

In an exclusive interview,  
**Professor Arnold Schilder**, Chairman,  
International Auditing and Assurance Standards  
Board, shares his views about the role of audit and  
what the future holds for the profession.

## Relevance of Auditing Profession

### 1. How has the global financial upheaval in recent years affected public confidence in the auditing profession? What can the auditing profession do to regain the lost trust?

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The global financial crisis came as a shock and a surprise to many parties including politicians, central banks, regulators, financial institutions and auditors. Every party has to ask itself the question: What can be done better to enhance financial stability and audit quality, and increase public confidence? It appears from various inquiries and investigations (for example, European Commission Green Paper) that there continues to be high expectations regarding the value of an audit. However, increased transparency and more informative reporting to investors and other stakeholders are of the essence. Therefore, IAASB has given the enhanced Auditor Reporting project top priority. It is important that all stakeholders concentrate on making this a success. Early experiences in Europe demonstrate the positive contribution to public trust and visible relevance of the audit.

**Professor Arnold Schilder**  
Chairman, International Auditing  
and Assurance Standards Board



**2. Does staying relevant necessarily require the auditing profession to “bend backward” to take on “unconventional” types of engagements (for example, assurance on non-financial information) which attract higher risks and perhaps assume greater liability?**

It is important that the profession offers types of assurance engagements and related services for which there is a realistic market need. IAASB therefore has recently revised its international standards for Review and Compilation engagements, as well as its overarching “umbrella” standard - ISAE 3000 - an important platform for a wide range of assurance engagements by both large and smaller practices. Furthermore, IAASB has developed certain new topic-specific assurance standards, such as for Greenhouse Gas Statements and Pro Forma Financial Information, which are, to some extent, indeed “unconventional”.

Innovation is nonetheless important in order for the profession to remain relevant. IAASB recognises that it can further contribute to the quality of such engagements, and thereby public confidence, through timely development of relevant standards. IAASB’s Innovation, Needs, and Future Opportunities Working Group serves this aim by monitoring emerging assurance developments. Naturally, an area of focus is developments in Integrated Reporting.

Staying relevant also means a continued focus on what is of particular importance to investors and other users of financial statements. Therefore, we recently published revised proposals for auditor reporting on the so-called “Other Information” in annual reports, and new proposals addressing the audit of the more qualitative disclosures in financial statements.

## **Audit Quality**

**3. IAASB recently released a new publication, “A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality”. Given that the Framework is not mandatory, is it realistic to expect it to garner sufficient attention from stakeholders, including non-auditor stakeholder groups?**

Already I believe the Framework has garnered attention. In many of my global outreach activities, the Framework has been a centrepiece of discussion - from roundtables organised by bodies like the International Corporate Governance Network and the Centre for Audit Quality to discussions with the IFAC Public Accountants in Business Committee, and dialogues with the regulatory and academic communities and with firms. It has also been a topic of interest by bodies such as the Public Interest Oversight Board and national standard-setters.

An important message in the Framework is interactions. Consider all those involved in the financial reporting process - from the auditor, who is ultimately responsible for audit quality,

to management, regulators and inspectors, audit committees, and users. The interactions they have influence the environment in which audits are conducted, and their actions can meaningfully contribute to audit quality.

Our forward activities will include further promoting of awareness and use of the Framework, and reaching out to stakeholder groups to stimulate their consideration for developing relevant tools such as user guides. IAASB's website also now has a special section - Focus on Audit Quality - with resources to assist discussion at the local level.

## Enhanced Auditor Reporting

**4. Auditor reporting has been one of IAASB's key projects, and the impending changes are due to be finalised very soon. How does IAASB intend to support the implementation of the new and revised Auditor Reporting standards? What implementation challenges does IAASB anticipate the global auditing profession to face?**

I am very pleased that many countries and firms already are preparing now in anticipation of the new standards. For example, the UK has introduced similar new standards. Last Fall, while I was visiting the professional and regulatory bodies in Vietnam, there was much discussion on how best they may prepare, and several firms already are field-testing the proposals and have provided helpful insights about "early implementation" experiences. In this regard, we were pleased to note some positive feedback so far about an intuitive understanding by auditors of what constitutes "Key Audit Matters". On the other hand, there were areas noted where further guidance could be provided to assist in proper and consistent application of the proposed requirements. As IAASB moves forward, we will study and respond to comments on our exposure draft and maintain an active dialogue with stakeholders.

Indeed, IAASB is fully committed to finalising its new auditor reporting standards in 2014, and I anticipate they will result in significant change in the way auditors communicate information about their audits. They will also be critical to improving the perceived value and relevance of the auditor's report and the profession as a whole.

Our work on this important topic will therefore not end in 2014; we are preparing for support initiatives in 2015 and beyond to facilitate adoption and implementation of these standards, including a review after a period of implementation. Already in May 2014, we will discuss with national auditing standard-setters their future implementation initiatives and how best we may provide support at the international level. We have also heard that educating users about the new reporting model will be critical - an important consideration for all those that have responsibilities relating to the financial statement audit and interactions with investors and other stakeholders.

Prof Schilder is the keynote speaker at the Auditing and Assurance Conference on August 1, at the Singapore Accountancy Convention 2014. Join him and other distinguished speakers at the Convention themed "Staying Ahead of the Curve", from July 30 to August 1. Register now at [www.singaporeaccountancyconvention.sg](http://www.singaporeaccountancyconvention.sg)