ACCOUNTANTS FOR BUSINESS

Audit and Integrity: maximising shareholder value

SUMMARY OF ACCA ROUNDTABLES IN THE CARIBBEAN, APRIL 2013

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 154,000 members and 432,000 students in 170 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 80 offices and centres and more than 8,400 Approved Employers worldwide, who provide high standards of employee learning and development

About Accountants for Business

ACCA's global programme, *Accountants for Business*, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

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This report summarises the key themes that emerged from a series of roundtable discussions held by ACCA in Trinidad, Barbados and Jamaica. The discussions covered a wide range of topical issues in audit and tried to map out some future directions for stakeholders in the audit process.

Foreword by Martin Turner, deputy president, ACCA

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Deputy president, ACCA

In April 2013, ACCA held a series of high-level audit events in Trinidad, Barbados and Jamaica. The purpose was to continue ACCA's efforts in recent years to examine topical issues in audit in the Caribbean and to set future directions for all stakeholders. These include audit service providers, companies (and other financial reporting entities), investors, regulators, central banking authorities and tuition providers. The views of all these parties are central to the intensifying debate on the role of audit, both locally and globally. International standard-setters and policymakers are reaching out to these groups on issues including audit quality, financial reporting, independence, and market structure.

As expected, a wide variety of opinions were expressed as to how to strengthen the audit role. The issue of competition was at the forefront of discussions, along with debate on how to bridge the long-standing 'expectations gap' that persists between the level of assurance users believe that an audit provides and the reality of its restricted scope. There was detailed discussion of various aspects of the audit quality priorities of the International Auditing and Assurance Board (IAASB). Nonetheless, there was one common theme – the importance of the audit function, and the desire of all parties to see the value of audit enhanced. ACCA believes deeply that audit strengthens both business and capital markets, which is why we continue to make great efforts to place ourselves at the forefront of the international debate on the future of audit.

I was proud to be able to address all three events and to explain first-hand how important it is for ACCA to be able to identify and document the views of members and stakeholders in the Caribbean, so that these views can feed into the thinking of policymakers globally. We thank everyone who took part. I look forward to witnessing the Caribbean continuing to influence the international debate in this area.

SUMMARY OF KEY THEMES

1. Is there sufficient competition?
2. Bridging the gap between market expectations and the audit mandate
3. A framework for audit-quality issues identified by the IAASB:
    - Informational value: how can informational value of auditors' reports be increased and the the perception of the value of audit be improved?
    - The role of audit committees: how can audit committees be encouraged to provide more information to financial statement users about the work they have undertaken?
    - Do audit firms need to do more to improve the consistency of performance on individual audit engagements?
    - Establishing and developing audit firm capabilities: how are such capabilities demonstrated and assessed, as they relate to audit quality?
    - Audit quality and transparency
    - Can audit inspection activities do more to improve audit quality and make it more transparent to other stakeholders?

Theme 1: Is there sufficient competition?

The issue that gave rise to most discussion at the Caribbean events was the topical one of how to increase competition. Regulators around the world, but notably in Europe, are wrestling with the difficulty of enhancing competition meaningfully, given the gulf in size between the Big Four firms and their mid-tier rivals. It was this, more than any other issue that sparked the landmark European Commission Green Paper on audit in October 2010; meanwhile, UK regulators have repeatedly addressed the issue without managing to find concrete solutions.

The recent UK Competition Commission report on the audit profession states that companies find it difficult to compare alternatives with their existing auditor, prefer continuity and face significant costs in switching. Consequently, they are reluctant to change auditors and so lack bargaining power. Making it more difficult is the fact that companies and firms invest in a relationship of mutual trust and confidence from which neither will walk away because this may result in a loss of the benefits of continuity that stem from the relationship. Company management also faces significant opportunity costs in the management time involved in the selection and education of a new auditor.

The Big Four dominate the market, and firms outside this group find it difficult to show that they have sufficient experience and reputation to win the audit engagements of more established companies. The Competition Commission report also found evidence of 'restrictive covenants' in some companies, where staff is effectively not allowed to choose auditors outside the Big Four.

The issues raised by this report had clear resonance outside the UK, and acted as the basis for some spirited discussion in the Caribbean events.

TRINIDAD (15 APRIL 2013)

In Trinidad, this theme was addressed, with three main questions being considered by delegates.

