I believe the largest issue is the expectation gap, that is what an audit is required to achieve by statute and regulation versus what the non accounting profession believes it is supposed to achieve. I believe this from both what I read and from talking to senior business people that are not qualified accountants or lawyers. I shan't explain what I mean by the expectation gap as I am sure this is well understood but will do so if requested.

If this gap is to be closed by enforcing significant change on the Audit industry and on audits themselves then that will most likely cause a very significant upheaval in not just the Audit industry but also the companies they audit. To close the gap in this way: audit fees would increase substantially, possibly dramatically and this assumes the appropriate resources are available; audit timetables will be extended hence financial results will often be delayed; extensive education of audit firms, companies and of the market at large, will be required etc. Whilst that might not be strong enough reasons to not make changes, the ramifications and "unintended consequences" of such changes needs to be very seriously considered and any changes need to be very carefully targeted and implemented on a gradual basis.

Overall, my view is that the quality of audits could and should be improved with limited changes to the Audit process and therefore limited disruption, cost etc. For example, having tighter rules on materiality (this does vary a lot and is too wide), increasing the role of technology based auditing but not overly so, making it a requirement of Audit firms that one of their roles is to identify material frauds and perhaps having audit files reviewed more regularly in some but not too low a level manner (what ever happened to the concept of Second Partner reviews within a firm, albeit perhaps this could be enhanced by the second partner not being allowed to ever be the Audit Partner and perhaps changing the Second Partner slightly more frequently than the Audit partner? NB: to expect someone with no ongoing knowledge of the company, either another firm or a regulator, to do so wouldn't achieve the desired result. In my experience, strong audits already have lower materiality thresholds and are at least aware of the need to identify fraud (if only to avoid their firm being caught up in an embarrassing public and legal issue at a later date) and technology is both constantly improving but often underused.

A healthy and appropriate solution, in my view, would be to identify a few, straight forward and immediate but not complex, disruptive, costly or dramatic improvements in the audit process whilst educating users of accounts better as to what an audit aims to achieve i.e. largely close the gap in understanding by education rather than dramatic changes to the processes.

I believe that having two audit firms, one of which is not a Big 4 firm, will likely result in a number of negative unintended consequences, not least the potential for gaps to appear in the overall audit process and an even worse blame culture, without achieving an overall better result.

I also do not believe the issue here is with the Big 4 having too much control over the market and whilst I understand that there have been some recent, high profile business failures they are still few and far between and, as with all criminals, if someone really wants to commit fraud they will always find a way. Perfection is both unattainable and largely undesirable in my view.

If you would like me to add anything in particular or wish clarification of any of my points then please feel free to contact me by email in the first instance.