

# Perceptions of Audit Firms

Client Perception Studies





## 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 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 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' expectation 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 375 responses from our survey of CEOs, CFOs, and senior financial executives in the US and UK from July to August 2021, all of whom have been responsible for selecting external auditors or have worked with external auditors during the audit process. We ask all respondents about their current auditor and two other firms they're familiar with, giving us 1,125 responses about different firms. They represent a wide range of industries and 94% work in organisations that generate more than \$500m in revenue. 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 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 they may have simply formed an impression based on reading a 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 it also tells us something about the differences between a firm's marketing and what it actually delivers.



## Discover more online

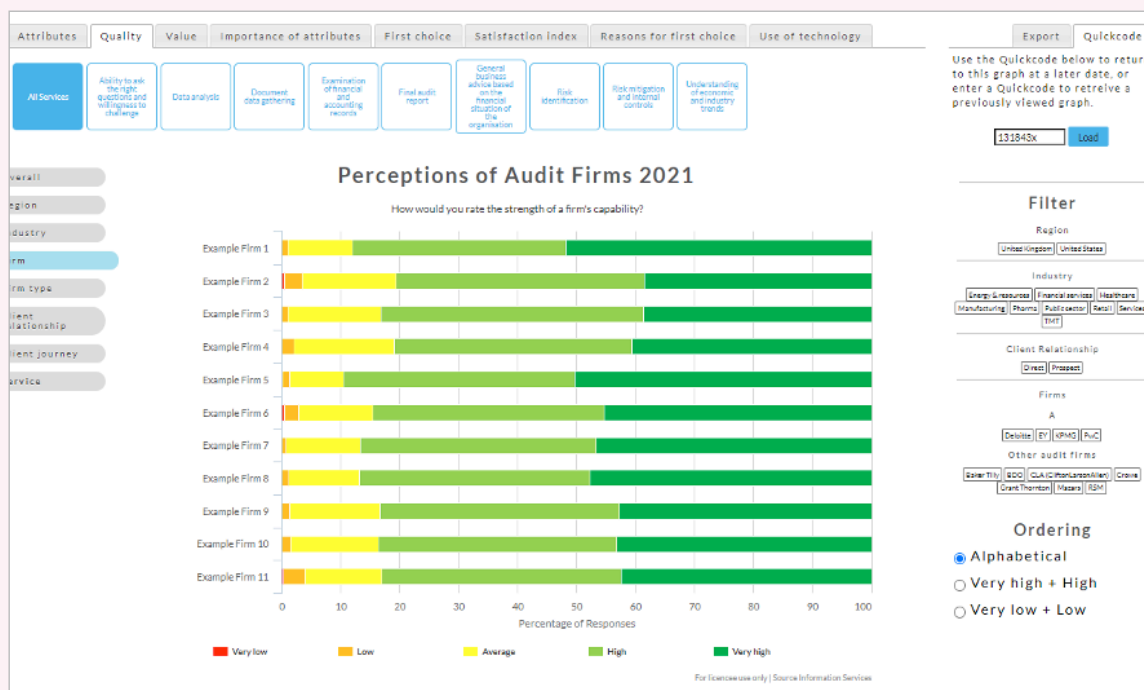
The data contained and referred to within this report is also available online, where it can be sorted and filtered according to your preferences. In fact, some of the charts contained in the report link directly through to the online database. Note that wherever you see a quick code next to the title 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 to 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, importance of attributes, quality, first choice, reasons for first choice, satisfaction index, value, and use of technology.



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](#).



## What clients are telling us

### The external audit isn't just a regulatory imperative, it's valuable for clients

When reading the press coverage about auditing—especially if you were to delve “below the line” into the comments section—you would get the impression that auditors are seen merely as bean counters, earning juicy fees off the back of regulatory requirements without contributing anything useful to businesses. At best, they fulfil a box-ticking exercise, while at worst they're parasites unnecessarily sucking money out of businesses.

Of course, no one should base their understanding of public opinion on the online comments section of newspapers, so we asked clients whether, in a hypothetical world where they weren't forced by law or regulation to have an external audit, they would still choose to have one. An overwhelming 89% of clients said they would still choose to have an external audit. It's clear then, despite the complaints that arise whenever there's publicity about some audit failing, that clients understand there's value in having an external firm audit their accounts.

But why do clients still want an external audit? In our research in other areas of professional services, we've attempted to understand the sort of value clients are hoping to get from working with an external firm by asking why they choose to use an external firm rather than relying solely on internal resources. What's the value of bringing in a strategy consultant rather than just tackling the problem yourself? We've identified five dimensions of value<sup>1</sup> that explain why clients use external firms rather than doing things themselves, namely:

- to achieve results faster than a client can do themselves;
- to produce better project outcomes than they would be able to achieve themselves;
- because it's less expensive than completing projects with internal resources;
- to minimise the risk associated with doing projects; or
- because it's simpler and easier than completing the project themselves.

