



**ACCOUNTANCY  
EUROPE.**

# **KEEPING THE AUDIT PROFESSION ATTRACTIVE**

**IDEAS.**

**AUDIT & ASSURANCE  
JULY 2017**

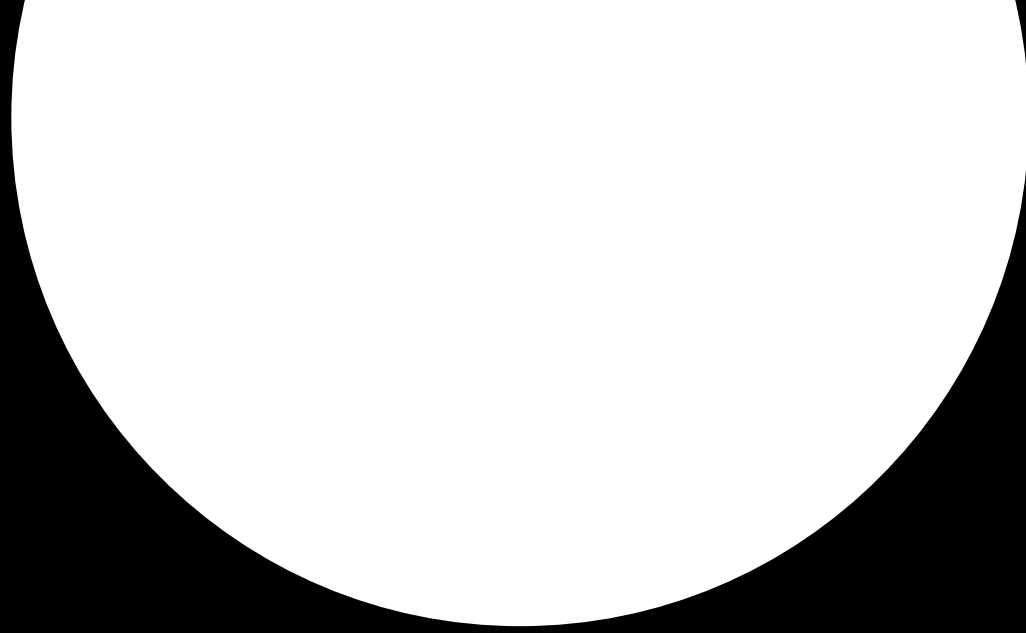
## **HIGHLIGHTS**

Audit is a people business. While increased regulation and technology change the demands on auditors, audit quality remains at the forefront. It is key that the audit profession can stay appealing to high quality people, including professionals with a different background.

We gathered views on the attractiveness of the audit profession, as well as ideas on keeping it attractive by interviewing 21 key stakeholders, such as (young) auditors, regulators, investors, academics, and policy makers. Their thoughts are covered in this paper. Now we call on you to keep this debate going by responding to the four questions at the end of the paper.

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## INTRODUCTION

Following a series of initiatives on the future of audit and assurance, especially the discussion paper *Pursuing a strategic debate*<sup>1</sup>, we focus our attention here on a crucial topic: the attractiveness of the audit profession<sup>2</sup>.

Why this project? Audit is first and foremost a people business. Audit quality depends on people. Following previous stakeholder discussions, it seems that a career in audit is less appealing than before. It also seems that the situation is quite diverse across Europe. In this project, we want to understand how the profession is perceived across Europe, what are its features and why they may act as a barrier to attract professionals. We also want to track what is being done and could be done by all relevant stakeholders to keep the audit profession attractive in the future.

Despite some concerns, the relevance and role of audit in society is undeniable. The audit profession has a role to play in a sustainable economy and in answering to the evolving needs of the business world. For this purpose, it is key that the audit profession remains able to attract high quality professionals – including professionals without an audit or accounting background. This is especially important given the changes and challenges that the audit profession faces in the European Union after the regulatory complexity and stricter requirements introduced by the audit reform.

