

***Independent review into the quality and
effectiveness of audit***

**Summary of individual responses from 32,509 members of the public,
surveyed by 38 Degrees**



Executive summary

There has been increased public scrutiny of the auditing industry in the wake of several high-profile company failures in recent years. The collapse of Carillion, BHS and other companies have made many members of the public aware that they are stakeholders, whose jobs, savings and public infrastructure are dependent on high quality audit practices.

38 Degrees therefore welcomed the opportunity for the public to have their say in the independent review of the industry led by Sir Donald Brydon. Properly reforming the industry begins by understanding the public's expectation of audit and how it might differ from that of other stakeholders.

For that reason, 38 Degrees have sought the views of the public, including business owners and shareholders, through an online survey. The survey sought to gauge the public's expectations on the scope of an audit, how auditing companies should conduct themselves and to what extent government intervention would be supported to make this a reality.

In total, 32,509 people responded to the survey. 9.5% of respondents are current or former business owners, and 33.5% own shares in a company.

- 93% of respondents believe that when an auditor is checking another company's accounts it should take the interests of the public and taxpayers into account.
- 90.5% answered that the government have "a lot" of responsibility to ensure the auditing industry works for the public.
- 98% of respondents answered that they believe an auditing company should be required to report it if they believe a business is at serious risk of collapse.

Methodology

The Brydon Review is broad in scope. The 38 Degrees survey sought to discern the public's expectation of the scope of an audit, whose interests should be taken into account and how auditing companies should conduct themselves in specific circumstances.

38 Degrees devised a ten-question survey, which sought to gauge the public's expectation of the scope, role, and regulation of the auditing industry. In a final open text question, respondents were given the opportunity to expand on their views. A sample of responses are provided below in the "Results" section.

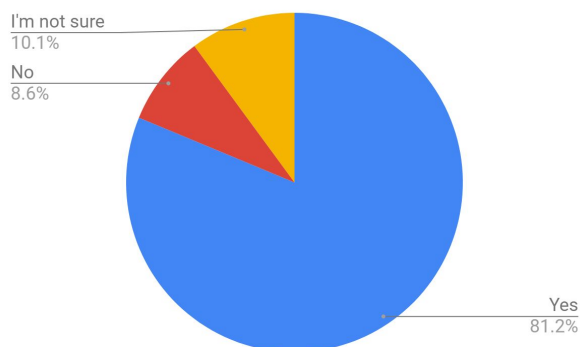
The survey was promoted to the 38 Degrees membership in the UK. People responded from all 650 Westminster UK parliamentary constituencies. One third of respondents told us they were share-holders. 9.5% of those surveyed own, or have previously owned, businesses that require auditing.

For questions in which respondents were asked to choose from a number of options, the order in which these options appeared were randomised. To ensure that each respondent's views were only counted once, 38 Degrees discounted multiple submissions from the same email address. None of the questions were mandatory. Some respondents chose not to respond to every question.

Results

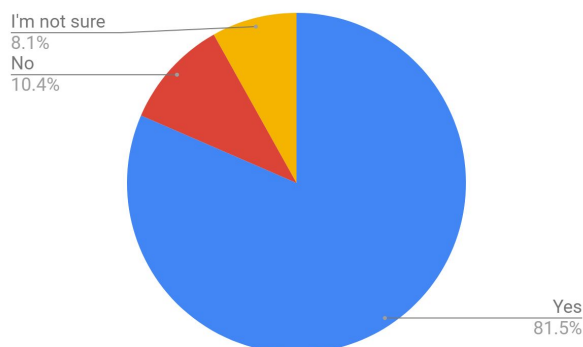
Question 1: *Do you think the government should do more to prevent companies like Carillion from collapsing?*

- **81.2%** of respondents answered “yes” (26408 in total)
- **9.6%** of respondents answered “no” (2805)
- **10.1%** of respondents answered “I’m not sure” (3296)