Of course, audit is different from other professional services as clients aren't faced with the choice of doing it themselves. Therefore, we asked respondents who said they would still choose to have an audit by an external firm, even if they weren't forced to, to tell us why by ranking these five dimensions in order of importance.

1 We explore value, and discuss these five dimensions of value, in more detail in a recent white paper, 'The value of consultants', available here: <https://reports.sourceglobalresearch.com/report/8713/the-value-of-consultants>.



## Methodology in full

Who did we talk to?

Figure 28

Respondents' role

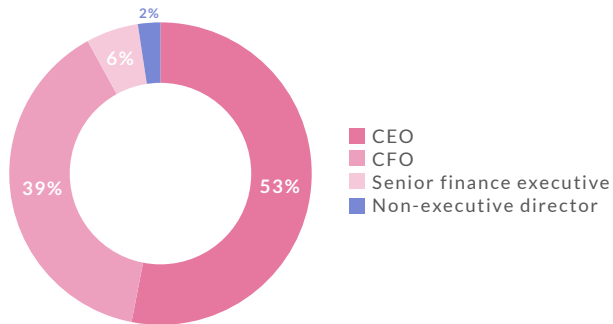


Figure 31

Respondents by revenue

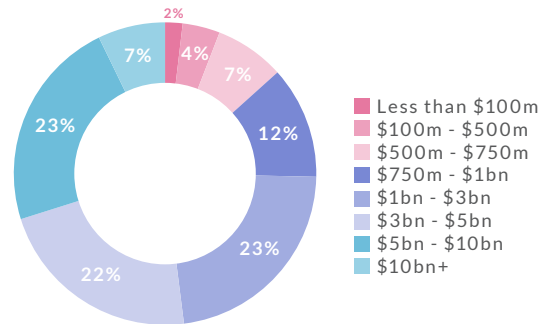


Figure 29

Respondents by sector

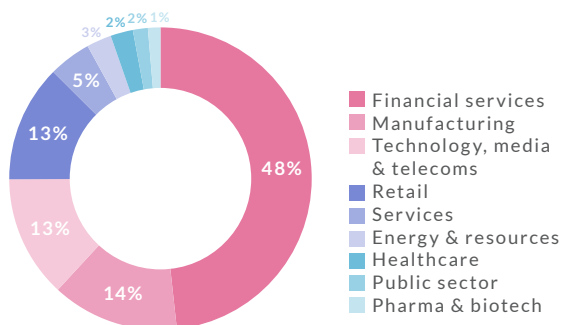


Figure 32

Respondents by region

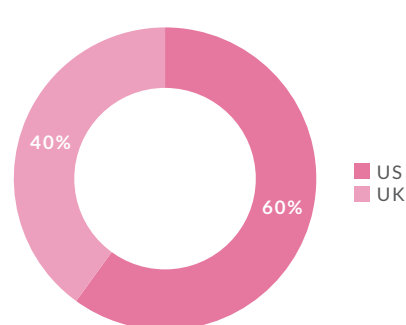


Figure 30

Respondents by organisation's headcount

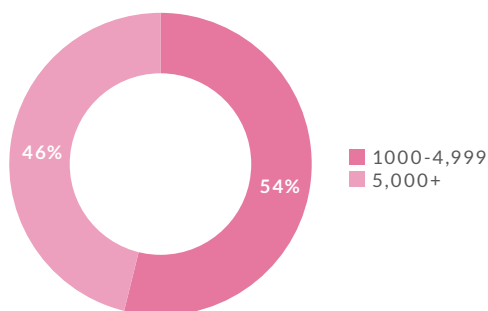


Figure 33

Respondents by current auditor

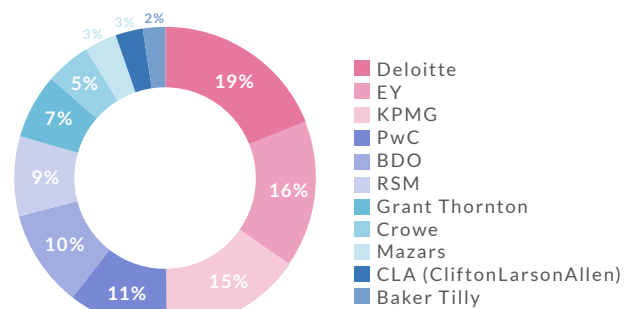






Figure 34

Respondents by length of relationship with current auditor

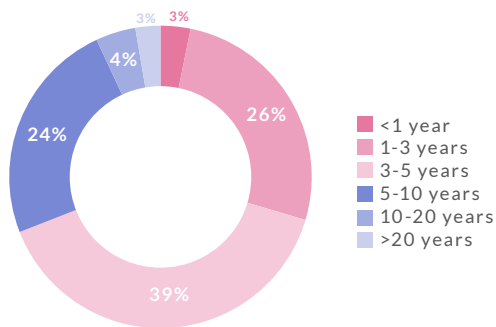
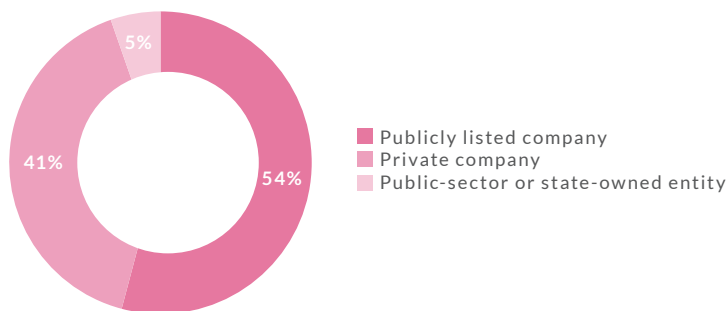


Figure 35

Respondents by type of organisation





## Which firms are included in this report?

|                          | Did we ask about this firm in the UK? | Did we ask about this firm in the US? | Detailed profile available? |
|--------------------------|---------------------------------------|---------------------------------------|-----------------------------|
| Baker Tilley             | X                                     | ✓                                     | ✓                           |
| BDO                      | ✓                                     | ✓                                     | ✓                           |
| CLA (CliftonLarsonAllen) | ✓ <sup>2</sup>                        | ✓                                     | ✓                           |
| Crowe                    | ✓                                     | ✓                                     | ✓                           |
| Deloitte                 | ✓                                     | ✓                                     | ✓                           |
| EY                       | ✓                                     | ✓                                     | ✓                           |
| Grant Thornton           | ✓                                     | ✓                                     | ✓                           |
| KPMG                     | ✓                                     | ✓                                     | ✓                           |
| Mazars                   | ✓                                     | ✓                                     | ✓                           |
| PwC                      | ✓                                     | ✓                                     | ✓                           |
| RSM                      | ✓                                     | ✓                                     | ✓                           |

## How do we rank firms in this report?

In this report, we reveal the top-ranked firms in four areas: first choice, satisfaction index score, quality, and value. We look at the top-ranked firms overall, but where we can, 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](mailto: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.