Technology is also at the top of the agenda. The audit profession, and especially the larger audit firms, are on the brink of implementing of new digital tools such as data analytics and artificial intelligence. All these developments will have profound implications on the way that an audit is performed and for the role of the auditor.

To pursue this important discussion, we ask all interested parties to share their views on this topic by responding to the four discussion questions included in the last section of this paper.

## PROJECT OVERVIEW & METHODOLOGY

In the next chapters, we present the most consensual ideas arising from the qualitative interviews we made. These ideas are complemented by relevant quotes from interviewees. These quotes do not necessarily reflect any of our official positions or those of any of our 50 member bodies. We also present some initiatives put in place by our members and audit firms regarding the attractiveness of the audit profession. Lastly, we propose some follow-up actions to be taken by all stakeholders in order to keep the audit profession attractive in the future.

Between January and May 2017, we conducted 21 qualitative interviews to gather views on this topic with:

- students

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<sup>1</sup> Accountancy Europe (previously FEE), (2016), *Pursuing a strategic debate*, [online] Available at: [https://www.accountancyeurope.eu/wp-content/uploads/1601\\_Future\\_of\\_audit\\_and\\_assurance.pdf](https://www.accountancyeurope.eu/wp-content/uploads/1601_Future_of_audit_and_assurance.pdf).

<sup>2</sup> By audit profession we refer to all the professionals involved in providing statutory audit services as defined in the Audit Directive.

- young auditors
- audit partners (from large firms and small and medium practices)
- professional bodies
- audit clients and investor representatives
- regulators
- European institutions
- standard-setters
- academics

We have selected the interviewees based on:

- their experience and knowledge of the audit profession
- their reputation in having a vision for the audit profession
- previous proactive involvement and engagement in discussions on the future of the audit profession

We have ensured geographical diversity during our selection of interviewees: individuals from Austria, Belgium, Estonia, Finland, France, Germany, Italy, the Netherlands, and the United Kingdom were represented to ensure the relevance of this project across Europe.

The interviews lasted one hour and were divided into three main sections:

- the attractiveness and retention of audit professionals
- the factors influencing the attractiveness of the profession
- the interaction with other professionals

The outcome of the interviews was then discussed at Accountancy Europe, benefiting from the contribution of a broad range of audit experts from across Europe.

## ATTRACTIVENESS & RETENTION

### ATTRACTIVENESS

*“Make people aware of the benefits of the audit profession: you learn a lot from the 1st day, you meet a lot of interesting people and you do a lot of interesting things!”*

Young auditor, large firm, Austria

According to most interviewees, the best way to keep the audit profession attractive, is to promote the achievements of the audit profession and demonstrate what benefits it brings to society. This is especially important in times when auditors and audit firms are often only in the spotlight when something has gone wrong. Therefore, it is important that clients, investors, and society as a whole can easily perceive the positive value of the audit.

To promote the audit profession, it is necessary to tell students the right story. It is key that they understand what performing an audit is about and what the attractive features of a career in audit are, namely:

- learn a lot in a short period of time
- be part of strategic discussions with high-level management
- develop professional judgement
- get close insight into the business world
- be part of an international working environment

On top of these features, the role of the auditor in society and the public interest dimension of the audit profession should be made clear to students. The millennial generation wants to be part of a profession that performs rewarding work and where they feel that they are contributing to a better society.

## RETENTION

High staff turnover rates in audit firms, mainly for junior auditors, are a concern for the profession. A 15-20% annual turnover in staff is common, especially in the larger audit firms. Over time, the average number of years that young professionals remain in the audit profession has been decreasing from five to three years.

This is partly explained by the fact that the audit profession is a very good starting point for rapid career progression, being reputed as a source of desirable talents and qualities for the business world. Young professionals often spend a few years in the audit profession before moving to one of the business sectors they have been in contact with, or they start their own business.

Although deemed part of the business model of audit firms, the impact of these high turnover rates should not be overlooked. Audit firms face the constant challenge of managing the outflow of staff, especially in periods of economic growth with more jobs and opportunities available elsewhere in the job market. The challenge for the firms is also about keeping the right professionals.

