**Transcript**

***Professor Jane Hamilton – Specialist auditors and quality of company financial reports***

I’m based at Bendigo campus of La Trobe University and I’m working with colleagues at other universities in Australia and in the US and what we’re looking at is whether auditors with specialist knowledge and experience are higher quality than other auditors. And, what we’re interested in is whether those auditors are appropriately matched with the companies that they audit and whether the financial statements that come out of those companies are therefore of a higher quality. So we’re looking at whether companies might have to re-state or change their reported results because they’ve found a mistake or whether auditors get their audit report wrong and so on. So, basically we expect that auditors with specialist knowledge will be associated with companies with higher quality financial reports.

Well, what we’re looking for is evidence of whether specialisation matters and where it matters. So we don’t expect that all companies will benefit from having specialist auditors. We’ve got some ideas about which companies will benefit and so we’re looking for the evidence in the published reports of those companies to say whether or not it really does matter whether or not a company is matched up with the right specialist auditor.

Well, governments around the world are very interested in audit quality. Enron was a large company in the US that collapsed in 2001 and after it failed its auditor, which was Arthur Andersen, one of the biggest in the world, also just basically disappeared. That leaves us with four very large audit firms in Australia and in the US and other parts of the world. And governments are worried that’s not enough competition. Companies need to be able to choose an auditor that’s independent of them and is big enough to do the job, to audit them appropriately. And so when there’s only four left, even though there are many other auditors they are much smaller. So we’re worried that companies have the ability to choose the right auditor for them. And, following through with our ideas we expect that if they are matched up with the appropriate auditor they’re going to get a higher quality product, but that means that investors will have more confidence in the company’s annual reports, companies themselves may well save money on their audit costs, governments won’t have to worry so much about changing the laws to ensure there’s enough competition. So our evidence will feed into those decisions and hopefully show where, if at all, things are going wrong so that governments can then do something about it.