Report
September 2023

EXTRACT

SOURCE

PERSPECTIVES

Perceptions of Audit Firms in 2023

What is this Client Perception Study?

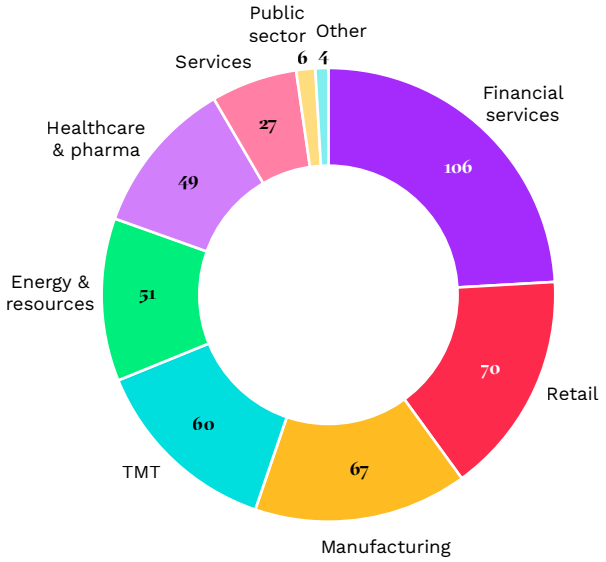
Underpinned by our extensive and industry-leading client survey, this report reveals what senior end-users think about the leading external audit firms in the US and UK. The report contains a detailed analysis of the client journey and examines how clients see firms differently as they move from awareness to then using a firm as their current external auditor. The report also includes rankings of the leading firms, in order to help you better understand your firm's positioning in the market, and the overall competitive landscape in which you are operating.

Created to provide you with a snapshot of client views, and to better understand how well positioned your firm is to support clients' needs, this report also comes with individual firm profiles to allow you to better understand your competition.

Below, we have illustrated the survey responses that underpin the analysis included in this report. You can read the full methodology here.

Who did we talk to?

We have 440 responses from our survey of CEOs, CFOs, and senior financial executives in the US and UK undertaken in July to August 2023, all of whom have been responsible for selecting external auditors or have worked with external auditors during the audit process in the past two years. We ask all respondents about their current auditor and two other firms they're familiar with, giving us 1,320 responses about different firms. They represent a wide range of sectors and business functions, and 91% work in organisations that generate more than $500m in revenue.



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 Tilly	✗	✓	✓
BDO	✓	✓	✓
CLA (CliftonLarsonAllen)	✗	✓	✓
Crowe	✓	✓	✓
Deloitte	✓	✓	✓
EY	✓	✓	✓
Grant Thornton	✓	✓	✓
KPMG	✓	✓	✓
Mazars	✓	✓	✓
PwC	✓	✓	✓
RSM	✓	✓	✓

