

## An Alternative Framework Structure

### KEY ATTRIBUTES OF AUDIT QUALITY

ENGAGEMENT LEVEL		
Interactions	Inputs	Outputs
<p><b><i>Auditors and Management</i></b></p> <ul style="list-style-type: none"> <li>• An open and constructive relationship exists.</li> <li>• Auditors engage on a timely basis with management and are accessible to them.</li> <li>• Management provide full and timely access to relevant information and individuals.</li> </ul> <p><b><i>Auditors and Those Charged with Governance</i></b></p> <ul style="list-style-type: none"> <li>• Effective two-way communication takes place.</li> <li>• Auditors engage on a timely basis with those charged with governance and are accessible to them.</li> <li>• Auditors communicate clearly their findings to those charged with governance.</li> <li>• Those charged with governance take</li> </ul>	<p><b><i>Values, Ethics and Attitudes:</i></b></p> <ul style="list-style-type: none"> <li>• The engagement team recognizes that the audit is performed in the interests of the entity’s shareholders and in the wider public interest.</li> <li>• The engagement team exhibits professional skepticism.</li> <li>• The engagement team exhibits objectivity and integrity.</li> <li>• The engagement team exhibits professional competence and due care.</li> <li>• The engagement team is independent.</li> </ul> <p><b><i>Knowledge, Experience and Time:</i></b></p> <ul style="list-style-type: none"> <li>• Partners and staff understand the entity’s business.</li> <li>• The audit engagement partner is actively involved in risk assessment, planning and supervising the work performed.</li> <li>• Staff performing detailed “on-site” audit work have sufficient experience and their work is</li> </ul>	<ul style="list-style-type: none"> <li>• The reliability of audit reporting to users of audited financial statements</li> <li>• The usefulness of audit reporting to users of audited financial statements</li> <li>• The quality and usefulness of audit communications to those charged with governance</li> <li>• The quality and usefulness of audit communications to management</li> </ul>

ENGAGEMENT LEVEL		
Interactions	Inputs	Outputs
<p>an active interest in the work performed and monitor the level of audit fees to ensure that they are consistent with a quality audit being performed.</p> <p><i>Auditors and the Entity's Shareholders</i></p> <ul style="list-style-type: none"> <li>• Auditors clearly communicate the outcome of their audit in the auditor's report.</li> <li>• Auditors take advantage of other opportunities provided by national laws and regulations to communicate with the entity's shareholders.</li> </ul>	<p>appropriately supervised and reviewed.</p> <ul style="list-style-type: none"> <li>• The audit engagement partner and other experienced members of the audit team are accessible to their staff.</li> <li>• Partners and staff have sufficient time to undertake the audit in an orderly manner.</li> </ul> <p><i>Process:</i></p> <ul style="list-style-type: none"> <li>• The engagement team complies with auditing standards.</li> <li>• The engagement team makes proper use of technology.</li> <li>• There is effective engagement with the auditors of other components of the group (where applicable).</li> <li>• There is effective engagement with the entity's internal auditors (where applicable).</li> <li>• There is appropriate audit documentation.</li> </ul>	



FIRM LEVEL		
Interactions	Inputs	Outputs
<p><i>Auditors and Regulators</i></p> <ul style="list-style-type: none"> <li>• There is effective two-</li> </ul>	<p><i>Values:</i></p> <ul style="list-style-type: none"> <li>• Appropriate governance arrangements are in place.</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency reports</li> <li>• The firm's responses to</li> </ul>

<b>FIRM LEVEL</b>		
<b>Interactions</b>	<b>Inputs</b>	<b>Outputs</b>
<p>way communication between audit firms and regulators.</p> <ul style="list-style-type: none"> <li>• Regulators clearly communicate their expectations on audit quality to audit firms.</li> <li>• Audit regulators clearly communicate the findings of their audit inspections to audit firms.</li> </ul> <p><b>Within Firms</b></p> <ul style="list-style-type: none"> <li>• Discussions within firms about causes of audit failures</li> </ul>	<ul style="list-style-type: none"> <li>• The firm promotes the personal characteristics essential to audit quality.</li> <li>• Financial considerations do not drive actions and decisions that have a negative effect on audit quality.</li> <li>• Partners and staff have sufficient time and resources to deal with difficult issues as they arise.</li> <li>• The firm provides partners and staff with access to high-quality technical support.</li> <li>• The firm promotes a culture of consultation on difficult issues.</li> <li>• Robust systems exist for making client acceptance and continuance decisions.</li> <li>• Audit quality is monitored and appropriate consequential action is taken.</li> </ul> <p><b>Knowledge and Experience:</b></p> <ul style="list-style-type: none"> <li>• Partners and more senior staff provide less experienced staff with timely appraisals and appropriate coaching or “on-the-job” training.</li> <li>• Sufficient training is given to audit partners and staff on audit, accounting and, where appropriate, specialized issues.</li> </ul> <p><b>Process:</b></p> <ul style="list-style-type: none"> <li>• The engagement team is properly structured and there is adequate and timely involvement of partners and experienced staff.</li> <li>• The audit methodology:</li> </ul>	<p>findings from external and internal inspections to stimulate continuous improvement, e.g., changes to quality control policies and procedures, enhanced training and guidance, specific actions on individual audits</p>