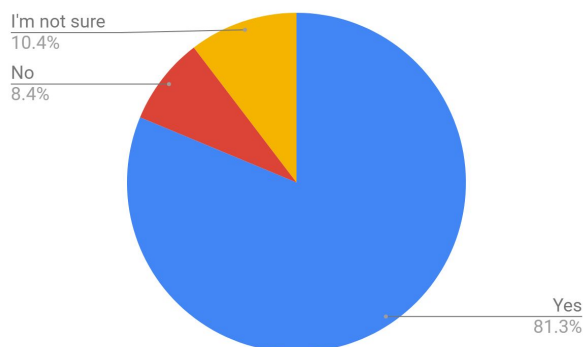
Among business owners, the breakdown was:

- **81.5%** of respondents answered “yes” (2458)
- **10.4%** of respondents answered “no” (313)
- **8.1%** of respondents answered “I’m not sure” (245)



Among share-holders, the breakdown was:

- **81.3%** of respondents answered “yes” (8696)
- **8.4%** of respondents answered “no” (895)
- **10.4%** of respondents answered “I’m not sure” (1109)



Question 2: *When an auditor is checking another company's accounts, whose interests should they take into consideration?*

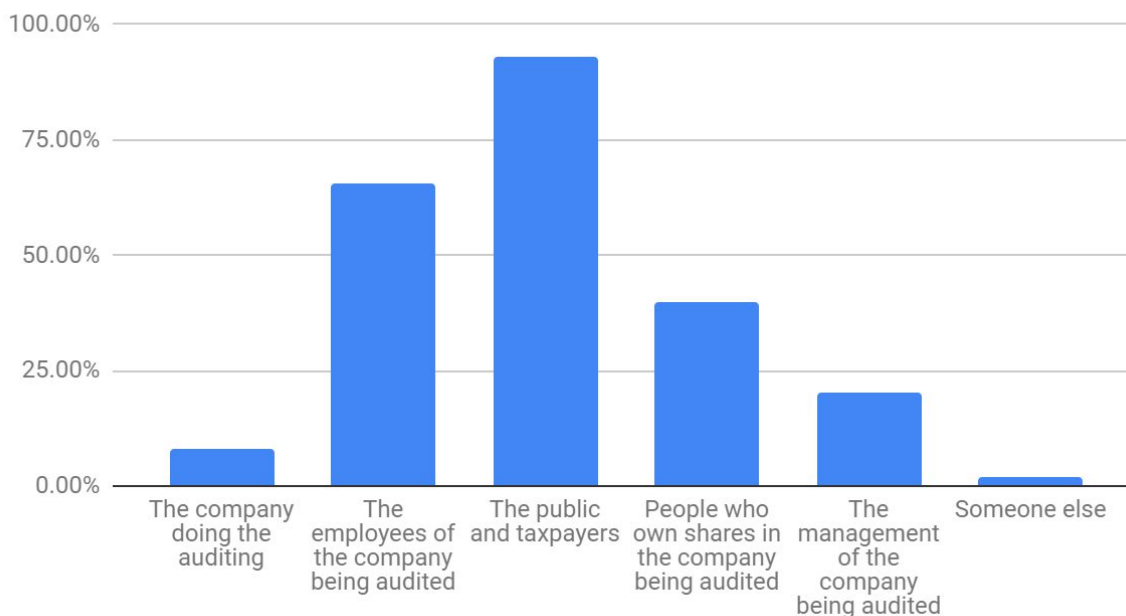
Survey takers were given the following options:

- a) The company doing the auditing
- b) The employees of the company being audited
- c) The public and taxpayers
- d) People who own shares in the company being audited
- e) The management of the company being audited
- f) Someone else

Respondents were permitted to choose as many as they like. The results broke down this way:

	a)	b)	c)	d)	e)	f)
Total	8%	65%	93%	40%	20%	2%
Business owners	8%	69%	90%	47%	21%	3%
Share-holders	7%	61%	93%	52%	21%	2%