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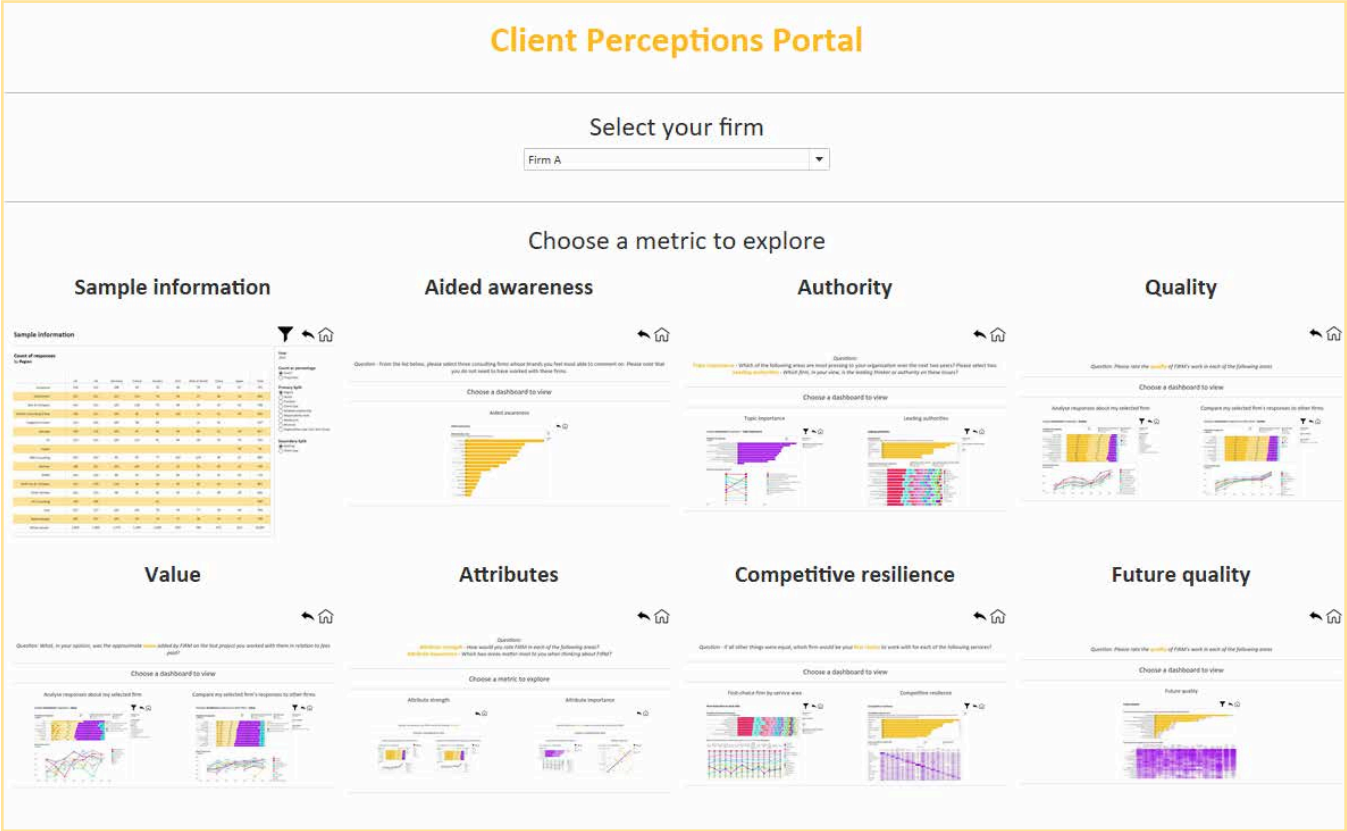
Discover more online

The data contained and referred to within this report is also available in our online portal, where it can be sorted and filtered according to your preferences, also providing access to historic data from our past surveys back to 2019.

To access the data, visit the main report page and click the blue "Explore the data" button. Alternatively, you can visit the data portal page at https://reports.sourceglobalresearch.com/portal/abacus/9442/dataview-audit-cps-2023-customer-data-portal.



When you log on, you'll notice a sample information dashboard. Here you can check the sample size for certain cuts of the data. In addition, hovering your cursor over values on a chart will display the number of responses related to that particular value. If you have any questions about any of the data, please contact us here.

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How are these studies different?

The views about each firm expressed in this report come from senior end-users of external audit services—your clients and prospects, in other words. They differ from typical feedback studies firms often perform with their own customers in three important ways:

- **A multi-firm view**. Our reports enable professional services 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 direct clients (clients who currently use a firm as their external auditor) and prospects (clients who feel qualified to share an opinion about a firm but don't currently use it as their auditor). Prospects 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. This enables us to understand what we tend to think of as a firm's "brand pipeline", and about the differences between expectation (prospects) and reality (direct clients). It also tells us something about the differences between a firm's marketing and what it actually delivers.
- **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 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.

We profile individual firms in our reports—indeed this remains one of the most popular parts of the reports with readers—and we do, separately, provide tailored presentations to firms that buy this report, contextualising the results for that individual firm. However, our Client Perception Studies are not 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, and are not designed to replace the sort of in-depth client research that many firms often ask us to carry out for them.

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. To that end, Source Global Research is completely independent of any professional services firm we work with or comment on.

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Our report mainly draws on our annual global client perceptions survey of senior end-users of risk firms. A detailed view of our methodology and more information about Source can be found below:

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Overview of client perceptions of audit firms

Leading firms across the buying cycle

A strong audit brand is not only one that attracts new clients to it, but can also then deliver strong work and retain them as clients.

