

A Framework for Audit Quality

This summary provides an overview of the IAASB's Publication: *A Framework for Audit Quality: Key Elements that create an Environment for Audit Quality*.

Objectives:

Global financial stability is supported through high quality reporting. Audits can help foster trust in the quality of reporting. This highlights the importance of audit quality - a topic of continuous debate - and of relevance to all stakeholders in the financial reporting supply chain.

With this in mind the IAASB developed the *Framework for Audit Quality* that describes in a holistic manner the different elements that create the environment for audit quality at the engagement, firm, and national levels, as well as relevant interactions and contextual factors.

The objectives of the *Framework for Audit Quality* include:

- Raising awareness of the key elements of audit quality
- Encouraging key stakeholders to explore ways to improve audit quality
- Facilitating greater dialogue between key stakeholders on the topic

The IAASB expects that the *Framework for Audit Quality* will generate discussion in the financial reporting supply chain, and positive actions to achieve a continuous improvement to audit quality.

For more information: See <https://www.ifac.org/auditing-assurance/focus-audit-quality>

Status:

The *Framework for Audit Quality* is a non-authoritative document. It is not a substitute for auditing standards, standards of quality control, ethics and other regulatory requirements nor does it establish additional standards or provide requirements for the performance of audit engagements.

Benefiting from the *Framework for Audit Quality*

The *Framework for Audit Quality* describes the key elements that create an environment for audit quality.

The value of the *Framework for Audit Quality* starts when audit firms, regulators, audit committees, investors, universities and other stakeholders who have an interest in continuously improving audit quality are encouraged to challenge themselves about whether there is more that they can do to increase audit quality in their particular environments.

Who should use it and how?

The IAASB believes that the *Framework for Audit Quality* is an important basis for continuously improving audit quality, and encourages stakeholders to use it, including:

- National audit firms, global networks, and professional accountancy organizations, for example to reflect on how to improve audit quality and better communicate information about audit quality.
- Those charged with governance, for example in considering the effectiveness of the audit in the context of their roles in audit committees.
- Public Sector organizations, for example, in their work in improving the quality of public sector audits.
- Regulators, for example in assessing the need for regulation and guidance material to achieve improvements in audit quality.
- Oversight bodies, for example, in evaluating their oversight activities to enhance audit quality.
- National Standard Setters, for example in their standard setting activities and issuing guidance to improve audit quality.
- Academics, for example, to structure academic research on the topic and assist students of auditing to understand the full context of audit quality.

The development by stakeholders of user guides, toolkits, topics to explore or other vehicles for discussion between stakeholders or among stakeholders themselves is encouraged.

