The Consulting and Audit Landscape

What Organizations Pay For
and What They Get

STRUCTURAL ANALYSIS
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Contents

Executive Summary 3

I. The Scale of the Industry 4

1 What Organizations Spend 4

2 What Organizations Expect 4

II. What Consulting Delivers 5

3 The Failure Rate Question 5

4 What Controlled Research Shows 5

5 What Clients Report 6

6 Why Recommendations Do Not Hold 6

7 The Accountability Gap 7

III. What Auditing Catches and What It Misses 8

8 What Audits Test 8

9 The Deficiency Rate 8

10 The Going-Concern Gap 8

11 The Structural Conflict 9

12 When Clean Audits Precede Collapse 9

13 The Expectation Gap 10

14 The Enforcement Pattern 10

IV. The Structural Gap 12

15 What These Services Accomplish 12

16 What Neither Tests 12

17 The Evidence Pattern 12

18 The Question This Report Leaves Open **13**

Sources **14**

QSIA^{TM} Methodology Note

Most assessments of consulting and audit effectiveness measure client satisfaction, revenue growth, or compliance pass rates. This report asks a different question: what does the evidence show about the gap between what these services test and what organizations actually need tested?

This report applies the research standards of QSIA^{TM} (QuantoMathics^{TM} Structural Integrity Audit), a structural integrity methodology developed by the author; see `https://qsia.us`. Quantitative claims are sourced at point of first use. Where a widely cited statistic lacks verified empirical foundation, that is noted. Where a claim is analyst interpretation rather than a documented finding, the distinction is marked in the text. Statistics that could not be traced to a primary source have been replaced with qualitative characterizations or presented with explicit qualification. All data in this report is current as of the date of publication.

Executive Summary

Organizations worldwide spend over $700 billion annually on consulting and audit services. Estimates place the global consulting market between $320 and $470 billion; the audit market between $225 and $277 billion (sources vary: Fortune Business Insights, Zion Market Research, Market Data Forecast, Verified Market Research; all 2024). These are the two primary external mechanisms organizations use to evaluate their own health and improve their performance.

The evidence on what this spending produces is troubling.

Peer-reviewed research finds no measurable improvement from management consulting in the largest controlled study to date: $7.8 billion spent by nonprofit hospitals over 14 years, with no detectable change in financial, operational, or quality outcomes (JAMA, 2026). Regulatory data shows that 20 to 46 percent of audits fail to obtain sufficient evidence to support the opinions they issue (PCAOB, 2010–2024). Three-quarters of companies that went bankrupt had received audit reports with no going-concern warning (University of Sheffield Audit Reform Lab, 2024). Organizations that passed every compliance test have subsequently collapsed, been fined billions, or caused preventable harm.

The conventional explanation for these failures is execution: poor implementation, insufficient buy-in, inadequate scope. This report examines a different possibility: the failures are structural. Consulting tests what should be done. Auditing tests what was reported. Neither tests whether the system producing those results can sustain itself.

This report documents the evidence for the existence and cost of that gap.

I. The Scale of the Industry

1. What Organizations Spend

Estimates of the global management consulting market range from approximately $320 billion to $470 billion in 2024, depending on scope and methodology, with projected growth to approximately $470–720 billion by the early 2030s at 4–6% annually (Fortune Business Insights; Zion Market Research; Custom Market Insights). North America represents roughly one-third of the total.

Multiple sources place the global audit and assurance market between $225 and $277 billion in 2024, with projected growth to approximately $340 billion by the early 2030s (Fortune Business Insights; Market Data Forecast; Verified Market Research).

The Big Four accounting and advisory firms (Deloitte, PwC, EY, KPMG) alone reported combined revenue exceeding $212 billion in 2024 and employed more than 1.5 million people worldwide (Statista, based on firm disclosures). Deloitte led at $67 billion in revenue; PwC followed at $55.4 billion.