What needs to be done by non-Big Four firms to increase audit competition in the audit market?

- Competition should be welcomed.
- Steps that should be taken include:
  - investing more resources in developing the capabilities and expanding the capacity of smaller firms
  - increasing manpower (quantity)
  - developing and retaining staff (quality)
  - training staff in specialised areas such as oil and gas accounting or insurance
  - aligning with an international audit network to expand global reach and expertise. This alignment can also lead to referrals for multinational assignments.
- Available incentives should be used to enhance the reputation of smaller firms, eg by means of awards such as the ACCA Quality Checked certificate and logo.
- Visibility: firms must promote their names – they could do this by sponsoring conferences (ACCA/ICATT), issuing publications, participating at employment fairs, and engaging with civil society. Smaller firms should focus on non-audit work – if the Big Four firms are appointed auditors, smaller firms should aim for accounting work, internal audit assignments, consulting and special investigations.

What is the non-Big Four firms' own perspective?

The mid-tier firms were asked to give their views. They agreed that competition is welcome, but it must be 'real' competition; mid-tier firms do not want to be invited to tender for work just to 'make up the numbers'. Real competition should increase the quality of audits and help to keep the cost of audits down, as firms would have to submit competitive proposals to retain audit assignments.

Unsurprisingly, the mid-tier firms, as in Europe, supported the concept of rotation – although they agreed that it should be voluntary rather than mandatory. They pointed out the 'hidden' barriers to competition – such as the strength of alumni influence, whereby Big Four auditors become CFOs and hence have a natural inclination to appoint the large firms as their companies' auditors.

Mid-tier firms also argued that they could invariably offer lower fees, but this was perceived as a sign of inferior quality rather than as reflecting lower overheads or lower profit margins.

Rotation of auditors could also be considered over a defined period such as ten years. Voluntary change would be more acceptable to companies than mandatory change. All proposals should be reviewed objectively, but there were issues such as political interference, the alumni influence, and other factors that affect the selection of auditors. A cheaper price should not be seen as due to lack of quality.

How does competition help maximise stakeholder value?

Overall, most delegates agreed that competition per se was a good thing because it:

- lowers prices
- improves quality
- increases innovation
- provides more choice
- leads to improvements in technology and approach
- allows for greater independence – management is not able to get 'cosy' with auditors.

It was also pointed out that the growth and development of mid-tier firms in the audit industry can reduce the risk of negative effects of failure of any of the Big 4 firms, which is regarded as a systemic risk by regulators in many jurisdictions.

BARBADOS (17 APRIL 2013) AND JAMAICA (19 APRIL 2013)

In Barbados and Jamaica, a similar list of benefits of extra competition was put forward:

- competition keeps firms 'on their toes' – aware of, and maintaining audit quality standards
- the bidding process makes firms constantly re-evaluate themselves in the battle to win bids
- it encourages growth by association and networking
- it keeps staff skills current by putting training of staff at the forefront of firms' concerns
- it enables the recruitment and retention of partners and staff with the 'best fit' for the firm.

Nonetheless, the potential disadvantages of increased market competition were also noted by non-Big Four firms.

- Clients use quotes from other firms as a leveraging tool to negotiate lower fees with the existing auditors.
- Audit firms quote unrealistic fees to obtain clients and then seek either to increase fees in future years or recoup the shortfall through other services (thus threatening independence).
- 'Big Four bias' – large(r) clients prefer these firms.
- There are recruitment costs associated with employing an information systems (IS) auditor and those with other specialist skills.

- Smaller firms are unable to charge similar fees to those of the Big Four for similar work.
- The smaller firms act as 'feeders' for Big Four firms through staff attrition.
- Restrictive clauses such as those in the lending covenants of financial institutions and public sector can prevent smaller firms from obtaining work.
- Growth tends to occur through mergers and acquisition, rather than competition.

The mid-tier firms in Jamaica, in particular, outlined the costs of competition with the Big Four. These included the costs of recruiting specialist skills to add to their armoury when tendering, when there was still an uphill struggle to win the audit. This reflects uncertainty among mid-tier firms internationally, at balancing the costs of tendering for new audits against the likelihood of actually winning them, given the other challenges listed below.

Delegates examined the issue of competition in detail and summarised the concerns as shown in Table 1.

