

SUMMARY NOTE

Speakers:

- David Herbinet - Global Head of Audit at Forvis Mazars
- Anne-Hélène Monsellato, Independent board member
- Alina Prahoveanu, Board Member & Chair of Audit Committee, ecoDa & Posta Romana SA

This webinar on auditor selection, organized by ecoDa and Forvis Mazars, explores the practical challenges faced by audit committees in ensuring audit quality and independence of the statutory auditor.

The discussion started with a focus on the impact of the Audit Reform regulation, aiming to enhance deconcentration of the audit market and audit quality, by way of a requiring mandatory rotation of the auditor. After 10 years of audit tenure, a mandatory tender offer must be organized, a period which can be extended to 24 years when a second auditor is appointed, a situation known as joint audit which can be found in France and implies a joint responsibility of both auditors. However, market concentration remains high in Europe, and smaller firms still struggle to gain visibility.

Certain audit committees still face difficulties in organizing a widely open tender offer process. Whilst regulations sought to improve audit quality, the rotation implies a learning phase for the new auditors which may temporarily affect quality, although academic research has shown that auditor rotation is a primary source of detection of misstatements and large frauds (fresh view). Boards are encouraged to release tender announcements publicly, engage a wide range of networks based on an analysis of the inherent complexity of their financial statements and sector. Not all audits require the scale of a Big Four firm—especially in markets where smaller or mid-tier audit firms demonstrate adequate capacity and expertise.

The selection criteria for auditors were emphasized as a strategic decision for boards. Audit committees must assess whether firms have sufficient resources, independence, and the right mix of junior and senior auditors. Boards should look beyond audit fees and focus on the depth and robustness of the audit approach, including methodology, fraud detection capabilities, and use of technology. Independence remains the foundation of quality, and audit committees are advised to anticipate tender processes well in advance.

Another major focus of discussion was on the technology-driven future of auditing. Data analytics and technological tools are reshaping audit practices, enhancing efficiency and risk detection. However, this evolution brings challenges regarding data privacy, implementation pace, and cost management, with a major obstacle for implementation being the acceptance by audit regulators to avoid duplication. Investments in technology must also be balanced

against client expectations for fee reductions.

Finally, participants discussed audit quality indicators and effective supervision. Boards and audit committees were urged to engage in open dialogue with auditors, particularly around areas of disagreement, complex accounting judgments, identified internal control over financial reporting significant deficiencies and material weaknesses, as well as upcoming audit inspections. The quality of the audit approach, a good understanding of how the audit effort is spent, the quality of the auditor's insights and use of professional skepticism, the quality of the deliverables, as gathered by the audit committee throughout its interaction with the auditors, but also using the informed views of the CFO are all key measures of audit quality. Committees should also understand how the audit partner manages the risks associated with staff turnover.