Fortune 500 companies typically spend 1–3% of revenue on consulting, averaging $100–150 million per firm (ConsultingQuest; Management Consulted).

2. What Organizations Expect

Organizations engage consultants for strategic direction, operational improvement, and transformation support. They engage auditors for assurance: confirmation that what was reported is accurate and that the organization complies with applicable standards.

Both services carry an implicit promise: after the engagement, the organization will be better informed, better governed, or better positioned than before.

The question is whether the evidence supports that promise.

II. What Consulting Delivers

3. The Failure Rate Question

The most widely cited statistic in the consulting industry is that 70% of consulting projects fail. The number appears in McKinsey publications, industry commentary, and client-side critiques. It has become an accepted truth.

It is also unverified.

Candido and Santos (2015), in a peer-reviewed meta-analysis published in the *Journal of Management and Organization*, examined the empirical basis for claims that 50–90% of strategic initiatives fail. Their conclusion: most estimates are "based on evidence that is outdated, fragmentary, fragile, or just absent." The true rate "remains to be determined."

The 70% figure attributed to John Kotter (*Leading Change*) was examined by Hughes (2011) in the *Journal of Change Management*, who found "no reliable evidence to support the assumption." Each source citing the number either stated it without evidence or cited another source that stated it without evidence.

This finding is itself structurally significant: the industry's most-repeated claim about its own performance has no verified empirical foundation. This does not mean the true rate is low; it means we do not know it, and the industry continues to trade on a number that has no empirical basis. Candido and Santos explicitly attempted to synthesize available empirical estimates and concluded they could not produce a trustworthy rate.

4. What Controlled Research Shows

The strongest empirical evidence on consulting effectiveness comes from a 2026 JAMA study examining nonprofit hospital consulting.

The study analyzed 2,343 nonprofit hospitals over 14 years (2009–2023). More than 20% of these hospitals hired management consultants, spending an average of $15.7 million each, for a total exceeding $7.8 billion. Including HR and IT consultants, total spending exceeded $25 billion.

The finding: "no evidence of meaningful changes in hospital finances, operations, or quality of care associated with engagement of management consultants." Across metrics such as net patient revenue, operating margin, days of cash on hand, and readmission and mortality rates, estimated effects were close to zero, with the only statistically detectable change a small increase in stroke readmissions: a negative effect (JAMA, 2026; University of Chicago Medicine).

This is a peer-reviewed, large-scale cohort study published in one of the world's leading medical journals. It is the first study of its kind, and its conclusion is direct: the spending produced no detectable improvement.

Industry studies of technology-driven consulting tell a parallel story, though without the same peer-reviewed rigor. BCG's analysis of 850 large digital transformations found that only about 30% achieved or exceeded their target value; the rest underperformed or failed to deliver planned benefits (BCG, 2022). The Standish Group's CHAOS reports, analyzing over 50,000 IT projects across decades, classify only 30–35% as "successful," with the remainder challenged or failed (Standish Group, 2020). These are industry studies, not controlled research, and their methodologies have been debated. But the direction is consistent with the JAMA finding: a substantial majority of consulting-guided initiatives do not produce the outcomes they promise.

5. What Clients Report

Industry research confirms the pattern from a different angle. Source Global Research, a firm specializing in consulting sector analysis, reports that only about half of clients believe consultancies add value above the fees they charge. CEO Fiona Czerniawska describes this as "a longstanding gap" that "comes back to haunt the industry every time there is even a sense of economic uncertainty" (Source Global Research).

Bain and Company's own research found that 80% of executives believe they deliver a "superior experience" to customers, while only 8% of customers agree. The finding applies to companies generally, not specifically to consulting firms, but the structural observation is relevant: the gap between self-assessment and external assessment is not an anomaly. It is a pattern (Bain & Company).

6. Why Recommendations Do Not Hold

The most common explanation for consulting failure is implementation: the recommendations were sound, but the organization failed to execute them. The consulting industry has built an entire sub-practice (change management) around this explanation.