Question 2: TOTAL



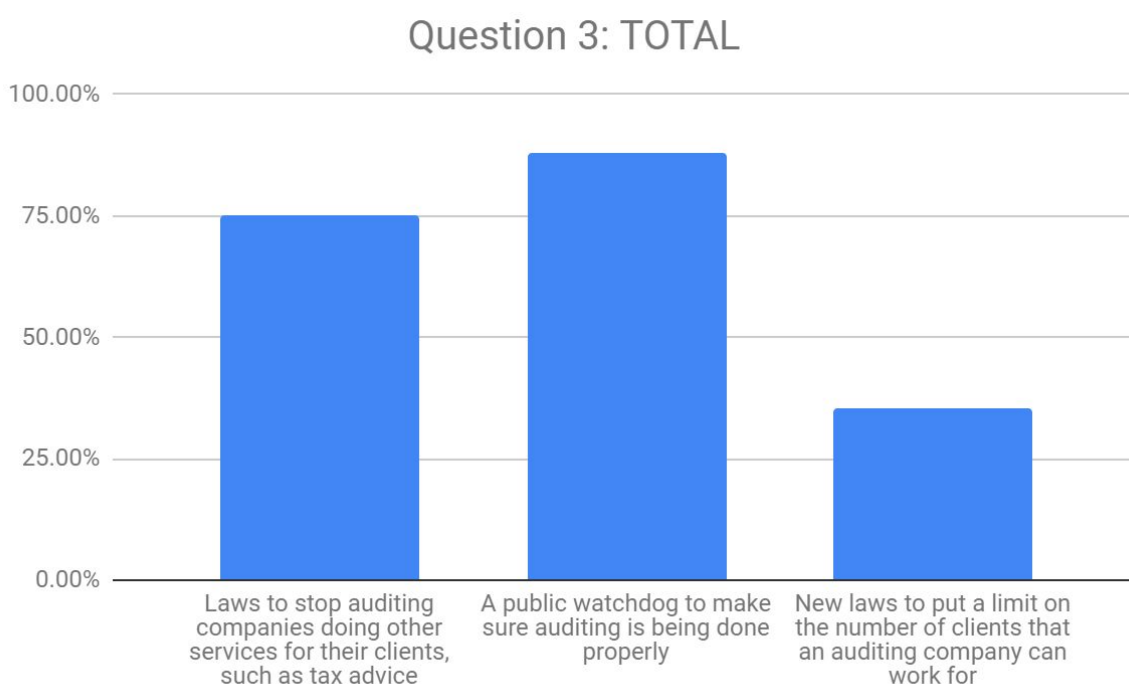
Question 3: *Do you believe that any of the following steps would help the auditing industry to better serve the public good?*

Survey takers were given the following options:

- a) Laws to stop auditing companies doing other services for their clients, such as tax advice
- b) A public watchdog to make sure auditing is being done properly
- c) New laws to put a limit on the number of clients that an auditing company can work for

Respondents were permitted to choose as many as they like. The results broke down this way:

	a)	b)	c)
Total	75%	88%	36%
Business owners	73%	84%	30%
Share-holders	78%	85%	32%



Question 4: *How much responsibility do you think the following groups have to make the auditing industry work for the public?*

Auditing companies

- **90.5%** answered “a lot” of responsibility
- **7.1%** answered “a bit”
- **2.3%** answered “none at all”

