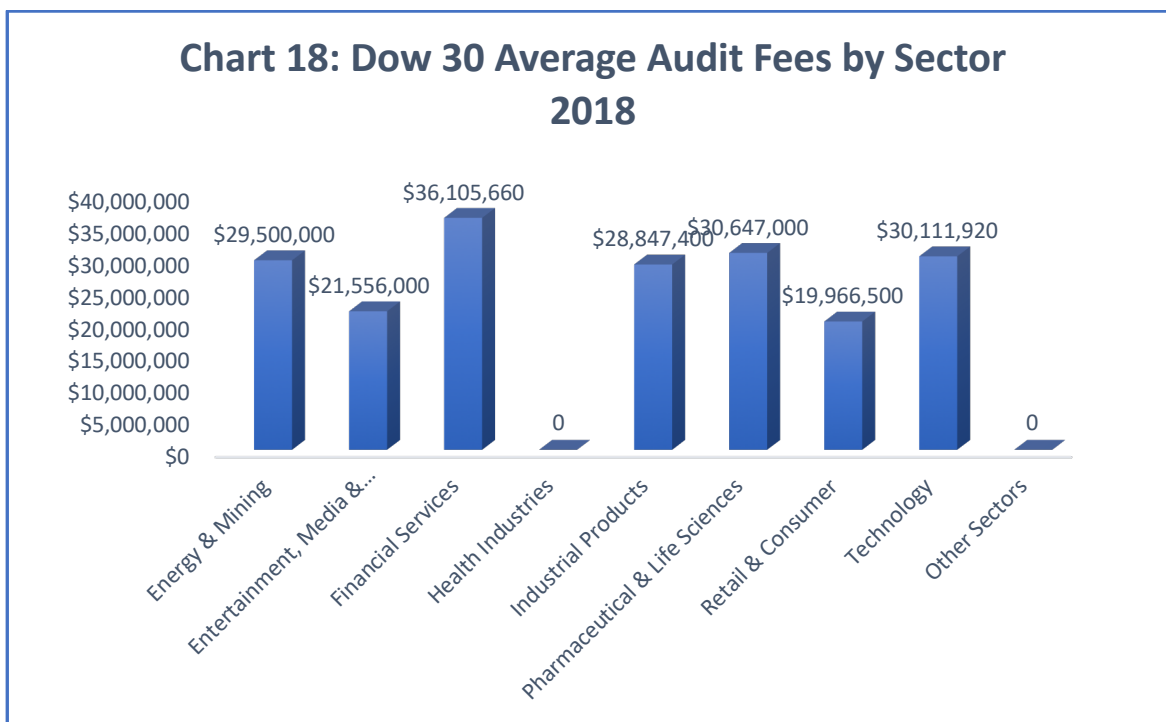


Table 16: Dow 30 Top Auditors 2011-2018

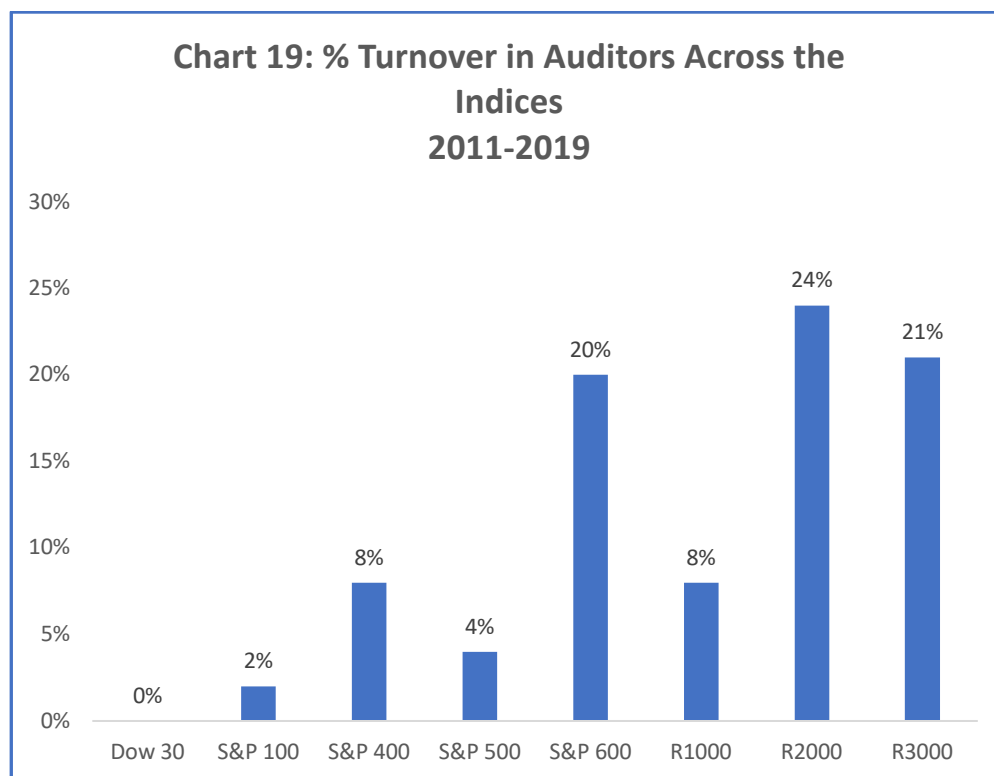
Firm	2011	2012	2013	2014	2015	2016	2017	2018
Ernst & Young	6	6	6	6	6	6	6	6
PwC	14	14	14	14	14	14	14	14
Deloitte	4	4	5	5	5	6	6	6
KPMG	4	4	4	4	4	4	4	4

**Financial Services Companies on Average Were Charged \$6 Million More Than Any Other Sector Within the Dow 30** – The Financial Services sector within the Dow 30 was reported as having audit fees of \$8 million higher than that of the index average, as Chart 18 indicates.



