

Paul George of the Financial Reporting Council (UK) moderated this session which included panelists Ms. Joelle Le Vourc'h of the ESCP Europe Business School and Mr. Dilhan Pillay Sandrasegara, Head of the Enterprise Development Group and Co-Head of Americas Temasek International Pte. Ltd.

Mr. Sandrasegara opened the session commenting that it takes 7 to 8 years for an individual to become a competent auditor of public interest entities (PIE) and that practitioners must make an early choice between the audit and non-audit portfolio. He added it is critical that the engagement partners have a good relationship with the chairs of the audit committees. He also emphasized that expertise in the PIE's economic sector is essential. This poses a problem with mandatory rotations since such expertise may not be available from other firms in smaller markets.

Ms. Le Vourc'h stated that the big firms are not investing enough resources in innovation. She noted that firms are not recruiting the best student to be auditors. She added that the Big Four firms are not actively recruiting at the university and that there needs to be a more creative approach to recruitment to attract students from going over to the consulting and advisory services side of the firms.

The following comments represent highlights from the two sessions on this subject:

- It is difficult for mid-tier audit firms to break into the upper echelon of audit clients.
- The size of the audit market is an element in whether mid-tier firms can move up.
- Mid-tier firms do not have the requisite talent and human resources for the larger engagements and this can only be promoted through joint audits. It was suggested that the geographical coverage of mid-tier firms, regional rather than global, also plays a role.
- The European Commission was not successful in establishing joint audits as part of the recent reforms. However, most audit clients with joint audits are positive on their quality.
- It is too early to assess the impact of mandatory rotation in Europe and most likely this will take another five to ten years. Those PIEs engaging in rotation have generally taken their business to other Big Four firms.
- It is also too early to identify fee trends as a result of mandatory rotation. It appears fees are relatively stable as audit committees seek quality over price.
- One reason the quality of audit varies globally is that pay among new recruits is not uniform; consequently new auditors seek higher paying jurisdictions when they have that option. Another reason is that students do not understand the career opportunities they can have within the audit profession. They are afraid that they will be bound to the audit profession or firm for the rest of their career, which is why they choose to work in other sectors.
- Better audit quality can be promoted by getting more information to the audit committee, strengthening audit committee competence, reforming the audit reporting model and requiring partner signatures. These operate as a counterweight to commoditization of the audit.
- Easing of licensing restrictions could encourage auditor mobility and enhance audit quality across jurisdictions.