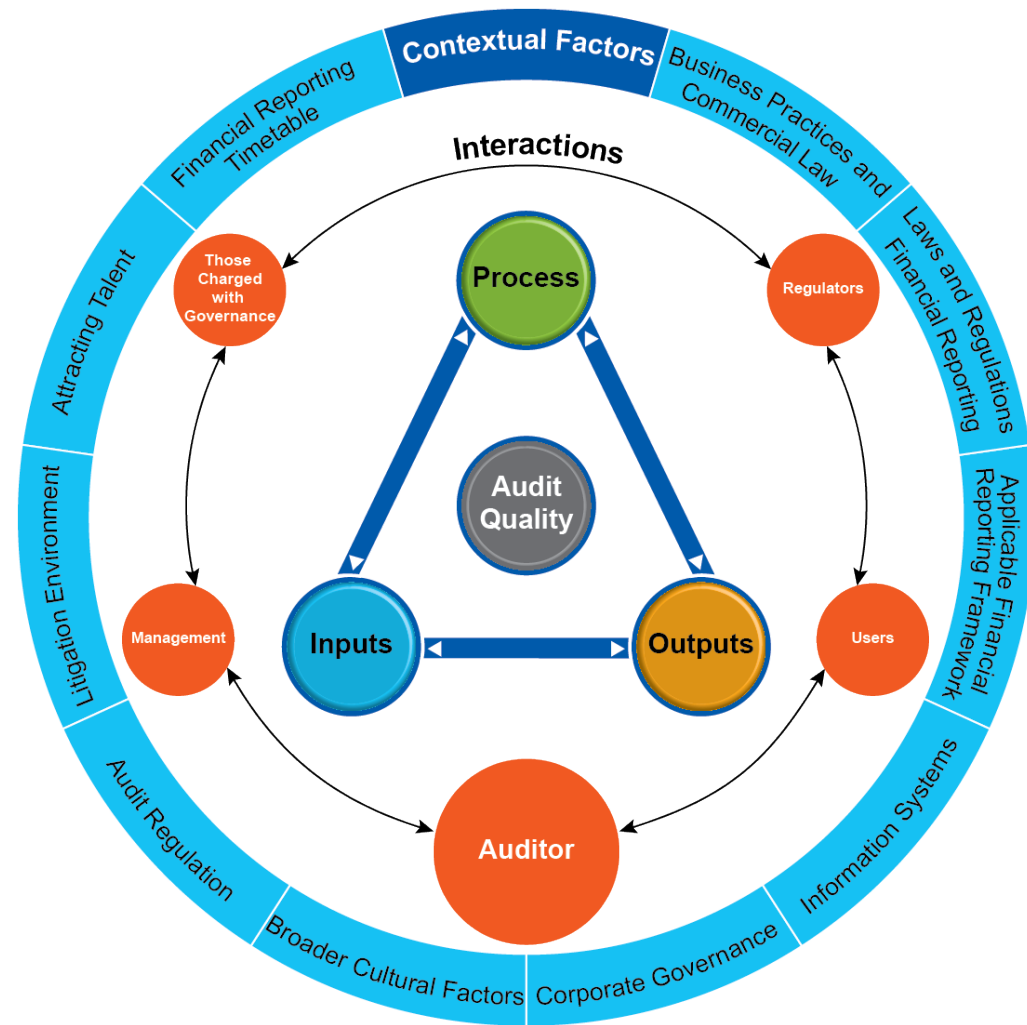
Framework for Audit Quality

Audit Quality encompasses the key elements that create an environment which maximizes the likelihood that quality audits are performed on a consistent basis.

Elements of the *Framework for Audit Quality*:

- Inputs
- Processes
- Outputs
- Interactions
- Contextual Factors

While the primary responsibility for performing quality audits rests with auditors, audit quality is best achieved in an environment where there is support from other participants in the financial reporting supply chain.



Input Factors, Process Factors, Output Factors, Contextual Factors and

Inputs

Quality audits involve auditors:

- Exhibiting appropriate values, ethics and attitudes; and
- Being sufficiently knowledgeable, skilled, experienced, and having sufficient time allocated to them to perform the audit work.

Within each of these categories quality attributes are further organized between those that apply at the engagement, firm, and national level.

Process

Quality audits involve auditors applying a rigorous audit process and quality control procedures that comply with laws, regulations and applicable standards. In this regard various quality attributes are further organized between those that apply at the engagement, firm, and national level.

Outputs

Quality audits result in outputs that are useful and timely. Outputs are described in relation to the full reporting supply chain and they include outputs from:

- The auditor
- The audit firm
- The entity
- Audit regulators

Outputs include reports and information that are formally prepared and presented by one party to another, as well as outputs that arise from the auditing process that are generally not visible to those outside the audited organization.

Contextual Factors

Quality audits involve auditors who respond properly to contextual factors. Contextual factors are described as having the potential to impact the nature and quality of financial reporting and, either directly or indirectly, audit quality.