Staff turnover also results in a loss of knowledge and experience within audit firms and some inefficiencies as new staff has to be trained and integrated within the audit teams each year, requiring continuous investments.

But is high turnover in audit firms' staff just a negative aspect? Besides having a positive impact in preparing professionals for the business world, it is also a sign that audit firms continue to attract new professionals. Audit firms can also benefit from the fresh ideas and skills that new hires bring in. As we will see below, this aspect is especially important in times when the ability to adapt to new situations is key.

*“It is positive to the audit firm that some proportion of staff leaves after a short period: it creates space for new resources. The challenge is to manage the outflow of employees.”*

Audit partner, large firm, Italy

## FACTORS INFLUENCING THE ATTRACTIVENESS OF THE PROFESSION

### REGISTERED AUDITOR: TO BE OR NOT TO BE?

The process of becoming a registered auditor encompasses several phases and can therefore be very lengthy (three to five years). Additionally, the requirements to become a qualified auditor in the European Union are very demanding, leading to high failure rates in professional examinations in some Member States.

Strict requirements to enter the profession tend to be seen as a way to ensure that only the very best professionals are able to become registered auditors. In turn, you would expect this to be evidenced in enhanced audit quality. But this may not be necessarily true. Very strict requirements and

high failure rates can discourage a lot of candidates, including the best ones, from considering entering the profession.

The process to qualify and become a registered auditor takes place when the auditor is already working and is under considerable time pressure. On top of that, with relatively high failure rates for professional examinations, some potential candidates perceive this as an onerous process and are reluctant to start the process. To use financial jargon, young professionals see it as a low return on such a high investment, especially when they compare audit with other non-regulated professions (e.g. advisory, consultancy, etc.). There is a need to find a balance between demanding requirements to join the profession and ensuring that the best professionals are not discouraged from becoming registered auditors.

## REGULATION

*“Greater accountability and scrutiny shouldn't be unattractive!”*

Regulator, United Kingdom

Following the audit reform in the European Union, several aspects of the audit profession are now subject to tougher regulation. Greater accountability and scrutiny reinforce the public interest dimension of the audit profession, highlighting the important role of the auditor in the business world and in society.

Nevertheless, increasing regulation may have a negative impact on the attractiveness of the audit profession in the long run. The strict regulation of the profession can deter students from joining an audit firm, or even if they join, to opt for another area in an audit firm (e.g. consultancy). Regulating every aspect of the audit profession can also lead to professionals choosing to leave audit firms. Although they understand this is part of the job, they notice that the nature of their work gradually changes, focusing more on tasks related to oversight and quality assurance. The common goal should be to achieve the best audit quality.

## COMPLIANCE MIND-SET

*“Young professionals want to solve problems, not to fill in forms.”*

Audit partner, large firm, Belgium

In some instances, the audit profession has been gradually developing a compliance mind-set to the detriment of the use of professional judgement.

In the long run, this compliance mind-set can act as a deterring factor for students and young professionals as they may view the work of the auditor as a mere box-ticking exercise with limited intellectual challenge and therefore perceive the audit profession negatively.

But what has led to this compliance mind-set?

*“Too much focus on the audit process instead of focus on the outcome – we need to find the right balance.”*

Regulator, United Kingdom

On the one hand, the approach taken by the audit supervisory authorities may have encouraged a box-ticking exercise because audit firms have to be able to demonstrate that they have complied with the requirements of different laws, regulations, and professional standards. The regulatory environment is also increasingly complex. This places more pressure on the auditor in terms of documentation and other means of demonstrating compliance, resulting in more firms' resources being allocated to deal with supervisory issues. Audit firms sometimes feel that the substance of their work is not even being challenged or that supervisory authorities are more interested in the steps followed in the audit process than the key judgements made.



Conversely, in order to be efficient and consistent, audit firms, especially the larger ones, often adopt strict internal procedures applicable to the whole network, sometimes limiting creativity and opportunity for adaptation. This is described as a 'safe' approach as audit firms became more conscious of potential liability issues in the aftermath of recent financial scandals.