IMPEDIMENTS TO CHANGE

Delegates also addressed the practical issues, which acted as impediments to change from Big-Four to non-Big Four.

1. Potential disruption to business

- Use of a non-Big 4 firm could result in breach of covenants for loans, etc.
- There may be differences of opinion between outgoing and incoming auditors, for instance regarding accounting policies.
- The client may lose the advantages of long-term relationships
- If the new auditor was an existing provider of non-audit services, those services may have to be provided by another firm.

2. The cost of switching

- Changes made during the switch will incur use of finite client staff resources
- There will be timing issues.
- Both parties will have to learn a lot about each other, quickly.

3. Perception

- There is a worldwide perception that all firms sitting outside the Big Four lack the capabilities and attributes necessary to audit most large companies.

CONCLUSION

The overall conclusion from mid-tier audit firms is that for the top-tier companies the Big Four currently have a near-monopoly but that may, in time, be challenged as the mid-tier firms grow in both resources and geographical representation. In other tiers, competition among audit firms is healthy and robust.

In all three of these events, delegates agreed that competition was a good thing but there was no obvious answer to the near-monopoly on the largest audits of the Big 4. Increased tendering, put forwards in Europe and the US, is no panacea, given the 'unseen' costs facing the mid-tier firms.

Table 1: Comparison of Big-Four and other firms

Big 4	Non-Big Four
Global resources and coverage	Localised resources
Large marketing resources	Limited marketing
Standardised services	Personalised service
Highly specialised skills	General practitioners
Rigid internal structures	Ability to adapt
Perception (positive for large multinational entities)	Perception (positive for small to medium-sized entities)
Third-party requirements	
Professional contacts	

Theme 2: Bridging the gap between market expectations and the audit mandate

Although auditors are appointed to protect the interests of shareholders, international outreach carried out by the IAASB and other standard-setters and regulators has found that some investors believe that auditors' focus is too often on meeting the needs of senior management.

The UK Competition Commission report concluded:

'Consequently, auditors may focus on factors that are not aligned with shareholder demand. Despite the presence of audit committees and other safeguards, audit firms naturally focus more on meeting management interests. The result is a static market in which too often audits do not fulfil their intended purpose and thus fail to meet the needs of shareholders. It is clear that there is significant dissatisfaction amongst some institutional investors with the relevance and extent of reporting in audited financial reports. This needs to change so that external audit becomes a more genuinely independent and challenging exercise where auditors are primarily considered as examining inspectors and not as corporate advisors.'

Delegates at the Caribbean events were invited to consider ways of upholding the value and independence of audit.

The three most common audit deficiencies, it was agreed, all reflected management problems affecting many areas of the audit: (1) a failure to gather sufficient, competent evidence, (2) lack of due care, and (3) lack of professional scepticism. In many cases, the best remedy for such problems is for auditors to develop a properly designed and executed quality-control system. Auditors should corroborate management representations with additional evidence and not overuse management inquiry as a form of audit evidence.

The issues covered included the firm's 'tone at the top', the way performance is measured and remuneration calculated, and how GAAP/IFRS violations are dealt with.

THE FIRM'S 'TONE AT THE TOP'

Firms should:

- define 'client' to include not only management but also the entity's board of directors, audit committee, shareholders and the investing public
- signal to their audit teams that providing high-quality audit services is a top priority and that the firm does not view such services as a commodity
- encourage all personnel to maintain an attitude of professional scepticism that focuses on the importance of the auditor's role in protecting the public interest and maintaining strong capital markets.

PERFORMANCE MEASUREMENT AND REMUNERATION

Audit firms can benefit from closely examining their performance measurement and remuneration systems.

- In many of the fraud cases, it appeared that auditors had simply chosen not to pursue identified audit issues, perhaps fearing that time spent investigating those issues would hinder career advancement or result in penalties during salary and bonus reviews because they had run overtime on budgets or missed client-imposed deadlines.
- A clear message should be conveyed that the firm values high-quality audit services and that all other considerations – including time budgets, firm administration, development of non-audit services and other practice-development issues – are secondary.
- Firms also need to evaluate carefully whether fee and deadline pressures will have an impact on the audit team's ability to undertake a high-quality audit.

GAAP/IFRS VIOLATIONS

Firm policy should require specific internal firm consultation with technical partners or industry specialists.

