

APPENDIX G – FOCUS GROUPS

1 Eleven focus group sessions were conducted to obtain information on topics relevant to financial reporting and audit effectiveness. An independent professional facilitator and a Panel staff member led the sessions, which lasted about three hours. At least one Panel member attended almost every session. (These sessions were in addition to those held in conjunction with the Quasi Peer Reviews.) The groups included:

- Practicing professionals from the eight large firms – A total of eight sessions were held in New York, Atlanta, Chicago and San Francisco. Each included one individual from each of the eight large firms that participated in the Panel’s project. All of the participants at each session had the same level of experience. The eight sessions covered a cross-section of experience levels, as follows:

	Years of Experience	Number of Meetings	Number of Participants
Staff	1-2	1	8
In-charge	3-5	3	24
Managers/Supervisors	5-11	2	16
Experienced managers	11-14	1	8
Partners	12+	1	8

- Chief financial officers and controllers – One session of financial executives of SEC registrants. All were members of the Financial Executives Institute. The companies represented were:

Bethlehem Steel Corporation
 General Electric Company
 ITT Corporation
 Tenneco Inc.
 Union Carbide Corporation

- Internal audit executives – One session of executives, mostly from SEC registrants. All were members of the Institute of Internal Auditors. The companies represented were:

Asea Brown Boveri Inc.
 Bell Atlantic Corporation
 International Business Machines Corporation
 Lucent Technologies Inc.
 Praxair, Inc.
 Readers Digest Association Inc.
 Texaco Inc.

Pitney Bowes Inc.

- Partners from smaller firms – one session of eight partners experienced in conducting peer reviews of smaller firms.¹ The firms represented were:

Barnes, Dennig & Co.
Cherry, Bekaert & Holland, LLP
Hanson, Barnett & Maxwell
Hevia, Beagles & Company, P.A.
Larson, Allen, Weishair & Co. LLP
Urbach Kahn & Werlin P.C.
Virchow, Krause & Company, LLP
Weaver and Tidwell LLP

2 Different topics were emphasized depending on the experience and background of the participants. The topics were identified by the Panel and included the following:

- *The value of an audit* – as seen by management, audit committees, investors, other users and auditors
- *The audit environment* – governance of firms and the profession, messages about audit quality, personnel issues (recruiting, turnover, salaries), personnel performance measures, fee competition and earnings management
- *Audit methodology* – understanding the client's business and risks, internal control, detailed audit tests and the effects of technology on audits
- *Fraud* – auditors' responsibilities and abilities to detect material financial statement frauds
- *Knowledge and skills of audit professionals* – self-development, technology skills, technical and industry knowledge, and on-the-job learning
- *Professional standards* – individual accounting and auditing standards, and standard setting
- *Audit committees* – roles, responsibilities and relationships with auditors
- *Practice economics* – practice development and growth, profitability, fee competition and time pressures on engagement teams
- *Auditor independence* – the effects of non-audit services on auditor independence
- *The SEC* – its role and responsibilities; relationships with the SEC staff

¹ See Appendix K for additional information.