



IAASB

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

Audit Quality – Project Update

Jon Grant,
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IAASB Meeting

Beijing

September 19-23, 2011

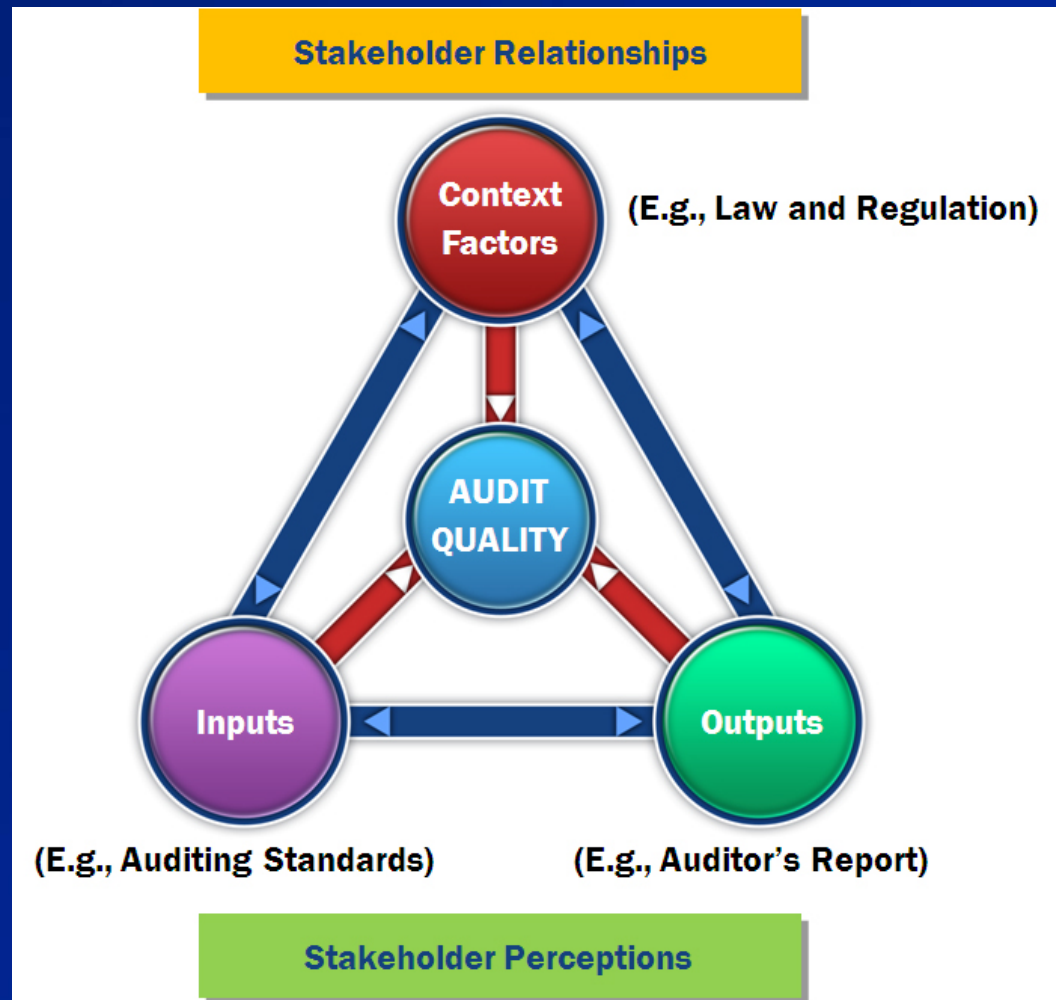
Activities Since June 2011 IAASB Meeting

- Two-day Task Force meeting July 2011
- Meeting with Academic Liaison Group Aug 2011
- IAASB CAG discussion Sept 2011
- Distributed CAG draft to IFIAR, IOSCO, World Bank, ICGN, etc and asked for informal views

July 2011 Task Force Meeting

- Discussed
 - Nature of current document – a step towards a Framework
 - Difference between AQ and the quality of an audit
 - Dynamism
 - Implications of recent governmental investigations into auditing profession in some jurisdictions
 - Threats and safeguards appendices
 - The AQ graphic

AQ Framework Graphic – Before



AQ Framework Graphic – After



Expanded Interactions Section

- Auditors and management
- Auditors and those charged with governance
- Management and those charged with governance
- Auditors and regulators
- **Management and regulators**
- **Regulators and those charged with governance**
- Auditors and financial statement users
- **Those charged with governance and financial statement users**
- **Audit regulators and financial statement users**

Revised Contextual Factors section

- Business practices
- Corporate governance requirements
- The applicable financial reporting framework
- Audit regulation
- **Industry, information technology and the general economic environment**
- The educational environment for accountants and auditors and **respect for the role of audit**
- Broader cultural issues

Other Improvements

- Wrote an introduction
- Refined Perspectives section based on stakeholder responses to survey of AQ perspectives and improved links to input factors
- Expanded Output Factors section to include audit firms' transparency reports
- Added considerations specific to small audits and SMPs, and public sector audit institutions
- Expanded appendices (summary of main threats and safeguards) to cover each Framework element

August 2011 Academic Liaison Group Meeting

- Meeting with 6 very experienced academics from U.S., Canada and Australia, arranged by Bill Kinney
- Considerable enthusiasm for the project
- Uncertainty about whether the paper (and hence the schematic) is best way of describing AQ. Suggestions:
 - Delink AQ from financial reporting quality
 - Have 3 levels (audit, firm, country)
- Uncertainty about how the threats / safeguards fit in
 - Suggestion to reorganize them as “key issues” for each of the main stakeholders

August 2011 Academic Liaison Group Meeting

- A number of useful ideas for further TF consideration
 - Whether to add market proxies for AQ
 - Whether more is needed on the auditability of GAAP
 - Whether there is a need to deal with AQ over time
 - Need to encourage the profession to be more receptive to self-examination/value of research in continuous improvement

September 2011 IAASB CAG Meeting

- Matters on which CAG input sought
 - Does the proposed Framework embody the most important elements of AQ, and is it balanced and credible?
 - Are there key issues or dimensions that need to be added or emphasized more?
 - Does the paper strike an appropriate balance between concepts and ‘real world’ AQ?
 - How should IAASB best reach out to other non-audit groups?
 - Is there value in identifying the main threats to AQ and related safeguards with respect to the Framework elements?

September 2011 IAASB CAG Meeting

- Many CAG members were supportive of the work done to date and general direction. ‘Needed the paper 15 years ago!’
- Matters raised for further TF consideration included:
 - Reconsider whether to cover AQ at an engagement level and make clear that a high quality audit can be performed in adverse circumstances. ‘Focus on what auditors can control’
 - Give more emphasis to audit effectiveness (as opposed to audit efficiency)
 - Add more on role of internal auditors and experts
 - More emphasis needed on professional skepticism?
 - Length of paper /packaging – will it make a difference?

Upcoming Task Force Outreach and Timetable

Activity	Timing
Discussion with IFIAR	Sept 2011
Discussion with Forum of Firms, ICGN, World Bank, INTOSAI	Oct 2011
Discussion within IFAC: IAESB, IESBA, and SMP Committee	Oct 2011
Discussion with IOSCO	Nov 2011
IAASB consideration of advanced draft	Dec 2011 / March 2012
IAASB approval of consultation paper	March / June 2012

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