These include:

- Business practices and commercial law
- Laws and regulations relating to financial reporting
- The applicable financial reporting framework
- Information systems
- Corporate governance
- Financial reporting timetable
- Broader cultural factors
- Audit regulation
- Litigation environment
- Attracting talent
- Financial reporting timetable

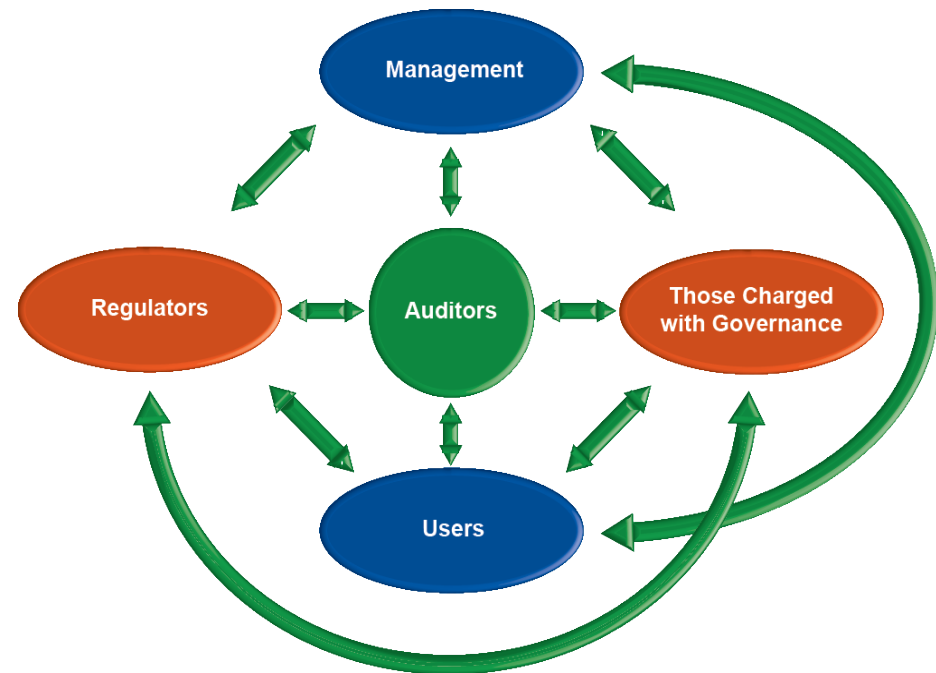
.....Interactions

Quality audits involve auditors interacting properly with the stakeholders in the financial reporting supply chain. The interactions between the following key stakeholders are described:

- Auditors
- Management
- Those charged with governance
- Users
- Regulators

These interactions, including both formal and informal communications, will be influenced by the context in which the audit is performed and allow a dynamic relationship to exist between inputs and outputs.

While each separate stakeholder in the financial reporting supply chain plays an important role in supporting high-quality financial reporting, the way in which the stakeholders interact can have a particular impact on audit quality.



Continuing the Dialogue

The *Framework for Audit Quality* is an important milestone, but only one step in a continuous process of improving audit quality.

The IAASB will continue to take further steps to contribute to enhancing audit quality through its standards setting work, and by promoting further dialogue on audit quality and stimulating other organizations to use the *Framework for Audit Quality*.

All stakeholders are encouraged to consider how they may use this *Framework for Audit Quality* in reflecting on how they may influence improvement in audit quality.

Next Steps

The context in which an audit is undertaken is continually evolving to keep pace with changes in the business environment, in perceptions on the scope of auditing, in financial reporting standards, in regulation, and in technology. Intrinsicly, an audit is an activity that evolves over time. The pursuit of audit quality is therefore not a program with a definitive outcome. Rather, it is a process that ensures that, through continual improvements in its elements, audit quality evolves with the environment in which audits are performed.

The IAASB will therefore continue to take steps to further promote dialogue on audit quality and stimulate organizations to use the *Framework for Audit Quality*. To support the use of the IAASB's *Framework for Audit Quality* the IAASB will:

- Establish a new Audit Quality page on the IAASB website to promote the *Framework for Audit Quality* and keep stakeholders informed about developments.
- Give prominence to the *Framework for Audit Quality* in IAASB's outreach and liaison activities.
- In due course evaluate how and in what way the *Framework for Audit Quality* is being used and consider follow up activities.