

July 2019

Perceptions of Audit Firms

Client Perception Programme



Our values and integrity

Our purpose is to help you grow your business. We aim to provide you with the best data and analysis to help you make the right decisions for your firm.

To that end, Source Global Research is completely independent of any professional services firm we work with or comment on. The views about each firm expressed in this report come from senior end-users of professional services; your clients and prospects, in other words. All analysis is our own—as experts in interpreting client data, our aim is to help you make sense of it and bring the important messages to your attention quickly.

It is not possible to influence our rankings either by subscribing to our research or by paying us money—it never has been, and it never will be.

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How to use this Client Perception Study

It's very important to be clear about what our Client Perception Studies are, and are not:

What they're not are exhaustive studies of clients' opinions about specific firms that remain statistically robust when filtered to provide detailed data about views at a very granular level of the market. So if, for instance, you want statistically robust data about what clients in the pharma & biotech sector in the UK think about BDO's data analysis capabilities, you won't find it in these reports. We do profile individual firms in our reports to the extent we can, but our Client Perception Studies are not designed to replace the sort of in-depth client research that many firms carry out (and which they often ask us to carry out for them).

What they are designed to do is provide a snapshot of views within the audit market at a point in time. What they lack in detail about individual firms they make up for in three important ways:

- **A multi-firm view.** Our reports enable audit firms to see how they stack up against their competitors in the minds of clients.
- **A view from prospects,** not just existing clients. We include the views of people who aren't current active clients of the firm they're telling us about, enabling us to understand what we tend to think of as a firm's brand pipeline, and to compare the views of prospective and active clients. In doing this, we're able to assess the extent to which clients' expectations of a firm are met in reality, and how well a firm's marketing and delivery capabilities are aligned.
- **Independence and expertise.** The trouble with conducting your own client research is that clients are often reluctant to express negative views about firms (and people) with whom they've worked closely. They have no such concerns when they're telling us. Added to which, we're able to bring the expertise we've gained over years of analysing the professional services market to bear, helping to interpret the results within the context of the wider market and the strategic priorities of audit firms.

It's important to remember that this is a study of client perceptions; a summarised view of what we're hearing from the market. It's not Source's view, nor is it a comment on market share or a recommendation to clients about which firms to buy from. The audience of these reports is very much the firms featured in them, and those interested in the strength of the competition in any given market.

Methodology

Who did we talk to?

We have 148 responses from our survey of CEOs, CFOs, and senior finance executives in the US and UK in September 2018, all of whom have been responsible for selecting external auditors or have worked with external auditors during the audit process. They represent a wide range of sectors, although we do not include respondents from professional services organisations in our sample. All of our respondents work in organisations with over 1,000 employees, and 49% work in organisations with over 5,000 employees. We asked them not just about the Big Four, but also about mid-tier accounting firms.

For more information about the people we surveyed, please see the extended methodology section at the back of this report.

The difference between direct clients and prospects

We talk about two types of clients in this report: direct clients and prospects.

Direct clients are clients who currently use a particular firm as their external auditor.

Prospects are clients who feel qualified to share an opinion about a firm but who aren't among the firm's direct clients. They may have had exposure to advisory work the firm has done, used the firm previously as their external auditor, or may have simply formed an impression based on reading the firm's thought leadership or being exposed to its marketing in some other form.

The differences between the opinions of these two types of clients tell us a lot about the differences between expectation (prospects) and reality (direct clients). But they also tell us something about the differences between a firm's marketing and what it actually delivers.