FIRM LEVEL		
Interactions	Inputs	Outputs
	<ul style="list-style-type: none"> <li>○ Does not discourage individual team members from thinking creatively, applying skepticism, and exercising judgment.</li> <li>○ Requires an effective supervision and review of audit work.</li> <li>○ Requires appropriate audit documentation.</li> <li>• The audit process is adapted to developments in professional standards and is responsive to regulatory inspection findings.</li> </ul>	



COUNTRY LEVEL		
Interactions	Inputs	Outputs
<ul style="list-style-type: none"> <li>• Laws and regulations relating to interactions</li> <li>• Discussions amongst firms about causes of audit failures</li> </ul>	<p><b>Values:</b></p> <ul style="list-style-type: none"> <li>• Ethics standards</li> <li>• Laws and regulations relating to ethics</li> </ul> <p><b>Knowledge:</b></p> <ul style="list-style-type: none"> <li>• Qualification requirements (IPD)</li> <li>• Ongoing educational requirements (CPD)</li> </ul> <p><b>Process:</b></p> <ul style="list-style-type: none"> <li>• Auditing standards</li> <li>• Laws and regulations relating to process</li> </ul>	<ul style="list-style-type: none"> <li>• Laws and regulations relating to outputs</li> <li>• Additional or enhanced guidance at the national level</li> </ul>



NATIONAL CONTEXT	
Contextual Factors	
<ul style="list-style-type: none"> <li>• Respect for audit</li> <li>• Deference to authority</li> <li>• Inspection regime</li> <li>• Disciplinary regime</li> <li>• Liability regime</li> </ul>	



FINANCIAL REPORTING CONTEXT
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Interactions	Contextual Factors
<p><b><i>Management and Those Charged with Governance</i></b></p> <ul style="list-style-type: none"> <li>• Effective two-way communication takes place.</li> <li>• Management and those charged with governance share mutual trust and respect.</li> <li>• Management proactively engages with those charged with governance on significant financial reporting and audit issues.</li> <li>• Those charged with governance are willing and able to challenge management on financial reporting issues and practices.</li> </ul>	<ul style="list-style-type: none"> <li>• Business practices                             <ul style="list-style-type: none"> <li>○ Law and regulation governing:                                     <ul style="list-style-type: none"> <li>▪ The conduct of business</li> <li>▪ Management’s responsibilities for financial reporting</li> </ul> </li> <li>○ General business practices, including formality of business and transactions with related parties</li> <li>○ Differences in business practices within multi-national entities</li> </ul> </li> <li>• Corporate governance requirements</li> </ul>

<p><b><i>Management and Regulators</i></b></p> <ul style="list-style-type: none"><li>• Regulators clearly communicate their expectations of high quality financial reporting to management.</li><li>• Management engages constructively and openly with regulators on financial reporting issues.</li><li>• Management cooperates fully and constructively with regulators where the latter have direct supervisory responsibilities over the entities.</li></ul> <p><b><i>Regulators and Those Charged with Governance</i></b></p> <ul style="list-style-type: none"><li>• Regulators clearly communicate their expectations of high quality financial reporting to those charged with governance.</li><li>• Those charged with governance cooperate fully and constructively with regulators where the latter have direct supervisory responsibilities over the entities.</li></ul> <p><b><i>Those Charged with Governance and Financial Statement Users</i></b></p> <ul style="list-style-type: none"><li>• Those charged with governance communicate openly with users regarding how they have carried out their responsibilities.</li><li>• Users take advantage of available channels to communicate clearly their needs and expectations of those charged with governance.</li></ul>	<ul style="list-style-type: none"><li>• The applicable financial reporting framework</li><li>• Reporting timeframes imposed by regulation or market practice</li><li>• The educational environment for accountants in business</li><li>• Industry and information technology</li><li>• The general economic environment</li><li>• Broader cultural issues: transparency</li></ul>
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