

An Alternative Framework Structure

KEY ATTRIBUTES OF AUDIT QUALITY

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

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"> • Auditors clearly communicate the outcome of their audit in the auditor's report. • Auditors take advantage of other opportunities provided by national laws and regulations to communicate with the entity's shareholders. 	<p>appropriately supervised and reviewed.</p> <ul style="list-style-type: none"> • The audit engagement partner and other experienced members of the audit team are accessible to their staff. • Partners and staff have sufficient time to undertake the audit in an orderly manner. <p><i>Process:</i></p> <ul style="list-style-type: none"> • The engagement team complies with auditing standards. • The engagement team makes proper use of technology. • There is effective engagement with the auditors of other components of the group (where applicable). • There is effective engagement with the entity's internal auditors (where applicable). • There is appropriate audit documentation. 	



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

FIRM LEVEL		
Interactions	Inputs	Outputs
<p>way communication between audit firms and regulators.</p> <ul style="list-style-type: none"> • Regulators clearly communicate their expectations on audit quality to audit firms. • Audit regulators clearly communicate the findings of their audit inspections to audit firms. <p>Within Firms</p> <ul style="list-style-type: none"> • Discussions within firms about causes of audit failures 	<ul style="list-style-type: none"> • The firm promotes the personal characteristics essential to audit quality. • Financial considerations do not drive actions and decisions that have a negative effect on audit quality. • Partners and staff have sufficient time and resources to deal with difficult issues as they arise. • The firm provides partners and staff with access to high-quality technical support. • The firm promotes a culture of consultation on difficult issues. • Robust systems exist for making client acceptance and continuance decisions. • Audit quality is monitored and appropriate consequential action is taken. <p>Knowledge and Experience:</p> <ul style="list-style-type: none"> • Partners and more senior staff provide less experienced staff with timely appraisals and appropriate coaching or “on-the-job” training. • Sufficient training is given to audit partners and staff on audit, accounting and, where appropriate, specialized issues. <p>Process:</p> <ul style="list-style-type: none"> • The engagement team is properly structured and there is adequate and timely involvement of partners and experienced staff. • The audit methodology: 	<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"> ○ Does not discourage individual team members from thinking creatively, applying skepticism, and exercising judgment. ○ Requires an effective supervision and review of audit work. ○ Requires appropriate audit documentation. • The audit process is adapted to developments in professional standards and is responsive to regulatory inspection findings. 	



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



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



FINANCIAL REPORTING CONTEXT

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

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