<sup>2</sup> Note that while we did not intend to ask about CLA in the UK, an error in our survey allowed some respondents from the UK to select CLA as an additional audit firm they were aware of, although they could not select CLA as their current auditor, nor could they select it as their first-choice firm. We have kept these responses in our dataset as it provides additional insight into what prospects of CLA think about the firm. While these prospects are based in the UK, they may work for multinational companies, allowing them to be exposed to CLA's work in the US.



**Value:** We base our rating on the sum of the proportion of people who describe firms as adding value equivalent to “twice the amount we paid”, “five times the amount we paid”, or “ten times or more the amount we paid” in fees. Where that produces an equal result between two firms, we take into account the share who have described value as “ten times or more the amount we paid” 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 LECCG.

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## Programme schedule for 2021

| Reports 2021 |           | Market Trends Programme   | Client Perception Studies                                     | Emerging Trends Programme      |
|--------------|-----------|---|---|--------------------------------|
| Q1           | January   | Forecasts for 2021<br>US<br>GCC<br>UK<br>Nordics<br>Canada  | UK<br>US  |                                |
|              | February  |   | Germany<br>Financial Services                                 |                                |
|              | March     |   | Healthcare & Pharma<br>GCC<br>France                          | Buying and Selling             |
| Q2           | April     | France<br>DACH<br>Australia<br>Southern Europe  | Nordics<br>Energy & Resources<br>Technology, Media & Telecoms |                                |
|              | May       |   | China<br>Japan  | Digital, Transformed?          |
|              | June      |   |   |                                |
| Q3           | July      | China<br>Benelux<br>South America<br>South East Asia<br>India<br>Japan<br>Eastern Europe & Russia<br>Africa<br>Energy & Resources<br>Financial Services   |   |                                |
|              | August    |   | Perceptions of Risk Firms<br>Perceptions of Tax Firms         | Consulting's New Talent Crisis |
|              | September |   | Perceptions of Audit Firms                                    |                                |
| Q4           | October   | The Global Tax Advisory Market<br>The Global Risk & Cybersecurity Services Market<br>Healthcare & Pharma<br>Technology, Media & Telecoms<br>Consumer Products & Retail<br>Planning for Growth in 2022 |   | Building a Trusted Brand       |
|              | November  |   |   |                                |
|              | December  |   |   |                                |

Please note that with the purchase of all Market Trends reports in 2021, you will also gain access to a monthly video summary on the global market, presented by Fiona Czerniawska.

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Among other things, our work includes:

- Deep market and competitor analysis
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- Brand and client sentiment analysis
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