Independent watchdogs

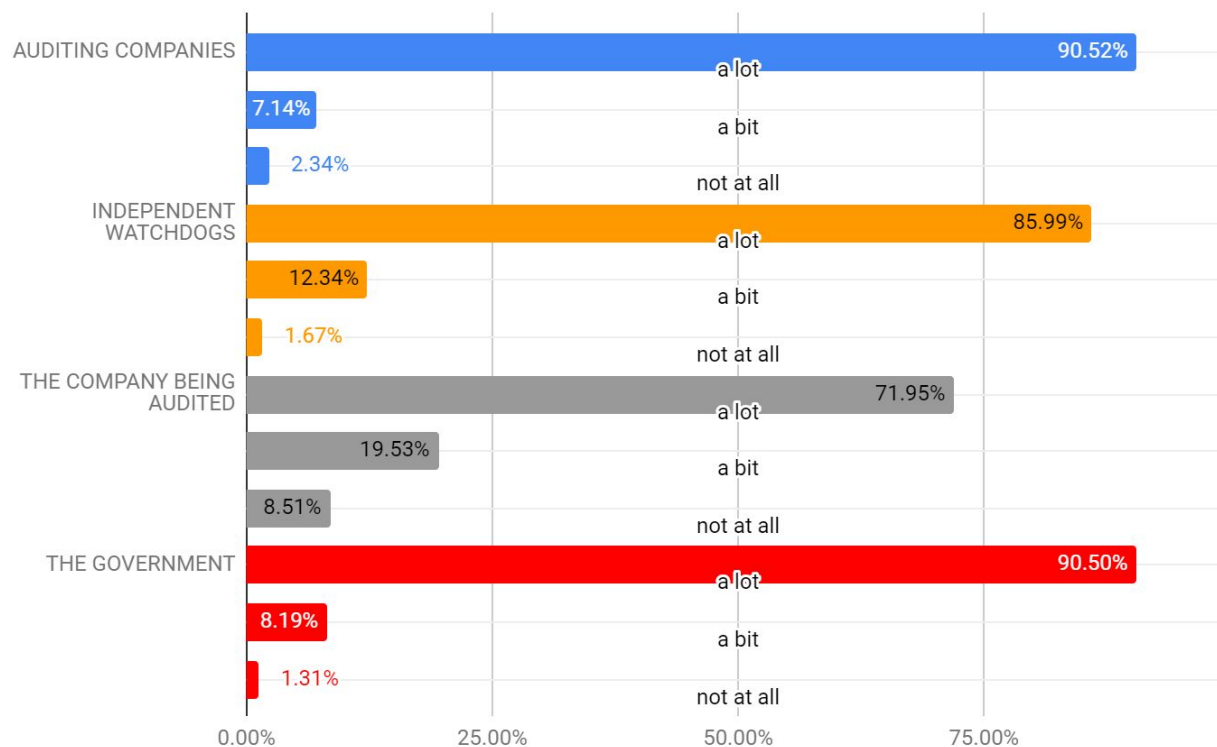
- **86.0%** answered “a lot” of responsibility
- **12.3%** answered “a bit”
- **1.7%** answered “none at all”

The companies being audited

- **72.0%** answered “a lot” of responsibility
- **19.5%** answered “a bit”
- **8.5%** answered “none at all”

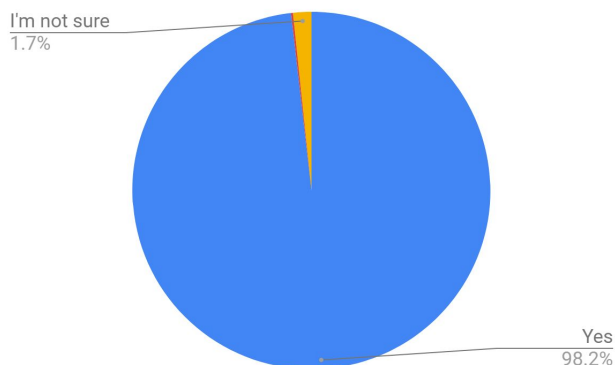
The government

- **90.5%** answered “a lot” of responsibility
- **8.2%** answered “a bit”
- **1.3%** answered “none at all”



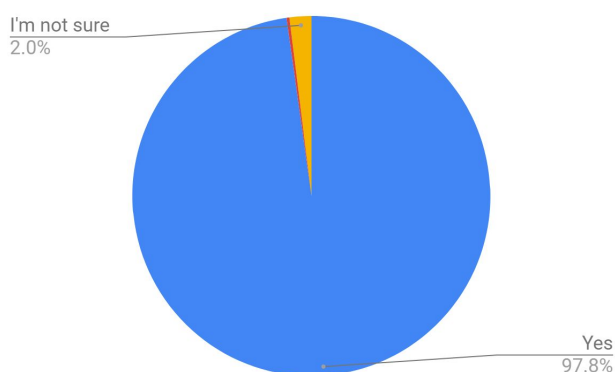
Question 5: *Do you think an auditing company should have to report it if they believe a business is at serious risk of collapse?*

