

# CONSULTATIONS

## INTERNATIONAL AUDITING & ASSURANCE STANDARDS BOARD (IAASB) A FRAMEWORK FOR AUDIT QUALITY

### INTRODUCTION

These comments are submitted by the Association of International Accountants (AIA), with input from a Technical Committee and members of the Association.

### ABOUT AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and from conception has promoted the concept of 'international accounting' to create a global network of accountants in over 85 countries worldwide.

AIA is recognised by the UK government as a recognised qualifying body for statutory auditors under the companies act 2006, across the European Union under the mutual recognition of professional qualifications directive and as a prescribed body under the companies (auditing and accounting) act 2003 in the Republic of Ireland. AIA also has supervisory status for its members in the UK under the money laundering regulations 2007.

AIA promotes and supports the advancement of the accountancy profession both in the UK and internationally. The AIA exams are based on international financial reporting and international auditing standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic accounting.

AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

### AIA RESPONSE

#### QUESTION 1

#### DOES THE FRAMEWORK COVER ALL OF THE AREAS OF AUDIT QUALITY THAT YOU WOULD EXPECT? IF NOT, WHAT ELSE SHOULD BE INCLUDED?

AIA believes the framework broadly covers all of the areas of audit quality that you would reasonably expect – however it is felt that more emphasis could be given to certain matters. Although discussed at a high level in points 223 and 236, the issue of international audits (and dealing with multinational organisations) is a real issue for audit quality and there seems to be limited discussion of this point (as well as the issues of dealing with multi GAAP, and multiple auditors reporting to group auditors). This is a significant area for larger audit firms and clients and this could be an area for further discussion and guidance. This could take the form of the expanded commentary which has been offered, as per the example of public sector audits in Section 5.1.

### 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?**

AIA accepts the balance that has been allocated within the framework between the auditor, the entity and other stakeholders. However, there is scope to expand on the discussion of interaction between auditors and the entity with respect to reliance on internal auditors work and also even on the concepts of entity 'Control Self-Assessment' (CSA) compliance work (which does not appear to be covered). Whilst the framework provides limited discussion on these points relating to the relationship with internal auditors under Section 1.7.3, point 113 and then later under point 223, the discussion of this key relationship and interaction between the entity and the auditors could be expanded much further. This is a key consideration in audit quality as effective relationships, appropriate balance of responsibility and 'trust' are vital for audit quality.

As a related point to trust, the content relating to auditor ethics and independence are well highlighted but more emphasis on the public's perception/trust and relationship of the framework to the audit expectation gap could be emphasised further.

### 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?**

The framework will provide an invaluable source document for education and training of professional accountancy students, as well as undergraduate students. As the framework appears to give a comprehensive overview of the factors impacting audit quality this is a clear and interesting reference source to those studying auditing as a subject area. The framework is well structured to enable users to focus on specific issues such as ethics/attitudes and the summary of attributes is a useful reference point for further drill down into areas of interest. Appropriate attention to issues such as auditor ethics and independence are highlighted. Therefore from an educational perspective, the framework appears to be well structured and rounded in content.

However, the advantages are also clear for use of the document as a key source for continuing professional development and training within audit firms themselves – especially as the document has given specific focus to cultural and national differences within the body of the framework (and thus is adaptable to a range of users of the document).

### 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?**

AIA considers the areas to explore relevant – but as highlighted in previous comments, there seems to be additional areas to explore in relation to the relationships of trust (stakeholders/entity/auditors); practical considerations of multinational audits; and also the use of internal audit work and CSA (Control Self-Assessment) from within the entity.

From the existing areas to explore, specific emphasis could be given to point 1 which will also aid the standardisation of global adherence to governance arrangements. This may also ultimately contribute to the improvement of public trust in auditors at a global level (and therefore link to the discussion of the audit expectation gap).

In relation to point 6 (considering "root causes" and best practice) there does not seem to be any 'allocation' of responsibility for this essential work of self-improvement. This is an interesting area for both the profession and academics to contribute – and this should be made a clear area of priority, and encouragement to participate in this process from all sides of the debate.

The other points are all very important in their own right and so merit inclusion in the framework.

### FURTHER INFORMATION

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

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