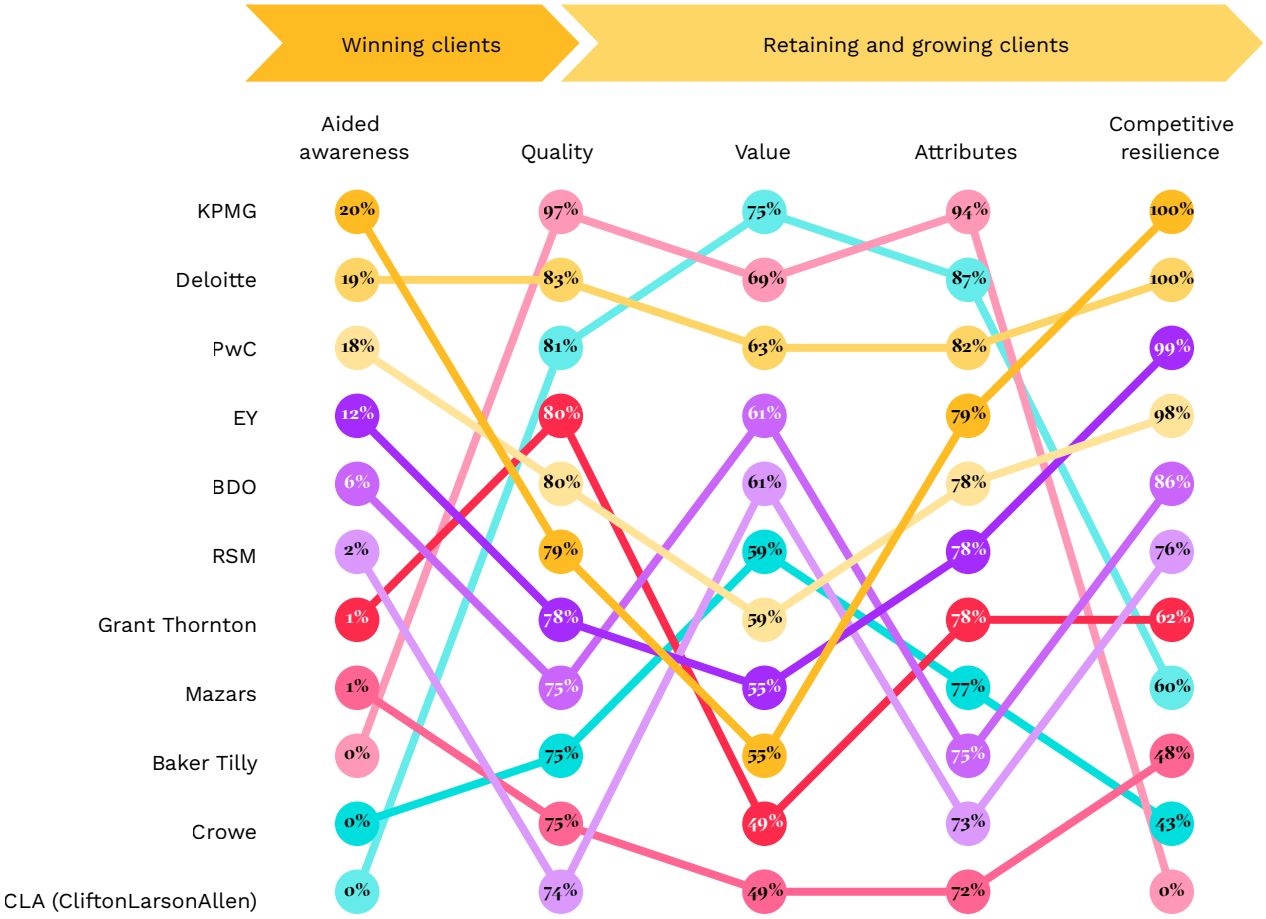
When it comes to winning clients, a key determinant is who is front of mind with buyers of audit. This will influence who clients are likely to shortlist for work and speak to first when considering who to go to as their external auditor. We look at this in the unaided awareness measure, which measures the first audit firm that comes to mind.

While grabbing the attention of clients is important to win their business in the first place, they won't be retained if clients don't think the firm can credibly deliver. To look at this further, we consider what clients tell us about the quality of firms' work across different aspects of the audit, the value relative to fees charged, and the experience of what it's like to work with a firm across a variety of attributes. The competitive resilience score also gives an indication of the extent to which firms are able to protect and keep the clients they have, and how likely they are to win additional clients from competitors.