More generally, there is a need to reduce the long-standing 'expectations gap' and enhance users' understanding of financial information. The profession needs to explain more clearly what an audit is intended to achieve, and what information is not covered by an audit. Nonetheless, improvements to the auditor's report alone (covered in the next section) will not be sufficient to effectively narrow the expectations gap.

Theme 3: A framework for audit quality – issues identified by the IAASB

AUDITOR REPORTS

Delegates examined the issue of increasing the informational value of auditors' reports, with the addition of an 'Auditor Commentary' as one possible option.

It was agreed that to enhance users' understanding of financial information, it would be beneficial to include additional information in the report to improve its relevance and communicative value. Even so, it was still not believed that such changes would be sufficient to narrow the expectations and information gaps significantly.

Changes to the auditor's report alone may not be sufficient for user education on the purpose, scope and limitations of an International Standards on Auditing (ISA) audit, especially in areas such as going concern. It is doubtful if users who currently do not have an understanding of these matters will be more enlightened by reading the proposed 'going concern' section of the report or the sections that describe the responsibilities of management and the auditor.

Delegates also addressed the IAASB's proposal to add a new 'Commentary' section whereby the auditor can call attention to matters important to the users' understanding of the audited financial statements or the audit. There are also suggested improvements to the new auditor statements describing the responsibilities of the auditor and the key features of the audit itself, and suggestions for enhancing the format of the report.

In Trinidad, the point was raised that the extended audit report was in fact one way in which information can be made more digestible and meaningful for the shareholder, that is integral to bridging the existing gap between what the audit can reasonably achieve and what some users expect it to achieve. In Jamaica a robust discussion ensued, with a distinct difference of opinion between investors, who complained that audit reports were becoming larger and more complex without adding measurable value to users, and regulators, who argued that more information should be provided by the auditor to improve transparency.

ACCA has expressed support for the concept of the Auditor Commentary, given the extent of the outreach, which has shown that investors have seen little value in the current binary audit report but has also emphasised the importance of getting the details right. The obvious risk is that descriptions in a commentary may lack consistency and hence comparability. Without the benefit of dialogue with the auditor, users may find it challenging to understand technically difficult matters and interpret the qualitative descriptions deriving from subjective judgements made by the auditor. There is considerable scope for misinterpretation.

This surely argues for an unhurried implementation of the proposals, allowing sufficient time for all affected parties to develop a proper understanding. The views expressed by Jamaican investors, that quantity rather than usefulness of information might expand, support that caution. In general, there is an important question as to whether there is real informational value in expanded auditors' reports, or if there will be information overload.

AUDIT COMMITTEES AS A SOURCE OF INFORMATION TO FINANCIAL STATEMENT USERS

If more information on the audit – such as audit judgements, risks, and key areas of audit focus – is deemed necessary for financial statements' users, another related question is: who should provide it? Internationally, regulators have been divided on whether it should be auditors or audit committees.

At the Caribbean events, delegates discussed the role of audit committees and concluded there were several areas where they can provide useful information:

- financial reporting and disclosures
- risk management and the system of internal control
- corporate culture and compliance
- oversight of management and internal audit
- relationships with external auditors.

Leading practices that enhance audit and financial reporting quality include:

- communication, not just 'ticking a box', which should be substantive and candid, and go beyond governance and regulatory requirements
- robust discussions and disclosure on financial reporting, risks, complex areas and unusual transactions by audit committees, management and auditors.

Overall, greater transparency in the activities of audit committees and the issues they have addressed in the course of the publication of the annual reports would be of use to investors and other users.

IMPROVE THE CONSISTENCY OF PERFORMANCE ON INDIVIDUAL AUDIT ENGAGEMENTS

The need to enhance audit quality and consistency was regarded by delegates as a key issue, and this led to a wide-ranging discussion on the state of the profession.

Elements of audit consistency

Planning of engagements should not be a process reserved for partners and managers; instead, entire audit teams should be required to take part in key aspects of the planning process.

The methodologies of the firm and the standards of field work must be maintained regardless of the size of client, length of service to client or any other factor.

Staffing is traditionally an area of potential challenge: it is clear that retention, training and promotions policies can affect the ability of the firm to maintain consistent performance. This is unlikely to change, so firms must protect their performance standard by preparing staff with a robust initial training period.