The evidence suggests a deeper pattern.

Stanford University Press (Leah Reisman, *How Consultants Shape Nonprofits*) found that consultants "reinforce status-quo practices and ideas while prioritizing the opinions of people in power, leaving unaddressed some of the most pernicious problems in the nonprofit sector." Both nonprofits and consultants depend on the same funders, leading consultants to tailor plans to funder preferences rather than organizational need (Stanford Social Innovation Review).

The "shelf report" phenomenon is widely documented: consulting deliverables that are completed, presented, and never implemented. Industry sources identify recurring causes: imported best-practice models designed for different contexts, low organizational absorption capacity, and neglect of the structural conditions required for recommendations to take hold.

The structural observation: consulting tests what the organization *should do*. It does not test whether the organization's architecture can *sustain* the recommended changes. A recommendation that cannot be sustained by the system it enters is not a failed implementation. It is an

untested structural assumption.

7. The Accountability Gap

Until 2024, no management consulting firm had ever been held criminally responsible for the consequences of its advice.

That changed when McKinsey & Company paid $650 million in a deferred prosecution agreement, admitting that it "knowingly and intentionally" conspired to aid and abet misbranding of opioids and that a senior partner obstructed justice by destroying related documents (US Department of Justice, 2024; FiercePharma). The DOJ found that McKinsey consultants worked on FDA contracts while simultaneously advising opioid manufacturers, without disclosing the conflict.

In France, a Senate investigation found that the government had awarded McKinsey 2.4 billion euros in consulting fees since 2018, including over 1 billion euros in 2021 alone. Despite turnover of 329 million euros, McKinsey paid zero corporation tax in France in 2020 (French Senate investigation, 2022; France24).

These are not arguments against consulting as a practice. They are evidence that the consulting industry has operated with minimal structural accountability for the outcomes of its advice. The first criminal action against a consulting firm occurred in 2024, after decades of documented failures.

III. What Auditing Catches and What It Misses

8. What Audits Test

An audit verifies that what was reported matches what was required. It tests compliance: adherence to accounting standards, regulatory requirements, and internal controls. An audit opinion says, in effect: “the financial statements are materially correct, and the organization’s controls are functioning as designed.”

This is valuable. It is also limited in a specific way that the evidence makes visible.

9. The Deficiency Rate

The Public Company Accounting Oversight Board (PCAOB) inspects audit firms and publishes deficiency rates: the percentage of audits in which the firm failed to obtain sufficient appropriate evidence to support the opinion it issued.

Over fifteen years of PCAOB inspections (2009–2023), the average Type 1.A audit deficiency rate was approximately 36%, with annual rates ranging from about 26% to 44% (*CPA Journal* fifteen-year analysis, 2026). In 2024, the overall rate was 39%.

Big Four firms performed somewhat better: a 20% deficiency rate in 2024, down from 26% in 2022–2023. Individual firm rates in 2024: EY at 37% (highest among the Big Four), KPMG at 28.6%, PwC at 24.5%, Deloitte at 22.2% (*CPA Journal*, 2026).

These deficiency rates do not prove that one-third to two-fifths of audit opinions are wrong. They do demonstrate that in a large fraction of cases, auditors cannot demonstrate that their conclusions meet their own evidentiary standard. The auditor may have reached the correct conclusion despite the deficiency. But the audit process, as practiced by the largest and most reputable firms, falls short of its own standards in one-fifth to two-fifths of inspected engagements.

10. The Going-Concern Gap

The most consequential audit opinion is the going-concern warning: a statement that the auditor has substantial doubt about the organization’s ability to continue operating. This warning is the audit’s closest approach to a structural test: the one moment where the audit looks beyond reported numbers to the viability of the system producing them.