The chart below shows the scores and ranking position of the firms we've asked about across all of those key metrics.

Figure 1

The top audit firms across key metrics



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Firm-by-firm analysis

In this section of our report, we summarise the views of clients about each firm in turn. We explain further the methodology behind the data presented here in the Methodology in full section later in this report.

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Methodology in full

Who did we talk to?

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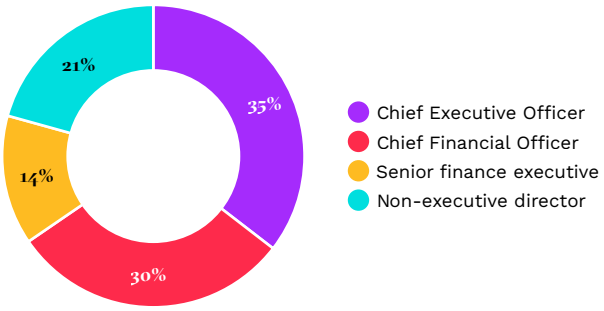
Respondents' level of responsibility



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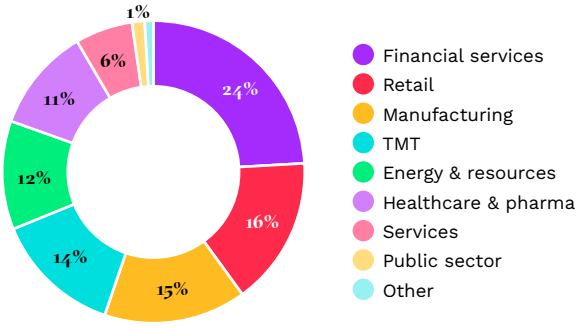
Respondents by sector



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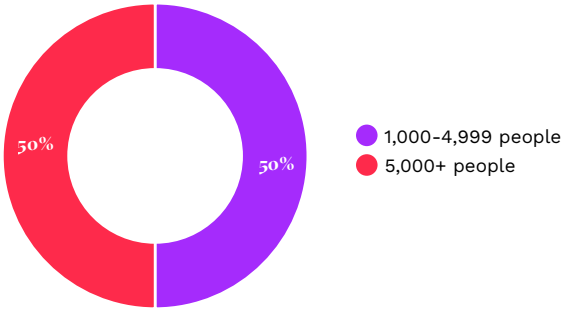
Respondents by headcount



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Respondents by organisation's revenue

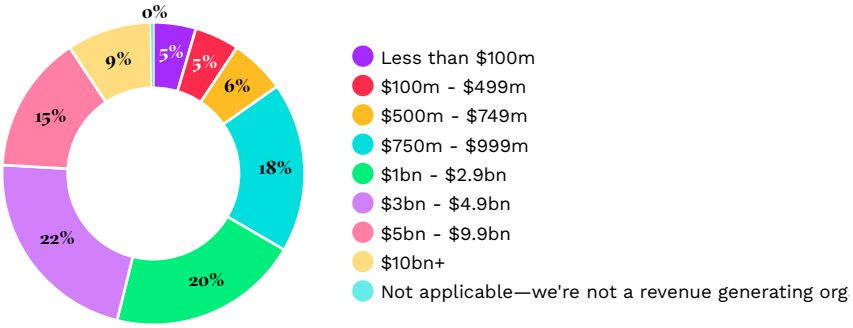

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Figure 37

Respondents by region

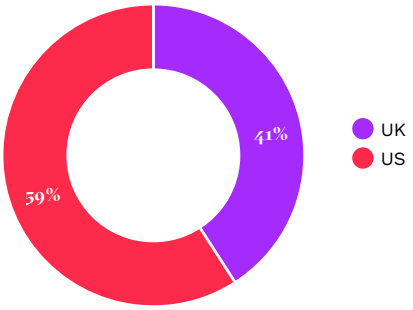
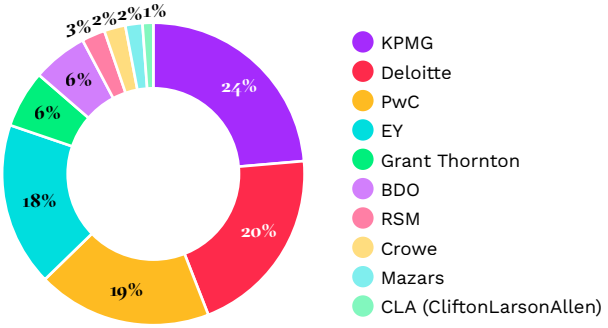


