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Media Release

Quality of Financial Statement Audits Debated at IOSCO Roundtable

At the June 1 Roundtable on the Quality of Public Company Audits sponsored by the International Organization of Securities Commissions (IOSCO) in Paris, securities regulators for the world's capital markets considered the current quality of audit services and how to make audits more effective. Participants in the Roundtable included representatives from the financial analyst and investor community, regulators, public companies and audit firms.

The Chairman of the IOSCO Technical Committee and the Roundtable Host, Michel Prada, stated: "IOSCO is known for its history of engagement on audit issues including its Report on the Regulation and Oversight of Auditors as well as its Report on the Regulation of Non-Audit Services. This Roundtable is our latest action in an ongoing strategy to address challenges in the auditing sphere".

Roundtable Chairman and SEC Commissioner, Roel Campos, said: "The constructive dialogue and concrete ideas for improvement brought forth at the Roundtable will enhance the ability of securities regulators to consider how to heighten financial reporting and auditing quality in the context of our investor protection mission".

The first panel discussed the purpose behind the statutory audit and recommendations to improve audit quality and financial reporting to investors, such as:

- Ways to make auditors' reports more relevant and informative to investors;
- Closing the "expectations gap" by improving fraud detection by auditors;
- Relying on internal auditors of large companies to aid in the external audit under the oversight of audit committees; and
- Enhancing the usefulness to investors of financial reporting through disclosure of key business metrics.

The second panel explored the implications of auditor liability and possibilities for reform. The panelists focussed in part on introducing liability caps for auditors and whether adherence to transparency and corporate governance principles by audit firms should be a prerequisite to liability reform. Panelists also discussed the unavailability of insurance for catastrophic claims and the implications for audit firm sustainability.

The third panel explored the causes, extent and effects of audit firm concentration on audit quality from a variety of perspectives. Panelists recommended measures to prevent further concentration and loosen the current concentration among firms capable of auditing the largest listed companies. Suggestions included instituting an enhanced audit committee report, re-evaluating the effects of restrictions on audit services and joint auditor requirements, ensuring that there is not undue influence of the audit profession on standard-setters, and publicising good performance by non-Big Four firms. Panelists also discussed the need for improvements to the auditor education framework and the firms' difficulty in attracting and retaining quality auditors.



A [written transcript](#) and [video](#) of the Roundtable will be available on the IOSCO website at www.iosco.org Public comments will be welcomed.

For further information contact:
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List of Panelists

Panel 1: *Audit Quality: Evaluating External Audits in Today's Environment*

Moderator: Roel Campos, Chair of IOSCO Chairs' Committee on Auditing, Commissioner US SEC

Panelists:

- Michael Cook, Audit Committee Chair, Retired Chairman and CEO, Deloitte & Touche
- Alain Joly, Honorary Chairman of EALIC, Director of Air Liquide, Lafarge and BNP Paribas;
- Paul Koster, Board Member, Netherlands Authority for the Financial Markets; former Executive Vice-President of Koninklijke Philips Electronics
- Lynn Turner, Director of Research, GlassLewis LLC; former Chief Accountant, US SEC
- Edward Waitzer, Chair, Stikeman Elliott

Panel 2: *Effects of Auditor Liability on Behavior and Quality*

Moderator: Jeffrey Lucy, Chairman of the International Forum of Independent Audit Regulators

Panelists:

- Richard Fleck, Chairman, UK Auditing Practices Board; Chair, Consultative Advisory Group – IFAC International Ethics Standard Board for Accountants
- Jeremy Jennings, Chair, European Contact Group, Ernst & Young
- Professor Dr. Kai-Uwe Marten, Director, Institute of Accounting and Auditing, Ulm University; Vice-Chairman of the German Auditor Oversight Commission; European Commission Observer, Public Interest Oversight Board
- Gérard de la Martinière, Chairman, French Federation of Insurance Companies
- Lynn Turner, Director of Research, GlassLewis LLC; former Chief Accountant, US SEC

Panel 3: *Audit Firm Concentration – Potential Effects on Audit Quality*

Moderator: Michel Prada, Chairman, Autorité des Marchés Financiers

Panelists :

- Daniel Bouton, CEO, Société Générale
- Peter Butler, CEO, Governance for Owners
- James Cox, Brainerd Currie Professor of Law, Duke University School of Law
- Mami Indo, General Manager and Senior Corporate Analyst, Daiwa Securities SMBC Co. Ltd.
- Paul Kennedy, Executive Director & Chief Operating Officer, Hong Kong Securities & Futures Commission

Concluding Analysis

Moderator: Roel Campos, Chair of IOSCO Chairs' Committee on Auditing, Commissioner US SEC

Panelists:

- Mark Anson, CEO, Hermes Pensions Management Limited
- Pervenche Berès, Chairwoman, Committee on Economic and Monetary Affairs of the European Parliament
- Richard Kilgust, Global Managing Partner, Public Policy and Regulatory Affairs, PricewaterhouseCoopers; Chair, Global Public Policy Group
- Nicolas Véron, Research Fellow, Chief Development Officer, BRUEGEL
- Joseph Wan, CEO, Harvey Nichols