



# Advancing A Dynamic Global Profession – An Audit Perspective

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**IAASB**

International Auditing  
and Assurance  
Standards Board

# Enhancing Audit and Assurance Quality

Growth: build on what is available

Enhanced Auditor Reporting: Key Audit Matters (KAMs)

Between Growth and Germination

Professional Skepticism

From Quality Control to Quality Management

Germination

Emerging External Reporting (EER, incl Integrated Reporting)

## KAM: An Overview of the Decision Making Framework

Matters  
communicated with  
TCWG

Matters that required  
significant auditor attention

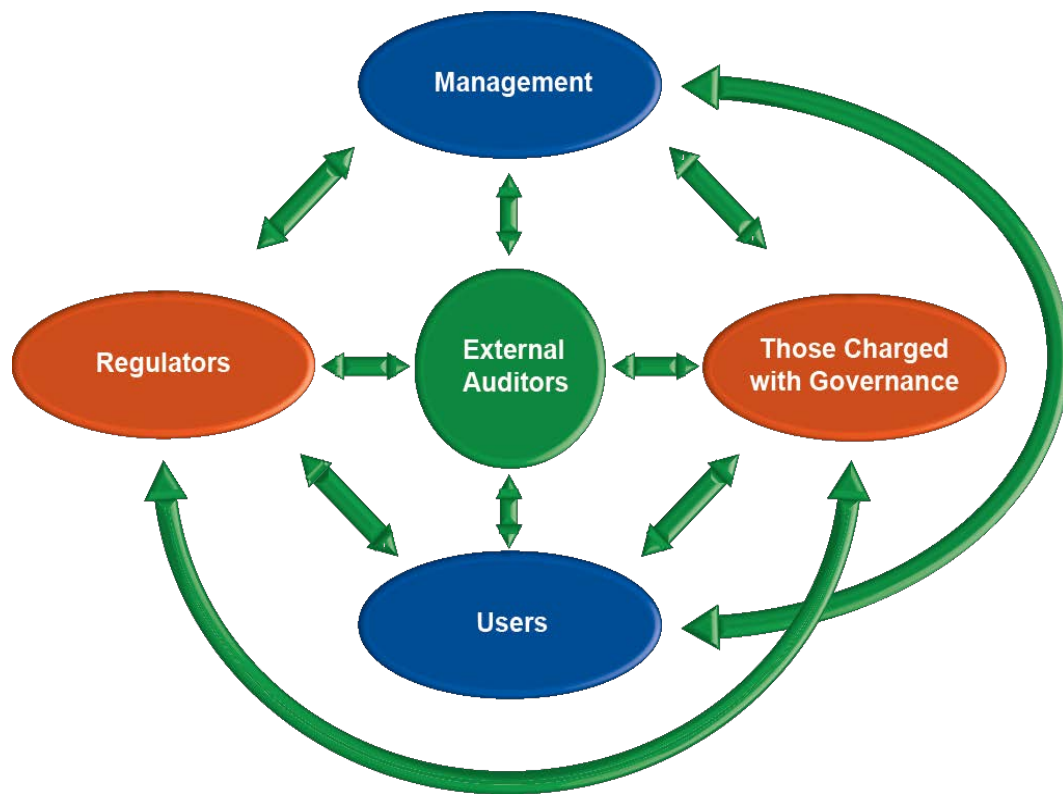
Matters of most significance in  
the audit



## “Embracing Transparency – Enhancing Value”

- **First year review of the enhanced auditor’s report (EAR) in Singapore (October 2017)**
- **Key findings by ACCA, ACRA, ISCA and NTU together. Summary:**
  - EARs have brought about insightful disclosures by auditors, particularly in the form of key audit matters (KAMs). They have also driven positive behavioural changes among various stakeholders in our financial reporting eco-system.
  - Audit committees had more robust deliberation over KAMs
  - Investors were using EARs to identify significant accounting and audit issues before reading the financial statements
  - Audit partners were spending more time engaging audit committees
  - Both audit committees and investors now have more confidence in audit quality.
  - Companies proactively enhanced their financial and non-financial disclosures in conjunction with the KAMs reported by the auditors.