Discover more online

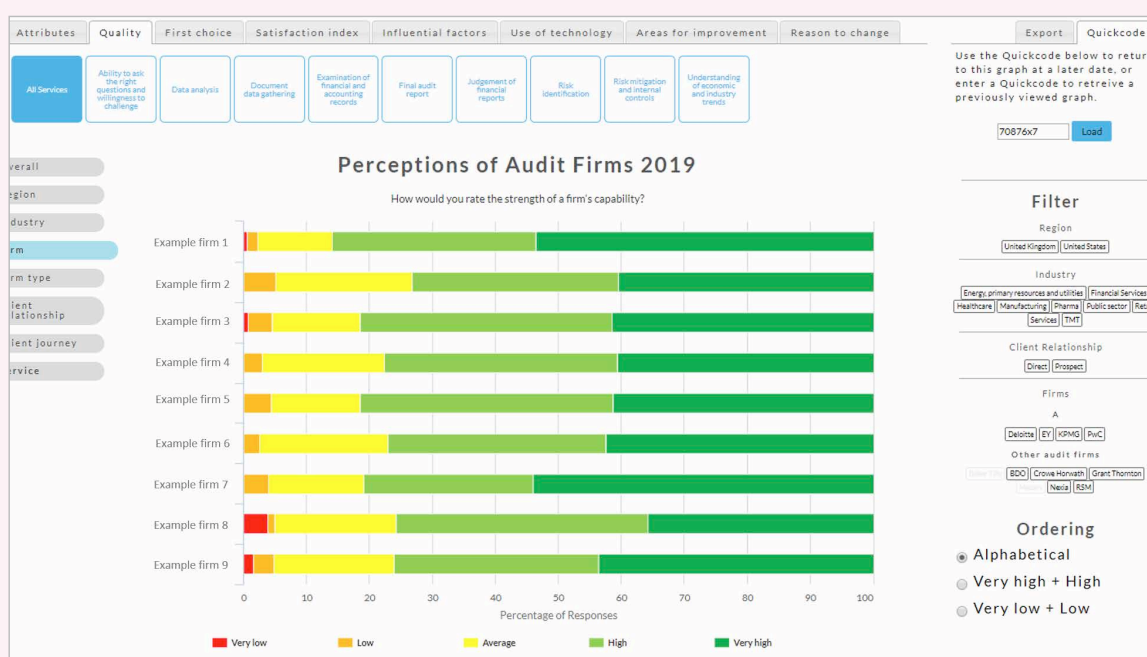
The data contained and referred to within this report is also available online, where it can be sorted and filtered according to your preferences. In fact, some of the charts contained in the report link directly through to the online database. Note that wherever you see a Quickcode next to the title of a chart, that code can be entered into the search function of the database to reproduce exactly the same chart.

How to access the data

To access the data, you can either go the page where you downloaded this report and click on the “Explore the data” button, or alternatively, you can [visit our website here](#) and log in using the same credentials you use to download the report.

What can I do with the data?

From here, you will be able to filter all the data in this report on each of the key areas: attributes, quality, first choice, satisfaction index, influential factors, use of technology, areas for improvement, and reason to change.



When you log on, you'll notice that in some areas there's data that's in a faded grey colour. This is where we have data, but it's not a big enough sample to include in a ranking in this report. If you have any questions about any of the data, please [contact us here](#).

— Insights from our survey results

It ain't easy, being an auditor...

Welcome to our first Client Perception Study for the audit market. This is our first report based on a survey of CEOs, CFOs, and senior finance executives who are responsible for selecting external auditors and/or working alongside them. Those who have read our reports on the consulting market will be familiar with similar studies we have performed in that market for a number of years as part of our Client Perceptions Programme.

Our research is timely. The audit market is coming under new pressures from potential changes in regulation which would initiate mandatory audit firm rotation, more joint audits, and further divisions between audit and non-audit or advisory work. Governments and regulators are increasingly concerned about the market share of the Big Four (**Deloitte**, **EY**, **KPMG**, and **PwC**) and have considered whether they need to break them up or intervene in other ways to increase competition. Journalists are asking uncomfortable questions about the quality of audits and loudly condemning firms' failures. Investors who rely on accurate accounting information are becoming more critical of auditors following high-profile scandals and business collapses. Technology is creating new, innovative ways of conducting audits, allowing new competitors to emerge beyond traditional audit firms. In this context we believe it is more important than ever for firms to understand how they are perceived by their clients. Audit firms can no longer assume that long-standing relationships with existing clients will continue into perpetuity.

Methodology in full

Who did we talk to?