The University of Sheffield Audit Reform Lab analyzed the 250 largest publicly listed companies that failed between 2010 and 2022. Their conclusion: auditors “failed to warn in three out of

four cases" among the 250 largest UK corporate collapses. 75% of audit reports did not flag a "material uncertainty related to going concern" before the companies went bankrupt (University of Sheffield Audit Reform Lab, 2024).

By firm: EY warned in only 20% of cases (lowest among the Big Four). PwC warned in 23%. Deloitte in 36%. KPMG in 38%. Non-Big Four firms warned in only 17% of cases.

Three-quarters of companies that ceased to exist received audit reports that said, in effect, they would continue to exist. The single audit function most directly related to structural viability was absent in the majority of cases where viability failed.

11. The Structural Conflict

The Big Four firms (Deloitte, PwC, EY, KPMG) provide both audit and consulting services to the same client organizations. PwC and EY generate their largest revenue share from audit and assurance; Deloitte and KPMG generate their largest share from advisory and consulting (Statista, based on firm disclosures). The same firms that verify an organization's reported condition also advise it on strategy, operations, and transformation.

This dual role creates a structural conflict that the evidence makes visible. An audit firm that also consults for its client has a financial interest in the client's continued operation and satisfaction. The going-concern warning, the audit's closest approach to a structural test, is the opinion most directly in tension with that interest. A long empirical literature on auditor independence finds that economic dependence on clients, including revenue from non-audit services, tends to weaken audit skepticism and correlate with greater tolerance of aggressive reporting, even when formal independence rules are followed (see the expectation-gap literature reviewed in Columbia Law School, 2022). The University of Sheffield data (75% failure to warn before bankruptcy) does not prove that the conflict caused the omission. But it identifies the structural condition under which the omission occurs: the same firm is asked to both serve and judge.

The McKinsey opioid case demonstrates the consulting-side version of the same conflict: consultants simultaneously advising the FDA and advising opioid manufacturers, without disclosing the dual role. The structural pattern is the same in both cases: a firm positioned as an independent assessor or advisor while holding a financial relationship with the entity it assesses or advises.

12. When Clean Audits Precede Collapse

The 75% going-concern failure rate is a statistical finding. The following cases illustrate what that statistic looks like in practice:

- **Silicon Valley Bank (2023):** KPMG issued a clean audit. The bank collapsed 14 days later.
- **Signature Bank (2023):** KPMG issued a clean audit. The bank collapsed within 11 days.

- **Wirecard (2020):** EY issued clean audit reports for 11 consecutive years. The company collapsed with a fraudulent bank balance of 1.9 billion euros.
- **Carillion (2018):** KPMG issued unqualified audit opinions for 19 consecutive years. The UK's second-largest construction company filed for bankruptcy with 7 billion pounds in debt.
- **Wells Fargo:** Passed regulatory audits and compliance reviews while systematically creating millions of unauthorized customer accounts. DOJ imposed a $3 billion fine.
- **Boeing 737 MAX:** FAA-certified aircraft. Subsequent investigation found the board discussed audit plans without mentioning airplane safety, maintaining a "singular focus on financial risks and profits."
- **Lehman Brothers (2008):** With auditor Ernst & Young's approval, used Repo 105 transactions to move $50 billion of assets off balance sheet before collapse.

In each case, the audit confirmed that the reported numbers met the applicable standards. In each case, the failure arose from conditions the audit was not designed to test: liquidity under stress (SVB), fabricated assets (Wirecard), unsustainable contract structures (Carillion), misaligned incentive systems (Wells Fargo, Boeing). The audit tested what it was designed to test. It was not designed to test whether the system itself could hold.

13. The Expectation Gap

Research on the "audit expectation gap" quantifies the disconnect between what audits test and what stakeholders believe audits test.

A study published through Columbia Law School found that 72.1% of investors describe auditors as "public watchdogs," while only 33.3% of auditors and 29.4% of CFOs agree with that description (Columbia Law School Blog on Corporations and Capital Markets, 2022).

Investors believe audits test organizational health. Auditors know audits test financial reporting. The gap between these two understandings is where structural failures live undetected.

