

A Framework for Audit Quality

COMMENTS:

Question 1

Does the Framework cover all of the areas of audit quality that you would expect? If not, what else should be included?

Comment:

No, the Framework does not cover all of the areas of audit quality that we would expect. The following should be included:

- a) The responsibilities for the Audit Committee should be expanded upon to include a requirement for the Audit Committee to sign off on the information presented to the auditors for audit. The Audit Committee should then compare their annual financial statements before and after the audit in order to assess an indication of any weaknesses in entity's internal controls.
- b) Consideration by the Industry Regulators on the tight time frame set for the audited annual financial statements as their requirements may result in the audit process being rushed and therefore audit quality compromised.
- c) Framework currently does not provide reference of the elements/attribute to a particular ISA and ISQC 1 standard or IFAC Code where applicable. It should include reference to applicable audit standard or Code of Ethics.
- d) IAASB should engage with the Regulators in the standard setting process. It is evident in appendix 2 of the Framework that the Regulators were not included as part of the Stakeholder survey. The stakeholders are critical as they influence the reporting time frame of audited financial information.

Question 2

Does the Framework reflect the appropriate balance in the responsibility for audit quality between the auditor (engagement team and firm), the entity (management and those charged with governance), and other stakeholders? If not, which areas of the Framework should be revised and how?

Comment:

The Framework should not strive to attain a balance between auditors and management's responsibility, it should seek to clarify the roles of the various stakeholders and create an enabling environment to for the quality objective to be achieved. It is clear that the auditor still has the primary responsibility for audit quality. Even though each stakeholder a have responsibility (e.g. fair presentation), the auditor still needs to drive the process.

Question 3

How do you intend to use the Framework? Are there changes that need to be made to the form or content of the Framework to maximize its value to you?

Comment:

We can use the framework for:

- a) Audit planning and engaging with those charged with governance;
- b) Risk management – It can assist in the implantation, monitoring and updating the quality control requirements/policies.
- c) Improving our audit methodology.
- d) Training purposes.

The following changes will maximise value:


- a) Interaction element – The framework refers to effective interactions, perhaps the Framework can be expanded to include more detail as to what it means by effective interactions and also suggestions on the timing, form and content of the interactions. The auditor has no controls over Interactions between Management and Those Charged with Governance, but the results affect his environment. How can the auditor influence this?
- b) Ways or suggestions on how to create an awareness of this Framework to Stakeholders (e.g audit client management and those charged with governance)

Question 4:


What are your views on the suggested Areas to Explore? Which, if any, should be given priority and by whom? Are there additional Areas to Explore?

Comments:

- **Area 1:** This can be very useful; we need some benchmark that we can measure ourselves against. Will this guidance be applicable to Audit services only or will it also cater for non-audit services within the audit firm?
- **Area 2:** Not priority because, in certain countries e.g. Republic of South Africa, the accounting bodies such as The South African Institute of Chartered Accountant already has a competency Framework for the Trainees, we therefore do not need another Framework. For other staff levels, this should be left to firm's Human Resource discretion as it this will depend on circumstance e.g. demand vs. supply. A guide would however be sufficient.
- **Area 3:** This is necessary because it can contribute toward the accept or reject decision for the incoming auditor or assist the incoming auditor to plan an appropriate response to the risks identified, we however note confidentiality can be an issue.
- **Area 4:** From the Republic of South Africa perspective, our Audit Regulator's review process and our own firm's internal monitoring process is sufficient in this regards.
- **Area 5:** This is in the best interest of the profession towards improving quality.
- **Area 6:** This will be beneficial, but the challenge will be on information gathering and sharing.
- **Area 7:** Not applicable as an improvement project already underway.
- **Area 8:** This will enhance the auditor's understanding of the Regulator's information requirements.
- **Area 9:** This will be useful over and above the requirement of the King code and Sarbanes Oxley.
- **Area 10:** Consider whether this is not already a requirement in certain Counties, e.g. in The Republic of South Africa the reporting requirement according to the Johannesburg Stock Exchange and King Code already exists.



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