Figure 18

Respondents' role

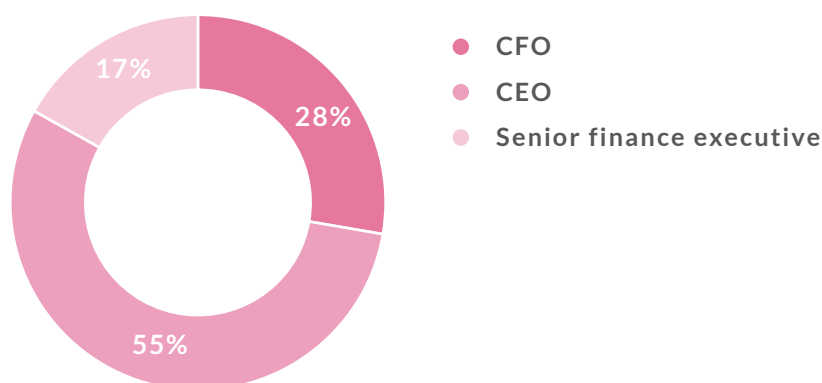


Figure 19

Respondents by sector

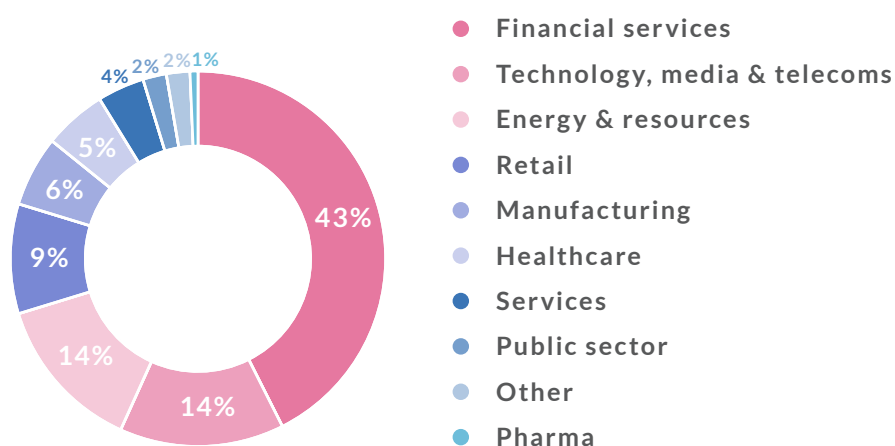


Figure 20

Respondents by organisation's headcount

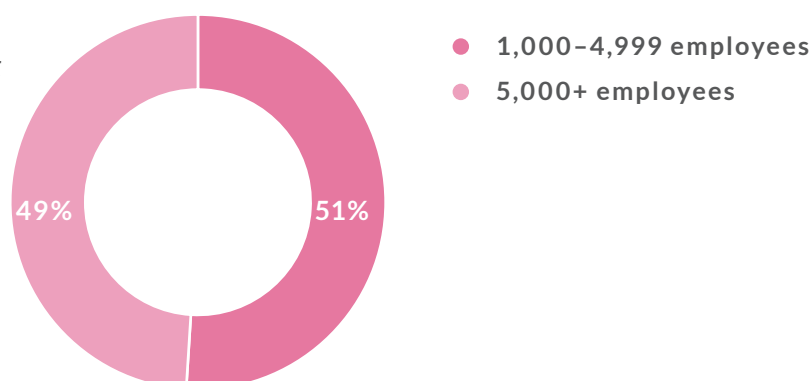
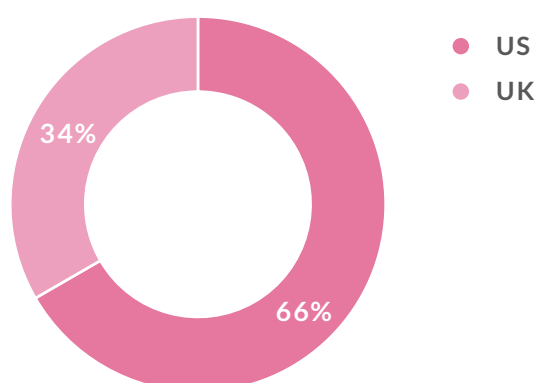
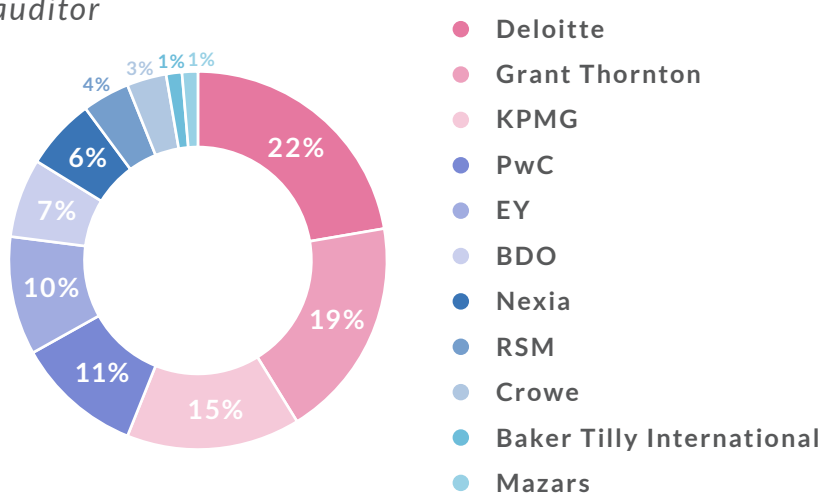