- **98.2%** of respondents answered “yes” (32144 in total)
- **0.1%** of respondents answered “no” (58)
- **1.7%** of respondents answered “I’m not sure” (542)



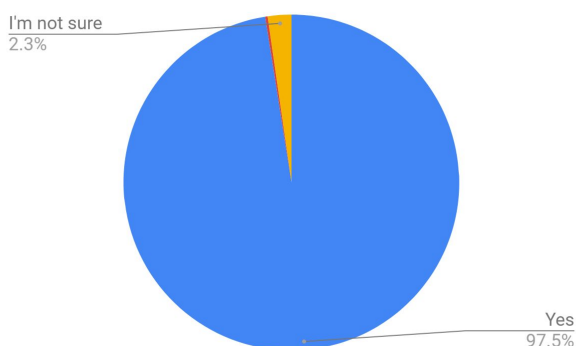
Among business owners, the breakdown was:

- **97.8%** of respondents answered “yes” (2871)
- **0.2%** of respondents answered “no” (8)
- **2%** of respondents answered “I’m not sure” (60)



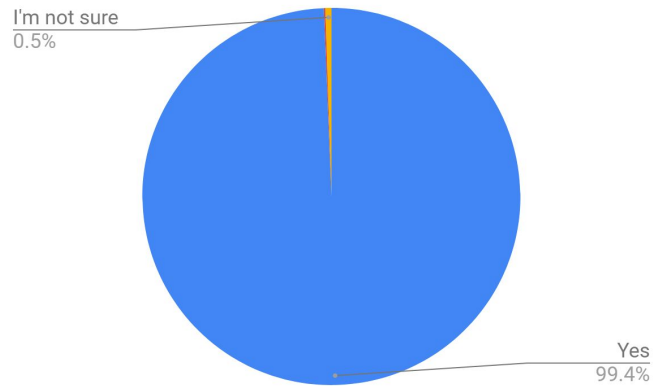
Among share-holders, the breakdown was:

- **97.5%** of respondents answered “yes” (10463)
- **0.2%** of respondents answered “no” (25)
- **2.3%** of respondents answered “I’m not sure” (245)



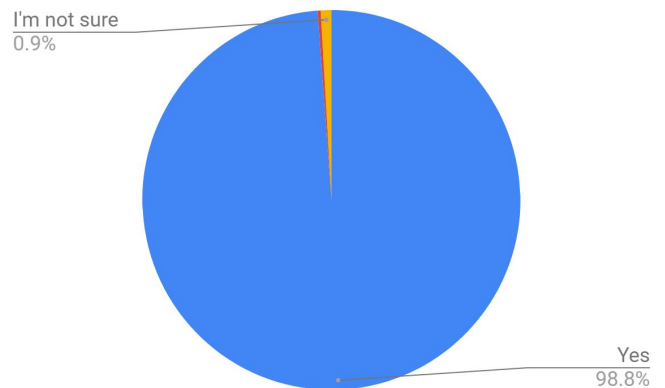
Question 6: *Do you think an auditing company should have to report it if they believe a business is breaking the law?*

- **99.4%** of respondents answered “yes” (32582)
- **0.1%** of respondents answered “no” (39)
- **0.5%** of respondents answered “I’m not sure” (173)