VIEWS EXPRESSED ON THE AUDIT PROFESSION

Client interaction and communication

Since the early 2000s, the profession has engaged in self-preservation and protection – attempts to prove its relevance – rather than engaging with clients at the higher level. Auditors should be clarifying their role and seeking to marry their standards and requirements with the needs of their clients. Clients are the most important judges of the consistency of audit processes.

Public perception

In recent years, a slew of international, regional and local corporate scandals have tarnished the auditing profession in the public's eye. Some sections of the public believe that different rules are applied for different persons. When they see financial failure of those whom they assume have been favoured it creates a perception of inconsistency and lack of trust.

Audit scope

Auditing professionals must ask themselves some searching questions. Whose needs is this profession fulfilling? Whose objectives? Is it those of the stakeholders, regulators, and clients, or the firm's own? Should audit engagements focus more on historical or current performance?

Business function versus regulatory function

The profession primarily fulfils regulatory objectives and this detracts from the full benefits that professional audit functions can provide to ensure that businesses survive and can grow so that, ultimately, countries and economies grow.

Stakeholder engagement

Nothing surpasses engaging the clientele one serves – the stakeholders in the process – the ones it targets. The profession needs to engage actively with these persons to ensure that gaps in stakeholders' understanding of the auditor's existing role are closed, and to seek to identify, with their help, how to vary, enhance and perfect that role.

Auditor rotation

Here again, there are a number of questions to be asked and answered. Does rotation lead to, or prevent, consistency? Was it meant to address inconsistency or some other ill? Can those ills be addressed in other ways – internally and through more robust peer and practice reviews?

Company managers face significant opportunity costs in the management time involved in the selection and duration of a new auditor.

ESTABLISHING AND DEVELOPING FIRM CAPABILITIES

In relation to the above, delegates also addressed one of the key issues of the IAASB's agenda – developing each firm's capabilities. Audit quality is said to be dependent on two variables: the competence and the independence of the auditor. A strong system of quality control is imperative – the 'tone at the top' is critical. Rewards and sanctions must be closely linked to quality. Changes to the partner remuneration system may be needed, to reward audit quality and ethical compliance, rather than business development.

A variety of changes are being made by audit firms to raise audit quality:

- a change in the auditors role – they are becoming industry experts
- use of specialists
- measures to attract and retain the best graduates
- improvements to technical skills – IFRS & IAS
- implementation of tougher practice reviews
- measures to ensure the highest levels of staff and integrity and independence
- increasing focus on professional scepticism
- much greater involvement of the audit partner
- imposition of sanctions on non-performers.

Audit firms often use competency frameworks to assist with evaluating the performance of partners and staff, but delegates agreed that the extent to which the competences assessed directly address audit quality and the manner in which this is done, varies. There may be benefits in standardising elements of audit firm competency frameworks. For example, competences have been developed by the International Accounting Education Standards Board (IAESB). Specification of the necessary competences will also give audit firms the opportunity to consider whether their current approach to staff recruitment and training is providing the appropriate resources for the performance of quality audits.

ROLE OF AUDITOR AND REGULATOR

In the aftermath of the global financial crisis, the issue of the relationship between auditors and regulators has come under close scrutiny, and is one of the IAASB's audit quality priorities. Should auditors have done more to alert regulators to failings or worrying signs in the companies, especially banks that they audited?

Delegates believed that while it is recognised that the timely sharing of appropriate information between regulators and auditors can both enhance the regulatory process and contribute to audit quality, such information sharing is sometimes inhibited by timing and confidentiality issues. To improve information sharing, clear criteria need to be established either in law or by means of formal agreements or protocols for what is to be communicated and the process for such communications. The amount of information, and the circumstances in which regulators believe auditors should share this information with them, should be made clear.

The IAASB also wondered whether, given the global nature of the financial crisis, there would be value in an exchange of information between national authorities responsible for determining sanctions on auditors, with a view to evaluating the relative effectiveness of their different arrangements. For although arrangements for taking disciplinary actions against auditors have evolved in a national context and are likely to be closely linked with the underlying national legal framework, the sharing of information on matters such as the criteria that define an audit failure, the thresholds for sanctions, and available sanctions might improve these arrangements.

Overall, delegates expressed the view that regulators and auditors have complementary roles and common concerns about consistent performance on audit engagements. Both are concerned with the stability, safety and soundness of the reporting entity, for the purpose of protecting investors. In many jurisdictions around the world a combination of laws, regulations and standards have been created with the aim of enhancing the regulatory process and contributing to a high-quality external audit by promoting an effective relationship between the auditor and regulator.