Figure 38

Respondents by current auditor



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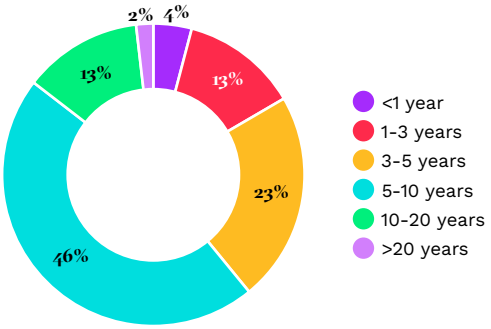
Respondents by length of relationship



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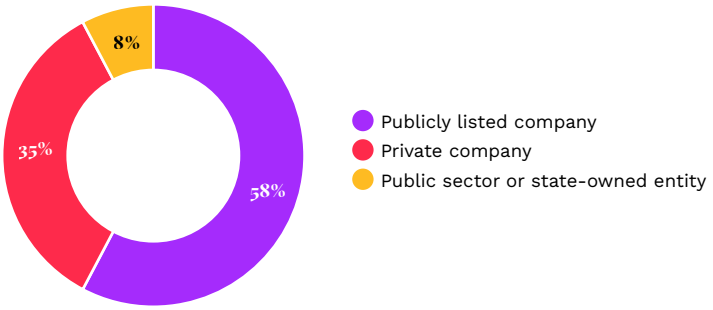
Respondents by type of client



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What did we ask them?

We ask respondents when thinking of firms providing external audit services, what is the first firm that comes to mind. We calculate an **unaided awareness** score based on the percentage of respondents who name each firm.

Each respondent was then presented with a list of 11 leading audit firms in the US or nine audit firms in the UK and asked to select their current auditor. Respondents who currently use an auditor outside of the list of firms we ask about are excluded from the survey. We go on to ask respondents to select two further audit firms whose brands they felt most able to comment on from the same list of firms (excluding their current auditor), even if haven't worked with those firms. We focus on the leading audit firms to ensure we have sufficient responses to carry out a detailed analysis.

We go on to ask further questions, focusing on the following areas:

- **First choice**: If all other things were equal, which firm (from the list of 11 firms we ask about in the US or nine in the UK) they say would be their first choice to work with. We calculate a **potential outshine score** for each firm as the difference between the percentage of respondents who give that firm as their first choice for audit, and the percentage of clients who state the same firm is their current auditor. A positive score means the proportion of respondents who would like to use the firm as their external auditor is higher than the proportion currently using that firm. A negative score means the proportion of respondents who currently use a firm is higher than the proportion that would like to as their first-choice auditor. We then go on to ask respondents why this firm would be their first choice for audit services, from a list of 15 possible reasons. We do not include this graph for any firm selected as first choice by fewer than 10 respondents.
- In the firm-by-firm section, we chart the relative threats between a given firm and the other firms we look at. Where a higher proportion of the clients of other firms would select the given firm than the proportion of clients of the given firm who would select that other firm, then we consider the given firm to be a relative threat to that other firm. In such cases the chord is coloured yellow. Chords in purple show where the proportion of the given firm's direct clients that would select that other firm is higher than the proportion of clients of that other firm who would choose the given firm as their first choice. In such cases, we consider the other firm to be a relative threat to the given firm. A blue chord shows where the proportions are equal.
- **Quality**: How they rate the quality of work of each of the three firms selected in nine different audit tasks. Respondents are asked to rate quality on a five-point scale where 1 is very low quality and 5 is very high quality. They're also given the option to answer, "don't know". We calculate a quality score based on the proportion of respondents describing quality (overall) as either "high" or "very high". We calculate a **quality outshine score** as the difference between the proportion of direct clients describing quality as "high" or "very high" and the proportion of prospects describing the quality as "high" or "very high". A positive score means direct clients hold more favourable views than prospects, while a negative score means prospects think more highly of a firm's quality than its direct clients.
- **Value**: Their view of approximately how much value each of the three firms selected add in relation to the fees paid for its services, or if they haven't worked with the firm how much they would expect the typical value to be. Respondents are presented with five options: less than the amount paid, around the same as the amount paid, twice the amount paid, five times the amount paid, or 10 times or more the amount paid. We calculate a value score based on the proportion of respondents that value is in excess of fees to any extent. We calculate a **value outshine score** by determining the difference between the proportion of direct clients and the proportion of prospects describing the value added by the firm as worth twice, five times, or 10 times or more the fees paid. A positive score means direct clients hold more favourable views than prospects, while a negative score means prospects think more highly of a firm's value than its direct clients.
- **Attribute strength**: How they rate each of the three firms selected across a range of 20 attributes of what it's like to work with audit firms. The full list of attributes is as follows (note that in many cases we shorten these for the sake of brevity):
  - Overall culture of the firm
  - The firm's audit methodology
  - The firm's level of innovation
  - The firm's account management
  - The breadth of the firm's services
  - The firm's brand and reputation
  - The firm's prices
  - The firm's overall speed of delivery
  - The firm's responsiveness and flexibility
  - The quality of the firm's thought leadership
  - The extent to which the firm puts suitably qualified people on your audit
  - The firm's environmental, social, and corporate governance (ESG) credentials
  - The firm's global reach
  - The quality of the firm's subject matter experts
  - The quality of the firm's sector knowledge and expertise
  - Decision making of the audit firm
  - The firm's use of technology during the audit process
  - The firm's use of advanced analytics during the audit process
  - Communication between the auditors and your organisation
  - The independence and integrity of the audit firm

