

IFIAR Brief - 2018

Survey Insights and IFIAR Initiatives Driving Audit Quality (audit quality)

The survey is a key tool in the International Forum of Independent Audit Regulators' (IFIAR) ongoing drive to improve audit quality and communicate transparently with stakeholders. Although it does not present a comprehensive measure of improvement, it offers valuable metrics through inspection deficiencies identified by independent audit regulators. In addition to tracking reductions in inspection findings, IFIAR is also working on identifying more comprehensive audit quality indicators. Confirming that audit quality cannot be solely gauged through inspection findings, IFIAR is promoting the disclosure of broader measures of audit quality, known as audit quality indicators. They are also championing initiatives aimed at improving audit quality, focusing largely on strong quality control systems, seen as a critical element in elevating and sustaining audit quality. The survey also collects insights into the practices of IFIAR members, their initiatives, and their collaborative efforts to push progress towards consistent, high quality audits globally. These efforts are shared with various stakeholders to further encourage dialogue on audit quality.

Trends and Findings in Audit Inspections: Emphasis on Accounting Estimates and Fair Value Measurement (accounting estimates)

The given content predominantly focuses on the audit inspections of Listed PIE (Public Interest Entities). The primary theme apparently is on accounting estimates including fair value measurement, which was later combined with the audit of allowance for loan losses and loan impairments. The review encapsulates a range of failures, including inadequacy in reasonableness of assumptions testing and data accuracy, insufficient risk assessment procedures, and the insufficient testing of Information Technology controls. The document also points to instances of deficiency in understanding complex arrangements and their impacts on accounting, and inadequate procedures to determine correct recording periods for revenue. Furthermore, the report identifies both control failures and reliance on others' work. The results of the survey have broadened the scope of this inspection theme, which now includes aspects related to provisions or reserves accounted at amounts other than fair value.

Audit Standards Compliance and Inspection Findings (auditing standards)

The survey focuses on significant deficiencies found in auditing standards, termed as findings. Other themes relate to any deviations from the standards or requirements, including quality control measures and ethics and independence prerequisites that could affect audit quality. The finding does not explicitly imply financial statement errors, but refers more to whether the auditor fulfills the auditing standards requirements. There is a specific emphasis on audits of individual engagements to assess the application of auditing standards. Additionally, the term 'inventory' was modified to 'inventory procedures' aligning it more with specific rules on testing inventory quantities.

Investment Oversight and Fraud Prevention Strategies (fraud)

The primary interest lies in financial transparency, official conduct, and previous involvement in fraudulent offences of anyone involved in the administrative, management, or supervisory bodies of an organization. Information includes convictions in related fraudulent offences, records of bankruptcies, and companies put into administration. There's emphasis on instances of public incrimination or sanctions by statutory or regulatory authorities, and court disqualifications in the last five years. Besides, the importance of consumer and investor education programs in avoiding financial fraud is highlighted, despite acknowledging these don't guarantee better investment decisions. A survey by the US CFTC aimed at understanding effective fraud prevention messaging to investors. The Financial Planning Standards Council also promotes financial planning Week in Canada to raise financial planning awareness. Yet, the complexity of finances and increased vulnerability to fraud are acknowledged. The document also touches on methods to make financial information easily accessible, and encourage fraud reporting. Lastly, it touches on testing the design effectiveness of controls in place to prevent financial fraud.

Enhancing Ethical Conduct and Financial Competence in Organizational Processes (ethics)

The study addresses key elements of financial behaviors such as ethics, competencies, and responsibilities. Annual risk assessments are implemented for recognizing and managing organizational risks. ESMA, an entity adhering to such practices, has also appointed designated officers to enhance ethical practices and handle matters of conflict of interest. Audit firms globally are encouraged to uphold quality control, ensure consistent audit quality, and adhere to ethics and independence requirements. In relation to audit firms, the level of service fees is examined from a perspective of potential influence on auditor independence and conformance to professional ethics, thus implying a possible impact on audit quality. Furthermore, in Pakistan's capital market, regulatory frameworks involve an understanding of market structure, investment measures, and a strong emphasis on ethical conduct. This all reaffirms the significance of ethics and integrity in financial operations.

Enhancing Global Audit Quality and Standards (international audit)

The International Forum of Independent Audit Regulators (IFIAR) is engaged in a persistent interaction with international audit and ethics standard setters and global audit networks. Their collective focus is on enhancing the quality control systems of auditing firms worldwide and ensuring the consistent execution of high quality audits. Quality management at the firm level is under spotlight in a vital international audit standard-setting initiative. Inspection themes for quality control findings are based on the varying elements of ISQC inspections on firm-wide quality controls, including audits and reviews of financial statements and other assurances. The IFIAR appreciates the opportunity to comment on the International Auditing and Assurance Standard Board's exposure draft on the proposed International Standard on Auditing.

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