

IAASB

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

International Auditing and Assurance Standards – Relevance and Quality

Prof. Arnold Schilder, IAASB Chairman
3rd Annual NASBA International Forum

Madrid—September 30, 2010



Today's Challenges, Tomorrow's Opportunities

- The global financial crisis
 - Unparalleled stress on global economy and markets
 - Institutions and processes that contribute to financial stability re-examined
 - Amplified financial reporting and auditing challenges
 - Role of auditing reconsidered
- Challenges for the profession
 - How can audit quality be further enhanced?
 - How can profession stay relevant from user perspectives?
 - How to ensure profession's long-term sustainability?

Important Elements of Audit Quality

Environmental Factors

- Governance and Accountability Arrangements
- Regulation and Oversight
- Players and Perceptions; Markets

Outputs & Responses

- Auditor's Report
- Other Auditor Communications and Disclosures
- User Responses and Interactions, e.g. Audit Committees
- A Professional Service (Client Service and Audit Fees)

Inputs & Indicators

- **Audit Process and Quality Control**
- **Audit Evidence and Auditor Judgment**
- **Auditing Standards**
- **People: Education, Ethics, Mindsets, Culture**
- **External Expectations (also an environmental factor)**



Sustaining Relevance and Quality

- Understanding factors that affect the quality of audits
 - Elements of audit quality: the inputs, processes, outputs in the audit itself
 - Various participants and roles which together achieve the result of delivering audit quality
- Role of the auditor
 - Relevance of the audit in context of different users and their information needs
 - Debate on whether the role of the auditor needs to evolve to continue to be relevant to a wide range of users
- Auditor reporting and auditor communications – perceptions of the need to be more responsive and informative

Quality and Clarity ISAs

- Adoption and Implementation in full progress
 - Special attention needed: USA; some European countries
- Great support from IAASB and IFAC staff:
 - Translations; Clarity Center; 9 modules; Q&A
- SMPC ISAs and Quality Control Guides
- Revised ISAs address actual concerns from audit regulators, e.g.: Skepticism, Judgments, Communications, Estimates, Group Audits

Maintaining Relevance

- Shift in work program after Clarity completion
 - Focus on enhancing profession's relevance through innovation
 - IAPS 1000 Audit of Complex Financial Instruments (ED October 2010 ?)
 - ISAE 3410 Greenhouse Gas Emissions (ED October 2010 ?)
- Audit Reporting; Disclosures; ISA 720 Other Information - Communications in 2011

SMEs: Assurance Services Other Than Audit

- ISRS 4410 Compilation of Financial Statements
(ED October 2010 ?)
 - Key challenges: Scope; Management's responsibilities; Quality controls; Work effort
- ISRE 2400 Review of Financial Statements
(ED Q1 2011 ?)
 - Key challenges: Limited assurance and work effort; Report positively or negatively; Response to material misstatements
- Phase II projects: Agreed-Upon Procedures; Hybrids
- Essential: Communication re: process and outcomes

Longer-term sustainability

- Importance of dialogue and outreach, such as:
 - IOSCO; IFIAR; IASB; FSB; PCAOB; NSS; MBs
- Consultation on Strategy 2012-2014:
 - Key message from survey: More than half of IAASB time on ISA adoption and implementation support
 - Possible topics for new projects: Response to Implementation Monitoring; Corporate Governance; Internal Controls; Audit of Banks; Quality Control for smaller firms
 - Consultation Paper in December 2010

“The sustainability of the accountancy profession depends upon the quality of the services provided by its members and on the profession’s capacity to respond effectively and efficiently to the demands of the economy and society.”

*IFAC Policy Position: Regulation of the Accountancy Profession,
December 2007*



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