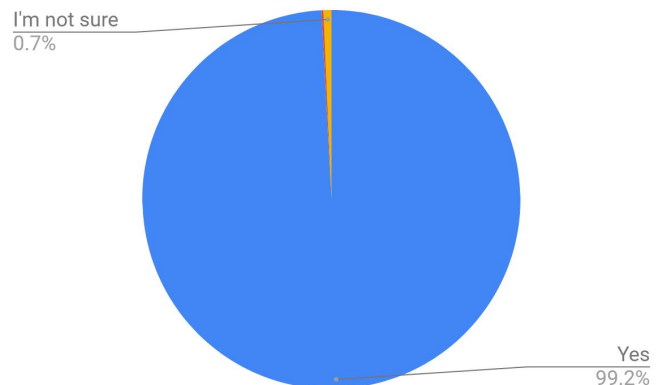
Among business owners, the breakdown was:

- **98.8%** of respondents answered “yes” (3014)
- **0.3%** of respondents answered “no” (8)
- **0.9%** of respondents answered “I’m not sure” (28)



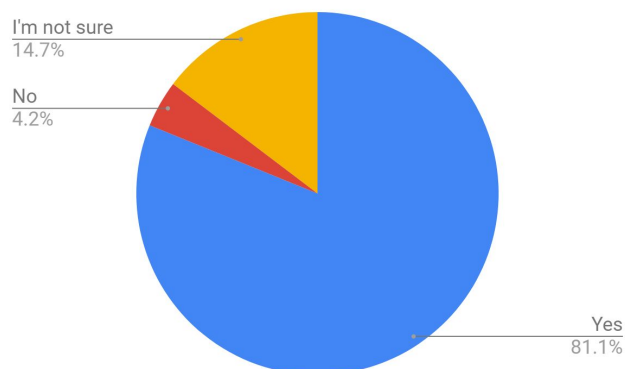
Among share-holders, the breakdown was:

- **99.2%** of respondents answered “yes” (10738)
- **0.1%** of respondents answered “no” (16)
- **0.7%** of respondents answered “I’m not sure” (75)



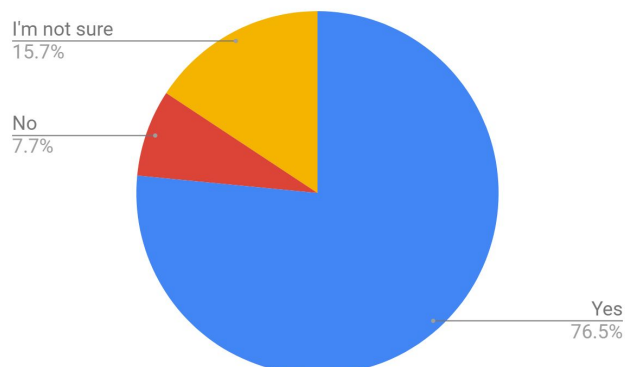
Question 7: *Do you think companies should have their environmental and social activities audited, as well as their financial activities?*

- **81.1%** of respondents answered “yes” (26574)
- **4.2%** of respondents answered “no” (1369)
- **14.7%** of respondents answered “I’m not sure” (4809)



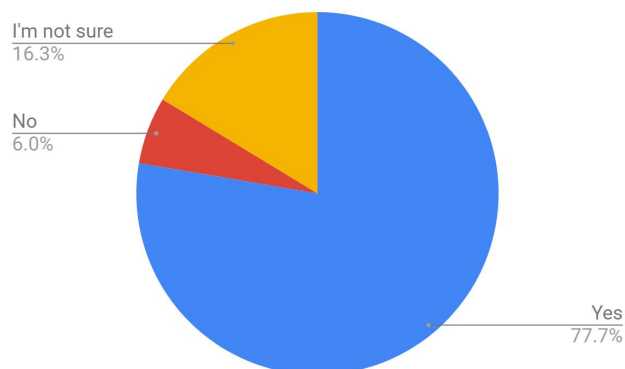
Among business owners, the breakdown was:

- **76.5%** of respondents answered “yes” (2335)
- **7.7%** of respondents answered “no” (236)
- **15.7%** of respondents answered “I’m not sure” (480)



Among share-holders, the breakdown was:

- **77.7%** of respondents answered “yes” (10738)
- **6.0%** of respondents answered “no” (16)
- **16.3%** of respondents answered “I’m not sure” (75)