Therefore, it is key that audit firms, professional bodies, and regulators work together to find the appropriate balance between demonstrating compliance and exercising professional judgment, while focusing on the objective: audit quality. This appropriate balance might be found by:

- placing greater emphasis on the judgemental aspects of an audit
- providing more training and development on ethical and assertive behaviour
- focusing more on the thought process within the judgements made instead of documentation of every step
- increasing internal dialogue among the firm's audit staff on the pressure and challenges experienced on different assignments, the work done, and the risk coverage

## TECHNOLOGY

The millennial generation is proficient in the use of modern technology. As technological developments impact more and more the way audits are performed, this aspect will help to attract IT skilled professionals. Young professionals joining the profession should be encouraged to use their capabilities and share them with more senior staff to work better together.

Automation of audit processes may lead to a decrease in the number of staff firms need, as in many other professions. However, such developments might impact the nature of the work of the auditor, providing the auditor of the future with the opportunity to focus more on substantive matters and to apply professional judgement, eliminating many of the current mechanical and compliance-oriented tasks. Technology is seen as a means to improve audit quality – and not only audit efficiency.

In parallel, the efficiencies from the use of these new tools such as data analytics and artificial intelligence might enable audit firms to focus on new areas of work.

Nevertheless, for the moment, these new tools might not be as embedded in the audit approach and methodologies as audit clients, and stakeholders in general, might think. In these fast changing times, audit firms have to be particularly transparent regarding how they use technology in audit procedures and how this impacts the outcome of their work.

On top of this, the smaller the practice is, the bigger the challenges regarding technological developments might be. The cost of the implementation of new tools, additional staff resources and training needed, may, in the short term, make it difficult for them to keep up with the pace of change in the audit approach, and to attract talent.

*“There is a need for a common understanding on audit quality – there are different perceptions at the moment. There is a gap between the expectations of different stakeholders (businesses, auditors, judges, regulators/oversight).”*

Audit partner, large firm, Italy

*“Every company is an IT company nowadays. What does that mean for audit firms?”*

Audit partner, large firm,  
Netherlands

*“Many routinized/mechanical tasks should be left to technology so that the staff could spend their time doing more interesting tasks!”*

Investors representative, United  
Kingdom

*“IT will enable auditors to use more professional judgement and get better insights into the business.”*

Regulator, United Kingdom

*“The real question is how do you embed the new tools in your audit practice. A fool with a tool is still a fool!”*

Audit partner, large firm,  
Netherlands

## WORK-LIFE BALANCE

The work-life balance in the audit profession is still an important factor deterring students from joining the profession and a contributory factor in auditors leaving the profession. The audit profession is known as very demanding in terms of work load with a high impact on personal life, especially in the peak season. The new generation of auditors seems to value increasingly their personal and social achievements, imposing a new equilibrium regarding work-life balance on the audit firms. Aware of this issue, audit firms have become more flexible and have developed new ways to meet the demands of the millennial generation.

Furthermore, technological developments might also help fade out the peak season with the emergence of continuous audit.

Nevertheless, in some countries, a distinction has to be made between large firms and small and medium practices (SMPs): the structure of the latter is not as flexible and they might therefore experience more difficulties finding this balance.

## AUDITOR SKILLSET AND INTERACTION WITH OTHER PROFESSIONALS

### EVOLVING SKILLSET OF THE AUDITOR

“An audit partner has to engage with professionals with very different profiles: actuaries, lawyers, venture capitalists, etc. The more specialists get involved, the more complex the skillset of the partner is.”

Academic, United Kingdom

In our discussion paper *Pursuing a strategic debate*<sup>3</sup>, we highlight the need to develop the auditor skillset beyond the so-called ‘hard’ skills.

