

Auditing – Back to the Future.

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My Theater Agenda

- Jurassic Park: The relevance of historic financial information
- A Brave New World: The future of business reporting
- An Inconvenient Truth: CSR and the audit profession
- A Few Good Men: The talent agenda

Jurassic park I

- A vision from the CEOs of the International audit networks (November 2006)
 - value of intangibles is not measured
 - not instantaneous
 - no customization
 - relevance of history for (future) decision making

“In a world of “mass customization”, standard financial statements have less and less relevance”

Some say: financial statements have become the dinosaur of the 21st Century

Jurassic park II

Wait a minute, didn't we see
that movie before...

Jurassic park III

Yes you did, mid/late Nineties:

- Jenkins Committee (future business reporting)
- Robert Elliott
 - 'Nothing on the balance sheet is a value driver'
- An Internet billionaire: 'Profit is for suckers...'

Jurassic park IV

- Financial statements (audits) turned out to be hugely relevant in the past 7 years
- Still a powerful concept for accountability
- Still essential information for analysts
- Yes the value gap definitely exists
- But no credible silver bullet alternative yet

A Brave New World I (Historical financial information)

- Historical financial information and administrative burden
 - Impact Statutory Audit Directive on SMPs
 - EC-proposal: simplification measures for SMEs in accounting and auditing
 - Audit/small audit/review?
 - IFRS for SMEs
- Technology in the audit of historical financial information (intelligent agents)
- XBRL: evolution, revolution or dressing up the dinosaur?

A Brave New World II (Non-financial historical information)

Examples	Relevance	Auditability
Noise-level near airports	✓	✓
Punctuality of railways (percentage timely train arrivals)	✓	✓
Carbon-dioxide emission	✓	✓

A Brave New World III

(Systems, processes, behaviour)

- Continuous reporting/auditing:
limitations in processing ability
- Sarbanes-Oxley for SMEs?
- CSR reporting assurance

An Inconvenient Truth I (Corporate Social Responsibility)

Benefits

Agreed upon by 60 different companies in World Business Council for Sustainable Development

Trust benefits

- Enhancing reputation
- Transparency to stakeholders
- Maintaining license to operate
- Raising awareness, motivating and aligning staff and attracting talent

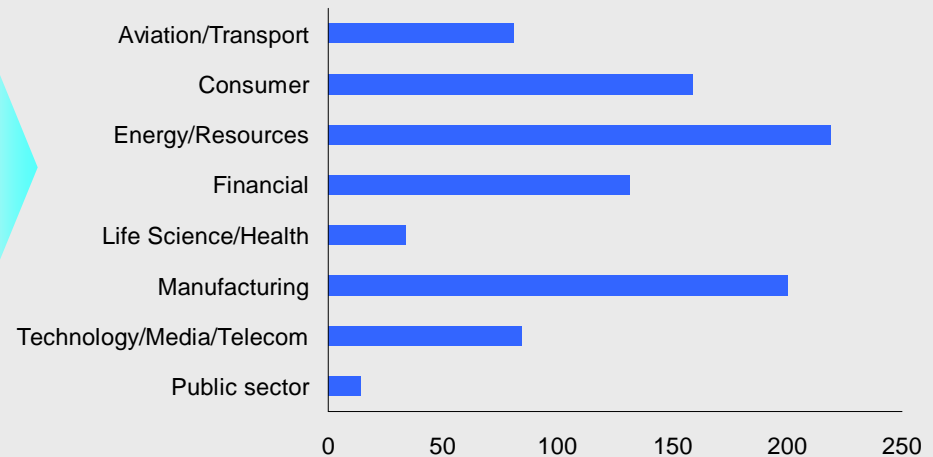
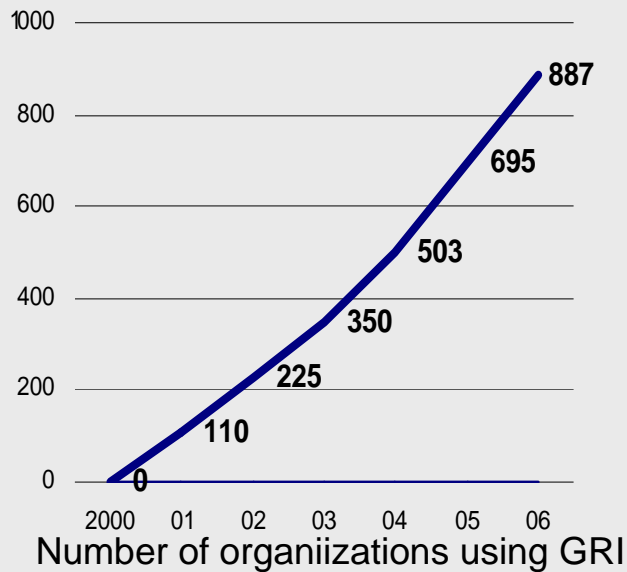
Performance benefits

- Meeting customer requirements/peer pressure
- Encouraging innovation
- Risk awareness
- Improving management systems/Continuous improvement
- Creating financial value & attracting long-term capital and favorable financing conditions

An Inconvenient Truth II (Corporate Social Responsibility)



GRI becoming increasingly recognized as a „standard“ for such reports



GRI users divided in sectors (2006)

An Inconvenient Truth III (Corporate Social Responsibility)

CR professionals opinion survey, Pleon

- Survey of 495 “CR professionals” undertaken in 2005 in 58 countries (*Accounting for Good – The Global Stakeholder Report 2005*)
- Formal assurance gained first place among the factors contributing to credibility (52.5%)

AA 1000 AS, or ISAE 3000 based

An Inconvenient Truth IV (Corporate Social Responsibility)

- CSR reporting will be 'booming'
- Assurance will be in demand
- To audit firms CSR policy and reporting is a business imperative. Expected by
 - Clients
 - Broader community of stakeholders
 - People
- Deloitte Netherlands example

A few good men I

- “Generation Y” is the fastest growing work force segment
- Generation Y profile:

Person

- Impatient – speed is everything
- Skeptical
- Free & Open
- International & Multi-cultural
- Technology savvy
- Image driven
- Eager to learn
- DIY – I can do on my own

Worker

- Independent, entrepreneurial thinker
- Relishes responsibility
- Demand immediate feedback
- Expect a sense of accomplishment hourly
- Thrive on challenging work and creative experience
- Love freedom and flexibility



A Few Good Men II

- Two-way communication in coaching and counseling
- Inclusive, team behavior towards each other
- Customize schedules and work assignments
Stimulate learning with “training on the job”
- Tie rewards and incentives to performance
- A few good women too!
- A purpose beyond profit!
- A unique opportunity for SMPs!