

Audit Quality – Summary and Disposition of Comments

Background

1. The following table summarizes the key points discussed at the IAASB September 2012 meeting Audit Quality discussion and the disposition of those points by the Task Force.

Comments	Disposition
<p>Tone and Balance: IAASB members broadly supported the tone and balance of the proposed Framework, including the reorganization of the document to focus on factors auditors can control.</p>	<p><i>Noted</i></p>
<p>Outputs: It would be helpful to articulate more clearly the influence of outputs, particularly whether they contribute to AQ or the perception of it.</p>	<p><i>Paras. 144-146</i></p>
<p>Whether there would be merit in better highlighting the linkage to ISQC 1 and ISA 220 to help demonstrate the IAASB's contribution to AQ. However, care should be exercised in considering this to avoid turning the document into a lengthy list of references to the standards.</p>	<p><i>Link to standards and firm QC procedures embedded in attributes 1.7.1 and 1.8.5.</i></p> <p><i>Specific references made in paras. 3, 103, 105; and 124. Mention is also made on the box inside the cover.</i></p>
<p>Whether the discussion of fees in the draft Framework is appropriate, as some may not see price as being a dimension of AQ.</p>	<p><i>TF believes it is necessary to refer to fees and sees this as a link to resources more than price. Fees are discussed in paras. 11, 15, and 219.</i></p>

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<p>Care should be taken in emphasizing audit committees throughout the Framework as governance arrangements vary around the world and audit committees, as a governance concept, may not necessarily exist everywhere.</p>	<p><i>Wording reviewed, and several changes made to “Those Charged With Governance”. Some references to audit committees remain where that is considered most appropriate.</i></p>
<p>Clarification is needed regarding the use of the terms “audit quality” and “high audit quality” as these seem to suggest that there is a range to AQ. In addition, consideration should be given to whether the Framework should simply refer to a “quality audit” as opposed to a “high quality audit.”</p>	<p><i>Wording reviewed, and the word “high” removed.</i></p>
<p>IAASB members supported the idea of identifying areas to explore and noted that these suggestions would help stimulate discussion among stakeholders. There was also support for the proposed areas to explore as summarized in the Chairman’s Foreword although one member was concerned that there were no specific criteria for which issues should be flagged as ‘areas to explore’. IAASB members variously suggested the following for the Task Force’s further consideration:</p> <ul style="list-style-type: none"> • The need for additional areas to explore on audit inspection and discipline. • It would be helpful to make clear that while the areas included in the draft have been identified for further exploration based on outreach to stakeholders, these may evolve over time. • Cross-referring the suggested areas to explore to the relevant parts of the Framework itself, and making clear whether these areas are an invitation to stakeholders to engage in dialogue. 	<p><i>List of “areas to explore” removed from Chairman’s Foreword; included in Appendix 1. References made to the appendix in the Framework, including a question in the introductory front section of the consultation paper.</i></p> <ul style="list-style-type: none"> • <i>Added</i> • <i>Done, see introductory front section of the Consultation Paper</i> • <i>Done</i>

Comments	Disposition
<p>Status and Placement of the Framework: The IAASB discussed the status and placement of the Framework within the IAASB’s literature. A few IAASB members supported referring to the document as a guide, particularly in view of the guidance in the appendices for firms and audit committees. Other IAASB members, however, did not believe that this would be appropriate as a guide in some jurisdictions is viewed as authoritative and enforceable.</p> <p>Several IAASB members expressed preference for the document to simply be referred to as a framework intended to stimulate debate among stakeholders. It was suggested that the document could make clear the intent in this regard. A few IAASB members felt that it would be more important to make sure that the Framework will be readily accessible, and used, by stakeholders than argue over what type of document it is.</p> <p>After further deliberation, the IAASB agreed on the importance of being clear about the objectives, purposes and uses of the Framework. A general preference for referring to the document as a framework was noted. In addition, the IAASB generally agreed that the Framework should be included in the IAASB’s handbook of pronouncements.</p>	<p><i>Box included in inside cover of the Framework, presented in Agenda Item 2-A makes clear that it is not authoritative and notes that “the framework is not a substitute for such standards, nor does it establish additional standards or provide procedural requirements for the performance of audit engagements.”</i></p>
<p>Other Matters: In addition to editorial changes, the IAASB agreed the following:</p> <ul style="list-style-type: none"> • Consideration should be given to whether the title of the document remains appropriate. • More was needed on the impact of information technology both in terms of how client’s use of IT impacts the audit approach and the need for specialists and on the audit techniques to be applied. • The description of the contextual factors should be reconsidered with a view to making it sound less negative. • Consideration should be given to whether reference could be made to the concept of conservatism in the light of Hofstede’s work on culture. • In relation to considerations specific to group audits, consideration should be given to whether there would be benefit in drawing from the ISA Implementation Monitoring project to highlight any relevant actions with respect to group audits, such as cultural factors the group auditor should take into account relative to significant components located in other jurisdictions. 	<p><i>Title revised</i></p> <p><i>Refer paras. 107-109; and 222-226</i></p> <p><i>Several paras in Section 4 revised with aim of making more positive</i></p> <p><i>Added at para. 235</i></p> <p><i>No changes at this time as only limited feedback from ISA Monitoring Project.</i></p>