Taking into consideration the fast-paced and complex developments in the business environment, auditors have to increasingly engage with professionals with very different backgrounds in order to perform their work. This trend makes the auditor’s work more challenging, but also more interesting. The more specialists get involved in an audit, the more skillsets of auditors have to change to ensure that they understand what specialists are telling them. In this context, project management skills will become even more important.

“The willingness to adapt is more a question of mind-set than a question of skillset.”

Academic, United Kingdom

More than changing the skillset, auditors will need to be willing to adapt to different and evolving situations. The skills needed for an audit will be more and more driven by the context in which the audit is performed: new business models, technologies used, etc.

### THE IMPORTANCE OF SOCIAL SKILLS

Even with all the foreseeable technological developments, audit will remain a people business. Communication is at the core of the work of the auditor. It is therefore essential that auditors continue to develop their soft skills, and especially social skills, to better engage with all relevant stakeholders.

The direct contact with clients from an early stage in an auditor’s career, with all that it entails, is often referred to as one of the main assets of the audit profession. Nevertheless, technology might create a more distant

<sup>3</sup> Accountancy Europe (previously FEE), (2016), *Pursuing a strategic debate*, [online] Available at: [https://www.accountancyeurope.eu/wp-content/uploads/1601\\_Future\\_of\\_audit\\_and\\_assurance.pdf](https://www.accountancyeurope.eu/wp-content/uploads/1601_Future_of_audit_and_assurance.pdf).

relationship with clients, with potential negative consequences in the long term as the work of the auditor is done with less direct contact with the client.

A good relationship with the audit client undoubtedly provides a better understanding of the business model and value creation process, enhancing the ability to 'read the client'. We need to maintain a strong human dimension of the audit profession.

This human dimension aspect is especially important when auditing small and medium enterprises (SMEs), where this interaction can help to better understand clients' needs, working as a 'trusted business advisor'.

## GROWING DEMAND FOR SPECIALISED PROFESSIONALS

There is a growing demand for specialised professionals in the audit profession and for individuals without an audit or accounting background due to three main factors: technology, increasing complexity in financial reporting, and new services that are provided by audit firms.

As we have seen above, technology impacts the nature of the work of the auditor. Not only does the auditor have to further develop his own IT skills, but audit firms are also including more and more IT experts in the audit team in order to cope with changes in the business environment.

This growth in specialised professionals also results from the market demand for other types of services to be provided by audit firms, mainly concerning non-financial information. To provide those services, audit firms need to involve professionals with different kinds of expertise, such as data specialists, environmentalists, engineers, economists, or sociologists. A well balanced multi-disciplinary team is key to face the challenges ahead.

This aspect may pose a different challenge for audit firms in terms of attractiveness. Especially in the largest audit firms, auditors are traditionally recruited at junior level in large numbers every year. In contrast, the professionals mentioned above are experienced professionals who can bring the additional skills that the audit firm is looking for. Audit firms have to appear at least equally competitive and attractive to these professionals who have an extensive range of career opportunities available to them.

## WHAT IS BEING DONE BY OUR MEMBERS AND AUDIT FIRMS?

Below we present some initiatives put in place by our members and audit firms regarding the attractiveness of the audit profession.

### INTERACTION WITH UNIVERSITIES

Some of our members and audit firms are gradually developing their interaction with universities.

A close connection between these two worlds is very important as it allows students to better understand what they can expect from the audit profession and what is expected from them when they join an audit firm, for example through the use of case studies. This also enables universities to

*“We sometimes understand more about the business and how it goes around the coffee machine than from the financial statements!”*

Audit partner, small firm, Italy

*“The audit partner is the conductor of the orchestra: he/she has to adapt according to the music piece!”*

Professional body representative,  
United Kingdom

better understand market needs in terms of education and to develop their study programs accordingly.

Linking back to technology, audit firms and universities are also cooperating on the research and development of new tools to be used in audit procedures.

### **BROADEN THE AUDITOR'S PROFILE**

Some of our members are developing new types of qualifications, for example, providing individuals with strong IT skills with some practical experience in financial statement audits.