In Trinidad, draft by-laws are currently being disseminated by the SEC (Securities and Exchange Commission) for consideration and comment by all major stakeholders. The by-laws will focus on the quality of the audit, investor protection and the enhancement of the financial and capital markets. Regulators such as the SEC do recognise that there needs to be more dialogue between themselves and the stakeholders.

AUDIT INSPECTION ACTIVITIES TO IMPROVE QUALITY AND TRANSPARENCY

The public interest

The last issue in the IAASB's audit quality agenda to be discussed was the question of whether audit inspection activities could do more to enhance quality and transparency.

Before getting into the specifics, delegates considered significant developments within the accounting profession since 2001 and the demise of Arthur Andersen to the recent regulatory inquiries on auditors as a result of the global financial crisis. Undoubtedly, these developments within the profession require all concerned to pause and reflect. In this regard, it is worth focusing on ACCA's *Code of Ethics of Professional Accountants*.

The first section of this Code, section 100 'Introduction and Fundamental Principles' states:

'A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest, a professional accountant shall observe and comply with this Code.'

Delegates agreed that all accountants must reflect on these fundamental principles. These principles underlie, and should form the very essence of, the way of life of a professional accountant. It is these fundamental principles that must unfailingly guide an accountant's every action. Doing the right thing at every turn is not optional; it is a professional responsibility and duty. This is accountants' professional responsibility as upstanding citizens of their nations, it is their responsibility to their firm/employer, their responsibility to the accountancy profession as a whole and their responsibility in service of the public's interest.

Audit inspection activities

It is critically important that the inspection activities of regulators and others result in the requisite action and behaviour by ALL professional accountants to ensure that they meet the quality requirements prescribed by the standard-setters and other regulatory bodies. There must be accountability and appropriate consequences for inappropriate action/behaviour. Many of the wrongdoings that have emerged around the world result from wavering from the fundamental principles enshrined in professional bodies' codes of ethics and departure from the values that should underpin an accountant's every decision. Professionals who fail to comply with the prescribed ethical requirements should face severe consequences.

Professional accountancy bodies in all jurisdictions should be encouraged to give a voice to their members, and engage with regulators, stock exchange, government and the public as a whole, and to have meaningful dialogue pertinent to legislative shortcomings, policies and regulations. In troubled times it is far better to communicate too much than too little. All stakeholders in the financial reporting value chain must work together to ensure that the accountancy profession plays its part in restoring confidence in capital markets and economies.

As accounting professionals, delegates agreed that an unwavering commitment to the fundamental principles set out in ACCA's and IFAC's code of ethics is essential. Returning to this firm foundation will assure the maximisation of stakeholder value and action in the public interest.

Conclusion from Kenneth R. Henry, ACCA Council member

The three Caribbean audit events covered a wide range of topical issues, and built upon the events of recent years.

Some of the discussions concerned issues specific to Trinidad, Barbados, and Jamaica, and the ACCA Caribbean office will be carrying this forward with policymakers, regulators, standard-setters and other key players here. But many of the views expressed at the events and summarised in this report should be of interest to participants in the audit debate internationally.

Greater competition would clearly be a good thing. We heard about many of the issues which make it difficult for mid-tier firms being able to compete for audits at larger companies. Given how intractable this issue has proved around the world, it would have been naïve to have expected our discussions to come up with solutions – nevertheless, there was a clear feeling that in time, this situation may change as the non-Big Four firms grown in size and geographical coverage. Regulatory action on impediments such as covenants and restrictive clauses could help that process.

There was also a lot of discussion on the gap between what users want or expect from audit and the realities of the current audit scope. Developments such as auditor commentary, whereby more details on the auditor's findings and conclusions may help in this respect, although there is clearly some concern on the detail of such proposals. And the IAASB's wide-ranging audit quality consultation gave rise to much debate.

But what was clear from the events was that auditors in the Caribbean profession are more than willing to address the real challenges facing their profession and are very aware of their responsibilities in the wider business environment and economy. That is a good basis on which to build, and I and my colleagues on ACCA's global Council will make sure that the views expressed will be heard clearly both locally and internationally.

Kenneth R. Henry, of Florida International University, was a principal contributor to this report.

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