



Closing Session — Where do we go from here?

As the business sessions of the Symposium came to a close, a four-participant panel aimed to summarize the day's highlights and pave the way for next steps.

David McDonnell, Chief Executive Officer of Grant Thornton, expressed the gratitude of the sponsors for the active participation by attendees. "It's been a long, but interesting, day," he said, assuring participants that the Global Public Policy Networks will capture in a structured way the messages from the forum, "recognizing that the six firms are a major part of these issues." In identifying the key issues cited for action, he reminded the audience of the following major points: 1) the client is the shareholder and the shareholder is the client 2) there were no serious issues of audit quality per se, though that doesn't mean the networks can be complacent. 3) a strong message has been sent that financial reporting is not as consistent and comparable as it needs to be—"moving as quickly as practical to a system of high quality that is principles-based has to be a high priority, and while making that happen is not within the power of the accounting networks, we can help drive that action" 4) there's a need to begin discussion about convergence in other areas—independence and auditing—that builds on the relative success of the convergence in accounting and reporting standards, and 5) there is a great deal of value in communicating about the issues participants have in common; they are all part of the process of the effective functioning of the financial markets.

Ian Ball, Chief Executive Officer, International Federation of Accountants (IFA), noted that complexity on many fronts was a key issue raised during the day. "We've initiated a program to clarify auditing standards, which will restate or clarify the whole existing body of audit standards, and the discussion on principles-based standards points up the need to have these translated into many different languages," he said. As for audit standards convergence, he noted that a lot of progress has been made with about 100 adopted so far, but he cautioned participants to be mindful of the big difference between adoption and implementation. IFA, he said, represents about two million accountants around the world and many share the same concerns as the Big 6 firms, including the high priority put on convergence.

Michel Prada, Chairman, Autorité des Marchés Financiers (France), stressed that the sub-prime credit crisis pointed up the need to continue working together across the various constituencies represented at the Symposium. And he felt "the auditors" need to be involved in ensuring it is fully investigated. "We have to think about how we work together. There is a need for an integrated and collective approach. This kind of meeting and discussion would not have taken place 10 years ago, so my expectation for the future is positive, but we have a lot of work to do," he said.



Christianna Wood, Senior Investment Officer, Global Equity Unit, California Public Employees' Retirement System, summarized three critical issues from the conference as 1) the changes required will take effort on the part of all represented constituencies 2) she believes the move to convergence may be over-rated and 3) she sees a need for greater competition in the audit profession. The first point was a frequently expressed sentiment of the sessions, but the second point represented a contrarian view. She contended that investors make money by being able to interpret differences in financial performance better than their competitors—and, additionally, there is precedence for toleration of other types of differences from country-to-country, including disparate languages and cultures. Regarding the need for greater competition among auditing firms, Wood said "size should not be equated with quality." Her organization chose a small firm to handle their accounting and auditing needs, and she'd like to see a fostering of growth among the middle-market firms. More competition and a broader differentiation of services were cited as two anticipated outcomes of that expansion to the second tier. Investors can help address the issue of audit firm concentration by choosing to use second tier firms, she asserted. Her organization has done so, but, she said, some liability limitations were included in engagement arrangements. In general, she does not support liability relief for auditors.

About the author: Pam Middleton is a freelance communications consultant and writer covering the Global Public Policy Symposium IV.