### **SET UP FORUM OF YOUNG PROFESSIONALS**

Some of our members have set up a forum of young professionals to address their specific concerns and challenges. These forums promote debate on questions affecting the audit profession and often have an advisory nature, issuing recommendations to the professional bodies on matters like education and training, impact of technology, and the attractiveness of the audit profession.

### **PROMOTE THE ACHIEVEMENTS OF THE AUDIT PROFESSION**

Our members and audit firms have been developing ways to promote the achievements of the audit profession and the benefits of an audit to young professionals and to the public at large. Initiatives range from publishing articles in specialized magazines/websites, using social media as a marketing tool, and organising joint events with universities and businesses.

### **CONTACT WITH REGULATORS**

Our members and audit firms are promoting greater contact with regulators to reach a common understanding regarding core issues for the audit profession, such as the use of professional judgement and audit quality. This topic is particularly important following the audit reform in the European Union as the new framework brings challenges for audit firms, professional bodies, and regulators. The impact of technology on the audit profession should also be at the top of the agenda.

At European level, Accountancy Europe remains committed to engaging in a constructive dialogue on these matters with the Committee of European Auditing Oversight Bodies (CEAOB).

## **CONCLUSION: WHAT COULD BE DONE FURTHER BY ALL STAKEHOLDERS**

Audit firms and professional bodies have to address the public perception issue that the profession faces and promote the achievements of auditors and their contribution to society. The initiatives presented above are good examples of what could be done in this area.

Audit firms and professional bodies should better explain what an audit is about in order to inform students about the profession. Students should be clear on what they can expect when joining an audit firm.

Professional bodies and regulators must reflect on how to achieve a balance between demanding requirements to join the profession and ensuring that the best professionals are not discouraged from becoming registered auditors.

Audit firms, professional bodies, and regulators should work together to find the appropriate balance between demonstrating compliance and applying professional judgment to achieve the ultimate desired objective: audit quality.

Audit firms should be particularly transparent and realistic regarding the use of technology in some of the audit procedures and to clearly explain how these tools are currently being used and the main implications for the outcome of their work.

Audit firms should take advantage of new technologies and introduce, where possible, flexible working practices for their employees in order to improve the work-life balance.

Audit firms and professional bodies should develop initiatives to broaden the auditor's skillset: IT, project management, soft skills, including social skills, in order to help audit staff better engage with clients and respond to their needs.

Audit firms should adapt their recruitment model in order to cope with the challenges posed by the growing need for professionals without an audit or accounting background.

## **OUR ROLE AT ACCOUNTANCY EUROPE**

At Accountancy Europe, we are committed to playing our role in this debate by:

- sharing experiences with our members and exchanging best practice
- supporting our members in the development of the above-mentioned initiatives
- continuing to promote the achievements of the audit profession
- fostering the debate with regulators, namely with the CEAOB, on key issues for the audit profession such as professional judgment and audit quality
- hosting events to further debate the attractiveness of the audit profession across Europe

## **DISCUSSION QUESTIONS**

To continue this conversation on keeping the audit profession attractive, we now open the floor to you as our reader. We look forward to receiving your views on the following four questions:

1. What are your views on our interviewees' feedback on attractiveness and retention (pages 2 and 3)? Do you recognise any of these within your organisation?

2. Do you agree with the five factors that influence the attractiveness of the profession (pages 3 to 6)? Are you aware of any other factors?
3. What could be done to keep the audit profession attractive for the next generation? Are you aware of/involved in any initiatives on this subject?
4. What initiatives could help the audit profession reduce staff turnover rates and retain the right people? Do you have any examples of initiatives underway to tackle these turnover rates?

Please send your input to Tiago Mateus ([tiago@accountancyeurope.eu](mailto:tiago@accountancyeurope.eu)) by 15 September 2017.





Avenue d'Auderghem 22-28, 1040 Brussels



+32(0)2 893 33 60



[www.accountancyeurope.eu](http://www.accountancyeurope.eu)



@AccountancyEU



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Accountancy Europe is in the EU Transparency Register (No 4713568401-18).