Figure 21

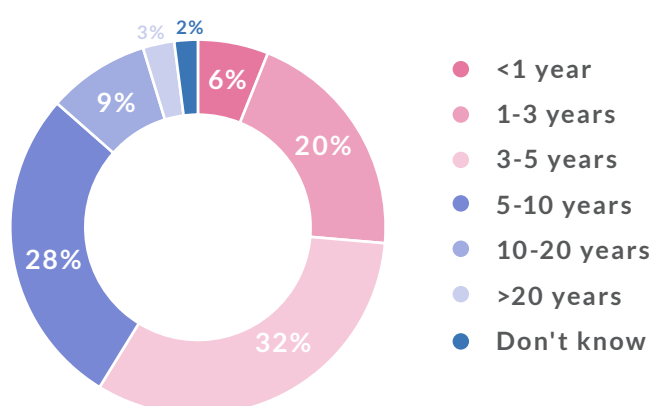
Respondents by region


Figure 22

Respondents by current auditor


Figure 23

Respondents by length of relationship with current auditor



Which firms are included in this report?

	Did we ask about this firm in this market?	Detailed profile available?
Baker Tilly International	✓	X
BDO	✓	✓
Crowe	✓	X
Deloitte	✓	✓
EY	✓	✓
Grant Thornton	✓	✓
KPMG	✓	✓
Mazars	✓	X
Nexia	✓	X
PwC	✓	✓
RSM	✓	X

How do we rank firms in this report?

In this report, we reveal the top-ranked firms in three areas: first choice, satisfaction index score, and quality. We look at the top-ranked firms overall, but where we look at quality, we also split the data to look at perceptions in each audit task and by client type. We have data by sector and region (that is, looking at how views of respondents in different sectors and different countries vary) available online. In breaking down the data to this level our sample sizes can become quite small, so where it isn't big enough for us to be confident, we grey out the data in question. To explore the data further, please visit our [online portal](#), where you'll be able to see all the data we have in one place. If you have further questions, please contact info@sourceglobalresearch.com.

First choice: We base our rating on the proportion of people who tell us that a particular firm would be their first choice for audit services, if all other things were equal.

Satisfaction index: We base our rating on the proportion of direct clients of a firm who say that the firm is also their first choice, all else being equal.

Quality: We base our rating on the sum of the proportion of people who describe quality as either "high" or "very high". Where that produces an equal result between two firms, we take into account the share who have described quality as "very high" to determine the order in which they are ranked.

About the author

Martin White

Martin is a Senior Analyst at Source in our Client & Brand Insights team. He is an experienced writer and analyst, specialising in client perceptions and helping professional services firms to understand how they are perceived in the market. Prior to joining Source, Martin spent more than 11 years as an economic and financial consultant in a variety of roles at FTI Consulting and LECG.

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Programme schedule for 2019

Reports 2019	Market Data and Analysis	Client and Brand Insights	Emerging Trends
January	Forecasts for 2019		
February	UK	UK Nordics GCC	
March	GCC Benelux Nordics	France Germany US	The Future of Pricing
April	France DACH Southern Europe	Energy & Resources Financial Services Healthcare Technology, Media & Telecoms	
May	US Eastern Europe & Russia		The Value Problem
June	Canada		
July	South America Australia	Perceptions of Audit Firms Perceptions of Risk Firms Perceptions of Tax Firms	
August	Africa Risk		The Make-Buy Decision
September	India Energy & Resources Planning for Growth in 2020	Talent Attractiveness in 2019	
October	Financial Services China South East Asia		
November	Japan Healthcare Technology, Media & Telecoms		The Future of Delivery
December	Tax		

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Our custom work

We provide advice and custom research services to the world's most successful professional services firms, helping them to identify, and develop strategic responses to, their most pressing opportunities and challenges.

Among other things, our work includes:

- Deep market and competitor analysis
- Acquisition strategy
- Proposition strategy and development
- Brand and client sentiment analysis
- Thought leadership strategy, development, and review

For more information about any of these, please visit our website or get in touch.

Source Global Research is a leading provider of information about the market for professional services.

Set up in 2007, Source serves the professional services industry with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

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