Question 8: *Do you own, or have you ever owned, a business that requires regular auditing?*

- 9.5% of respondents answered “yes” (3063)
- 90.5% of respondents answered “no” (29645)

Question 9: *Do you own shares in a company?*

- 33.5% of respondents answered “yes” (10844)
- 66.5% of respondents answered “no” (21774)

Question 10: *Can you tell us why this issue is important to you?*

“Auditors or the directors of a company have a legal responsibility to ensure that the company is a going concern. This should be an explicit requirement when bidding for public projects or projects where public interest is concerned.”

- Neil, Fareham

“The collapse of Carillion and such companies can have a profound knock-on effect to employees and public alike and it should be the auditors’ responsibility to ensure that the people running these companies are being honest and legal ... in their running of the company.”

- Danny, London

“The auditing process is the only defence suppliers, customers and shareholders have against dishonest and fraudulent practices. It is vital that it is totally independent, completely transparent and free from any conflict of interest.”

- David, Leeds

“Shareholders deserve honesty when they invest money in a company - we all invest directly or indirectly, such as our pension funds.”

- Ha, Taunton

“I’m a director of a small industrial painting company. It seems to me that large construction companies, some of whom are carrying out important infrastructure projects, are able to act largely unregulated. Far too often, small business and sub contractors are left unpaid when these companies fold ... small businesses are the backbone of the UK economy and we should be more protected as well as the taxpayer...”

- Faye, Vale of Clwyd

“Big businesses should be accountable and rigorously audited by totally independent auditors. At the moment too much auditing is concentrated in too few big firms which also seem able to work for those firms in another capacity.”

- Mark, Shipley

“The privatisation of services by the Government has made increasing numbers of people vulnerable to company collapse. If the public purse provides the safety net for service users and employees, auditors need to look at those aspects to prevent taxpayers having to pick up the pieces.”

- Jo, Lancaster

Conclusions

32,509 people took part in this survey, sharing their views with the Brydon Review. The scale of public engagement suggests strong public interest in reforming the auditing industry.

The results suggest a large gap in expectations between the public's ideal audit and the current situation. The results show strong public appetite for:

- Stronger regulation and government intervention in the auditing industry;
- An auditing industry that takes into consideration the public and taxpayers, as well as the employees of the company being audited;
- A greater role for auditing companies in regulating and reporting signs of imminent collapse;
- A broadening of the scope of an audit, to include the auditing of companies' environmental and social activities.

The results were similar among shareholders and those in the business community who took the survey.

It is further evidence that the public regard themselves as stakeholders, and believe that auditing should be conducted with their interests in mind. The present realities of the auditing industry clearly fall well short of public expectations. It is likely that there will be increased public scrutiny unless the government brings forward bold legislative changes to meet these expectations.



38 Degrees puts power in more people's hands.

Who we are

38 Degrees is made up of 2 million people across the UK who come from all walks of life, from farmers in Aberdeenshire to nurses in Cornwall. The 2 million of us who take part in campaigns come from very different backgrounds, voted differently in the EU referendum and vote for all political parties and none, but we all agree that politics works better when more of us get involved.

We have small office teams in London and Edinburgh, but it's when thousands of us come together that we make real change happen.

What we do

38 Degrees provides people with more ways to make their voices heard on issues they care about. From signing petitions and emailing our representatives, to crowdfunding groundbreaking research and meeting politicians face-to-face, together, we make sure we're heard. We run campaigns to make Britain a better and fairer place to live - and we make a difference, from saving local libraries, to tackling plastic pollution and standing up for our NHS so that it can care for us for generations to come.

Why do we exist

We believe democracy is about more than voting every five years. 38 Degrees uses technology to make it easier for people to contact politicians and companies, and to hold them to account. We want people to feel like politics doesn't happen **to** them, but that they are part of the process.

Who funds us

We are completely independent, funded by tens of thousands of small donations from people who have taken part in our campaigns.