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Respondents are asked to rate quality on a five-point scale where 1 is very poor and 5 is very good. They're also given the option to answer, "don't know". We calculate a score for an individual attribute based on the proportion of respondents describing the strength of the firm as either "good" or "very good". The attribute score overall is calculated as the average across all attributes of working with a firm. We calculate an **attribute outshine score** as the difference between the proportion of direct clients describing the strength of attributes of working with a firm as "good" or "very good" and the proportion of prospects describing the strength of firms' attributes as "good" or "very good". A positive score means direct clients hold more favourable views than prospects, while a negative score means prospects think more highly of a firm's attributes than its direct clients.

- **Attribute importance**: From the same list of 20 attributes, which two are most important when thinking about each of the three firms selected. We then aggregate their responses as the proportion of clients that gave each attribute as either their first or second most important attribute and rank each attribute from most to least important. Where two or more attributes have the same score, we take into account the share of clients who stated that the attribute was their first most important attribute. In the firm-by-firm section, we then overlay the ranking of the strength of the firm in each attribute over the relative importance in a chart to see where there's alignment between the two measures.
- **Why they choose to work with audit firms**: We first ask, in a hypothetical world where the respondent's organisation wasn't forced by law or regulation to have an external audit, would they still choose to have an external audit? For those that would still choose to have an external audit, we ask why the respondent's organisation would work with audit firms rather than relying just on internal resources. We ask them to rank the following reasons in order of importance: to achieve better outcomes than they could themselves, to minimise the risks associated with an audit, because it's simpler and easier to use audit firms than to do it themselves, because it's less expensive than using internal resources, and to complete the audit faster than they could themselves.
- **The firm's use of sophisticated technology**: We ask direct clients and prospects to rate how effectively the audit firm uses technology for different audit tasks. Clients rate the use of technology as "non-existent", "very basic", "reasonably sophisticated", or "sophisticated". The graph in the firm-by-firm section shows how the proportion of clients rating a firm's use of technology as "sophisticated" differs from the proportion of clients saying the same about all other audit firms. The audit tasks are ordered from the most differentiating on the left (where the firm in question scores better than the rest of the market) to areas in which it lags behind the rest of the market (where the firm in question scores worse than the rest of the market).
- **The length of relationship with the firm**: We asked clients to tell us how long their current auditor has audited their organisation. The graph in the firm-by-firm section shows how the length of relationship with the firm differs from the length of the relationship for all other audit firms. We exclude from this chart respondents who replied, "don't know".

