

# IFIAR Brief - 2019

## *Comprehensive Insight into Audit Quality Improvement and Quality Control Measures (audit quality)*

The given information explores the firm-wide efforts to enhance audit quality and the use of inspection data as a valuable yet insufficient metric for assessing improvements. This approach stresses that singular measures like inspection findings should not be misconstrued as complete indicators of audit quality. It highlights the International Forum of Independent Audit Regulators' (IFIAR) efforts in promoting comprehensive audit quality metrics and fostering an informed dialogue among stakeholders. The document stresses that audit firms' systems of quality control play a significant role in improving and sustaining audit quality, with ongoing inspection programs focused on this area. An upcoming international standard on audit quality management offers an opportunity to bolster audit quality by identifying associated risks and implementing the most suitable controls. The IFIAR's initiatives for the global improvement of audit quality are also highlighted. Data on topics such as failure to effectively monitor firm staff and partner personal independence, and failure to implement policies and procedures for audit quality are provided. The information concludes by emphasizing that the current survey results might not be indicative of the actual audit quality due to reporting time lag.

## *Analysis of Accounting Estimates and Fair Value Measurement in Inspection Audits (accounting estimates)*

The primary focus of the inspection theme investigated combined accounting estimates, including fair value measurements. The report presents the total number of findings from several themes in Listed PIE audits. These findings detail various failures related to accounting estimate testing, internal control testing, revenue recognition, and assessment of assumptions. Some of the highlighted issues include inability to assess reasonableness of assumptions, failure to perform sufficient risk assessment procedures, failure to evaluate severity of control deficiencies, inability to understand complex arrangements' terms and conditions, and inappropriate adjustment in testing due to ineffective controls. Interestingly, the same themes, fair value measurement and allowance for loan losses, were combined in the recent survey, giving a broader interpretation of the theme. Failures in specific audit engagement related to audit standards on sampling are reported under the audit sampling theme, and accounting estimate related deficiencies in SIFI audits are reported under more detailed themes.

## *Auditing Standards Satisfaction and Inspection Findings (auditing standards)*

People are primarily interested in understanding and identifying significant deficiencies in auditing practices that fail to satisfy the requirements laid out by international auditing standards. This includes departure from quality control standards or ethical protocols which can potentially affect audit quality. Despite this, these findings do not necessarily imply incorrect financial statements, as the audited entities might have upheld appropriate accounting and disclosure standards. Further emphasis was on the individual audit engagement inspections to evaluate how an audit firm applies the auditing standards on selected audits.

Changes have been made to the auditing standards specific to inventory, now referred to as 'inventory procedures' for better clarity.

***Evolving Financial Practices and Ethical Considerations in Business Management. (ethics)***

The materials show interest in the long-term decision making in business through value maximization, engagement between shareholders, directors and executives, and the implementation of non-financial reporting directives. There's considerable attention given to the impact of fair value accounting, climate risks and corporate sustainability on business performance. Another point of emphasis is the "Say on Pay" policy's impact on executive compensation. The importance of ethical considerations and integrity in maintaining independence in audit and organizational procedures is recognized, underlining the need for ongoing compliance assessment. Influences like Artificial Intelligence and environmental, social, and governance (ESG) factors on business ethics add variegated perspectives in the discussion.

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