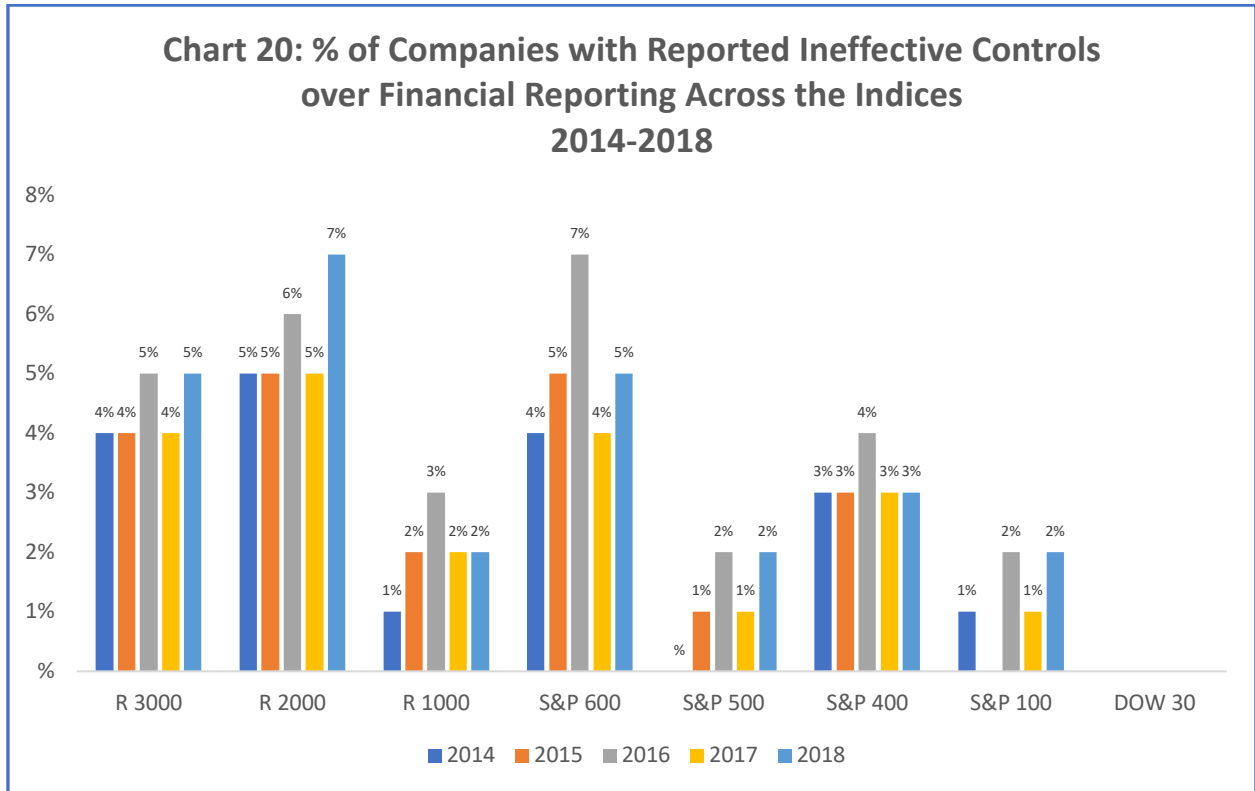
## Section 7: Change in Auditors Across the Indices

**Larger Filers Saw Very Little Changes in Auditors –** As Chart 19 shows, large publicly traded companies had very little turnover in auditors while mid-cap and smaller companies generally had 20% or more change.



## Section 8: Disclosed Ineffective Controls Across the Indices

**Up to 7% of Companies Report Ineffective Controls –** As Chart 20 displays, up to 7% of companies in the Russell 2000 and S&P 600 disclosed ineffective controls over financial reporting during the five-year period of 2014 to 2018. Other indices generally had less than 6% of companies with disclosed ineffective controls.



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  - **Executive Compensation**
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  - **SEC Disclosures**
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  - **Audit Fees.**

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- 3) Benchmarking Financial Footnotes in Annual and Quarterly Filings
- 4) Changes in MD&A Discussion
- 5) Non-GAAP Disclosures and Compliance
- 6) What Has Been the SEC's Focus on Comments?
- 7) ASC 842 Lease Commitments, Early Adopters Trend

### Corporate Governance:

- 1) Director Gender and Diversity
- 2) Are You an Independent Board Member If You Serve More Than 10-15 Years?
- 3) How Much Does a Board of Director Earn Per Meeting?
- 4) Analysis of Shareholder Proposals and Leading Trends
- 5) Risk Oversight and Cyber-Security and Company Boards - Who Is Responsible?

### Executive Compensation:

- 1) CEO Pay Ratio - S&P 500 and Russell 3000 - How Long Does a CEO Work to Earn a Median Employee's Annual Pay?
- 2) What Is the CFO Pay-Ratio and How Does It Compare with the CEO Pay-Ratio?
- 3) Pay Elements of CEO and CFO Compensation Across Large Cap, Mid-Cap and Small-Cap Companies

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