

The Promise of Our Profession

By Wayne Berson, Lynne Doughtie, Cathy Engelbert, Kelly Grier, Mike McGuire, Barry Melancon, and Tim Ryan

Thousands of newly minted U.S. accounting graduates will become auditors this year. We welcome them to a profession full of promise.

A career in the auditing profession promises to be one of opportunity—the opportunity to learn and grow in a place where diversity, inclusiveness, respect, and doing right by others is not only embraced, but central to our long-term success. For these reasons, and many others outlined here, our firms are consistently named among the best places to work.

Graduates will join a profession that is purpose-driven. By helping to provide the capital markets with confidence and assurance in financial reporting, what we do matters to people far beyond our own. High-quality audits matter to workers, retirees, communities, investors, the capital markets, and the global economy. In the words of U.S. Securities and Exchange Commission (SEC) Chairman Jay Clayton: "The bedrock of our financial system is the audit."

Our profession is bolstered by robust accountability and oversight that we embrace for the trust and confidence it engenders. In the United States, the auditing profession benefits greatly from the presence of a strong, independent regulator—the Public Company Accounting Oversight Board (PCAOB)—which was founded in 2003 and which establishes and enforces high standards in coordination with the SEC.

Graduates joining audit firms this summer can take pride in being part of a profession that is built on trust and integrity. In the United States, this foundation is supported by an effective system of corporate governance, one that was reinforced by the same law that created the PCAOB: the Sarbanes-Oxley Act of 2002 (SOX). Among a range of provisions, the law made the independent audit committees—not management—responsible for hiring, compensating, and overseeing the external auditor. To further enhance auditor independence, the Sarbanes-Oxley Act established rules such as requiring lead engagement partner rotation every five years, as well as prohibiting a range of non-audit services to audit clients. SOX also requires the audit committee to pre-approve permissible non-audit services to audit clients; fees from these services to audit clients must be disclosed publicly.

Our profession also offers new generations the chance to work with the best and brightest in teams across disciplines in an era of unprecedented technological change. With the Sarbanes-Oxley safeguards in place, as auditors, we are increasingly tapping the expertise of colleagues in key areas, such as information systems, cybersecurity risk management, valuation, and complex tax matters. Such a multidisciplinary approach also helps firms to integrate cutting-edge technologies into the audit, a feature that is especially important at a time when artificial intelligence, advanced data analytics, and blockchain have the potential to revolutionize the audit.

Working with the PCAOB for 15 years now, each of our firms and others have made massive investments in systems of quality control, focusing on codes of conduct and partner assignment

processes, technical accounting and auditing support specialists, and internal inspections. We have oriented partner compensation around rewarding quality, built accountability frameworks, and developed robust processes for analyzing quality drivers. Investors and others can read about these efforts in detailed quality reports that we each issue with pride annually.

For our new hires, this sustained dedication to quality with independent oversight puts the profession on a solid foundation. And it is one of many reasons surveys consistently show that U.S. investors have high degrees of confidence in U.S. capital markets, public companies, and audited financial information. Sarbanes-Oxley provisions requiring management and auditors to report on internal control over financial reporting have contributed to this confidence. Financial restatements have dropped off dramatically since 2005 and have trended down for five straight years.

Perhaps most important of all, the promise of our profession is a commitment to improve—continually. Indeed, for auditors, continual improvement is more than a commitment; it is an imperative. As observed recently by SEC Chief Accountant Wesley Bricker: "Trust in the audit is nurtured as the profession consistently delivers audit quality and value to audit committees and the investing public. Trust can be nurtured or broken—it is neither static nor assumed." We pledge to adapt to the ever-changing environment in which companies operate and report financial information. In the ongoing global dialogue around audit quality, we will remain open to constructive new ideas that are carefully informed, again in Bricker's words, by "an assessment of the costs, benefits, and consequences (both intended and not) to the right expectations of investors and others." Our commitment to continuous improvement benefits our workforce as much as it does the capital markets in that it instills values that are essential to success.

We, along with the class of 2018, will continue to build on the auditing bedrock that has supported our capital markets for decades.

That is our promise.

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