The buyer funnel

In order to calculate the buyer funnel for each firm, we asked a number of additional questions, as well as using data from our existing questions in new ways. We calculate each step of the buyer funnel as follows:

- **Awareness**: After asking respondents to select their current auditor and two further firms whose brands they felt most able to comment on, we present them with the list of the remaining eight firms in the US or six firms in the UK, and ask them to select all further firms they're aware of. We calculate the awareness score based on the percentage of respondents who either selected that firm as their current auditor, one of the two further firms they're familiar with, or one of the additional firms they are aware of.
- **Familiarity**: We ask respondents to describe their familiarity with each firms' audit capabilities for their current auditor and any further firms they say they're aware of. Respondents are able to answer that they are not familiar, know a little, know a fair amount, or know a firm's audit capabilities very well. For the familiarity score, we take the percentage that say they know a firm's audit capabilities very well.
- **Strong relationship**: We ask respondents to describe their relationship with audit practitioners for their current auditor and any further firms they say they are aware of. Respondents are able to answer that they don't know anyone who works at the firm, are aware of some auditors, have a reasonable relationship with some auditors, or have a good relationship with auditors at the firm. For the strong relationship score, we take the percentage that say they have a good relationship with auditors at the firm.
- **Speak highly without being asked**: We ask respondents for their current auditor and any further firms they say they are aware of, which statement best describes their overall feelings towards each firm. Respondents are able to select that they would be critical without being asked, would be critical if asked, would be neutral if asked, would speak highly if asked, or would speak highly without being asked. For this score, we take the percentage that say they would speak highly of the firm without being asked.
- **Shortlist**: We ask respondents which firms they would shortlist if they were selecting an external auditor, out of the firms they say they are aware of. We ask them to assume that no restrictions exist, such as mandatory audit firm rotation or conflicts

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with advisory work. For the shortlist score, we calculate the percentage of clients who are aware of the firm who would shortlist the firm.

- **First choice**: As we explain above, we ask if all other things were equal, which firm (from the list of 11 firms we ask about in the US or nine in the UK) they say would be their first choice to work with.
- **Current auditor**: As we explain above, each respondent is presented with a list of 11 leading audit firms in the US or nine audit firms in the UK and asked to select their current auditor. We then calculate the percentage of respondents who select each firm as their current auditor.
- **Would use again**: We ask clients whether they personally would like to retain their current auditor as external auditor, or whether they would prefer to work with them again in other areas, or whether they wouldn't want to work with the firm again in any capacity. We take the score as the percentage of clients who use the firm as their current auditor who would retain them as auditor, and the percentage of clients who use the firm as their current auditor who would use the firm again for other services.
- **Advocate**: We ask clients, for their current auditor, which statement most applies to them. Respondents are able to select that they trust individuals at the firm rather than the firm itself, they trust the firm overall, they would recommend them to senior colleagues without hesitation, or that they would put their personal reputation on the line for the firm. For the advocate score, we take the percentage of clients that use a firm as the current auditor that say they would put their personal reputation on the line for the firm.

Note that in the charts we present in the firm-by-firm analysis, the labels represent the percentage of respondents of the relevant population who were asked the question giving the required response. However, the length of the bar is shown relative to the entire population of respondents to show the percentage of the whole sample that passes to each step of the buyer funnel.

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Meet the expert

Martin White

Martin is a principal consultant in our Client & Brand Insights team. He is an experienced writer and analyst, specialising in client perceptions, and helps professional services firms to understand how they are perceived in the market across multiple lines of business, including consulting, risk advisory, tax advisory, and audit. His recent work with Source includes not only authoring a number of our Client Perceptions Studies, but also leading on brand benchmarking exercises, analysis of market trends, message testing projects, and conducting research involving extensive interviews, surveys, and focus groups.

He regularly appears on the Source podcast, *The Future of the Firm*, and has been quoted in publications including *Accountancy Today*, *Bloomberg Tax*, the *Wall Street Journal*, and the *Financial Times*.

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About us

We help professional services firms understand what really matters when facing decisions of vital importance.

The best decisions are based on evidence, objectivity, and a willingness to change. That's why, at Source, we tell you what you need to hear, rather than what you want to hear.

We draw upon our deep roots within the professional services sector to provide firms with a clear picture of their clients' worlds. Through comprehensive research and meticulous analysis, we pinpoint what truly matters and deliver actionable insights that help firms map out the right way forward.

We believe in thriving individually and succeeding together. And we would love to help your firm crack its latest conundrum.

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