14. The Enforcement Pattern

Regulatory enforcement against audit failures is documented but structurally limited.

UK Financial Reporting Council (FRC) fines reached a record 48.2 million pounds in 2023/24. Over five years, KPMG alone accumulated 11 fines totaling over 81.8 million pounds. The University of Sheffield Audit Reform Lab assessed that these penalties were "too insignificant to impact partner pay and deter audit failures" (AccountancyAge, 2024).

In 2024–2025, the PCAOB fined KPMG Netherlands a record $25 million and fined Deloitte, PwC, and EY Netherlands a combined $8.5 million for "widespread exam misconduct" over a five-year period (PCAOB, 2024–2025).

In 2025, the UK government scrapped long-awaited audit reform legislation to "prioritize

growth" (Compliance Week; Institute for Government).

The pattern: failures are documented, fines are imposed, reforms are proposed, and the structural conditions that produced the failures remain in place.

IV. The Structural Gap

15. What These Services Accomplish

The evidence in this report should not obscure a basic fact: consulting and auditing accomplish real things. The Sarbanes-Oxley Act, enforced through audit, measurably reduced financial restatements and securities class-action lawsuits after its implementation, even as high deficiency and going-concern failure rates persisted. Consulting engagements routinely produce useful strategic analysis, market research, and operational recommendations. Audit provides the financial assurance infrastructure on which capital markets depend. These are not trivial accomplishments, and this report does not argue that either service should be eliminated or replaced.

The question is not whether these services have value. It is whether they test everything that needs testing.

16. What Neither Tests

Consulting tests what the organization should do. Auditing tests what the organization reported. Neither tests whether the system producing those results can sustain itself.

This is the structural gap. It is not a criticism of consulting or auditing; both do what they are designed to do. It is an observation that what they are designed to do leaves a specific condition untested: the structural integrity of the system itself.

An organization can receive sound strategic advice and pass every audit and still be structurally fragile. The advice may be correct but unsustainable by the system it enters. The audit may be clean but blind to the conditions that will produce the next failure. Both services operate on the surface of the system. Neither reaches the architecture beneath it.

17. The Evidence Pattern

The evidence presented in this report converges on a single structural observation:

- $7.8 billion in consulting with no measurable improvement (JAMA, 2026; peer-reviewed).
- 37% average audit deficiency rate over 15 years (PCAOB, 2010–2024; regulatory data).
- 75% of companies that went bankrupt received no going-concern warning (University of Sheffield, 2024; peer-reviewed).
- Organizations that passed every compliance test subsequently collapsed (SVB, Wirecard, Carillion, Wells Fargo, Boeing, Lehman Brothers).
- The industry's most-cited failure statistic (70%) has no verified empirical foundation (Candido & Santos, 2015; Hughes, 2011; both peer-reviewed).

- 72% of investors believe auditors are "public watchdogs"; only 33% of auditors agree (Columbia Law School, 2022). The gap between what stakeholders believe is tested and what is actually tested is where structural failures live undetected.

These are not failures of individual firms or engagements. They are the predictable consequence of a gap in the market: no standard service tests whether the organization's architecture can sustain the outcomes its advisors recommend and its auditors verify.

18. The Question This Report Leaves Open

This report documents the landscape. It does not propose a solution. The evidence establishes that the structural gap exists, that it is measurable, and that its costs are substantial.

The question it leaves open is whether a diagnostic discipline can be built that tests what consulting and auditing do not: the structural integrity of the system itself.

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Scope of Work

This report is a landscape survey of the consulting and audit services market, focused on the gap between what these services test and what organizations need tested. It examines publicly available data across sectors (corporate, nonprofit, government, healthcare, financial services, technology) and across geographies (primarily US and UK, with additional data from France and Australia).

This report does not evaluate individual consulting or audit firms. It does not recommend specific remedial actions. It documents the structural landscape from which further analysis proceeds.

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