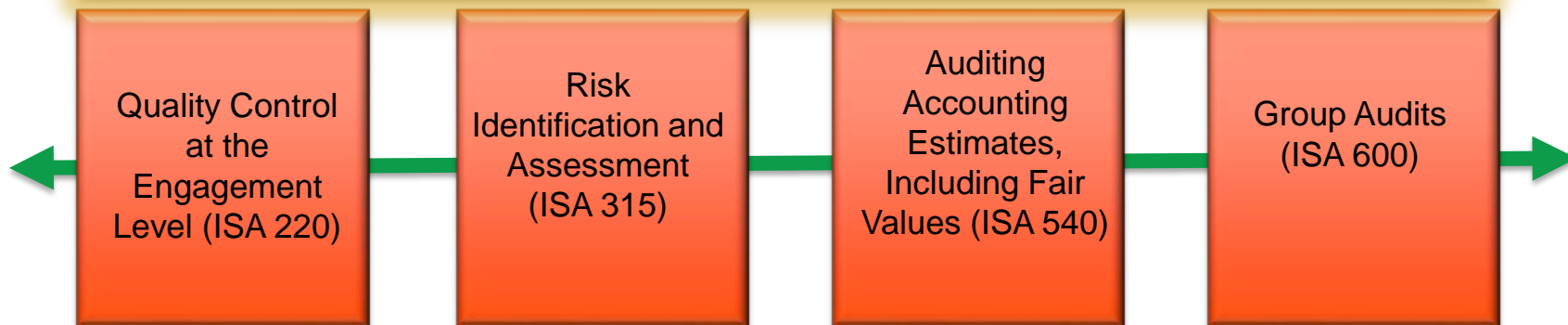
## Framework for Audit Quality – Audit Quality Interactions



- Primary responsibility for performing quality audits rests with auditors, but ...
- Each stakeholder plays an important role supporting high-quality financial reporting
- Audit quality is best achieved in an environment where there is support and challenge from other participants
- Increased interaction is promoted in the *Framework for Audit Quality*

## “The Global House of Audit – Under Renovation”

***High-Quality Audits  
in a Changing Business Environment –  
Influenced by Technology, Complexity, and Demands  
for Continued Relevance***



**Strengthening the Application of Professional Skepticism**

**Enhancing Firms' Systems of Quality Control (ISQC 1 and new ISQC 2)**

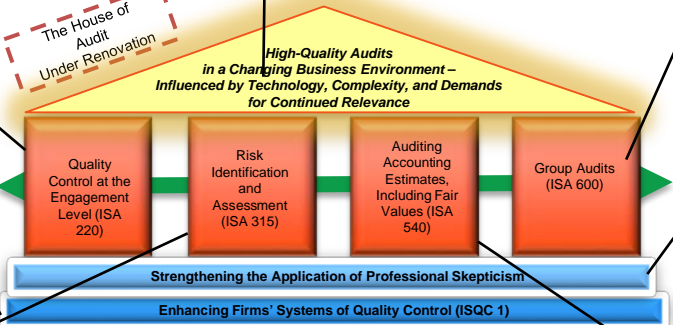


- Request for Input issued – Analysis of Responses
- Continuing consideration in other ongoing projects

- Group Audits Project Update published
- Strong linkage with other standards, particularly ISA 220, ISQC 1 and ISA 315 (Revised)



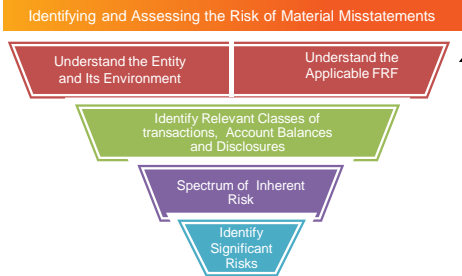
Addressing Fundamental Elements of the Audit



Professional Skepticism – Key Observations (4 of 7)

1. Increased attention to business acumen is central to the exercise of professional skepticism.
2. Environmental factors can influence the ability to exercise professional skepticism.
3. Awareness of personal traits and biases is essential.
4. Building in professional skepticism from the outset is key.

ISA 315 (Revised)



Other Projects

- Agreed-Upon Procedures
- Emerging Forms of External Reporting

ISA 540 Accounting Estimates

- Exposure Draft published
- Analysis of Responses

## Professional Skepticism – Key Observations from Joint 3 SSBs Publication

1. Increased attention to business acumen is central to the exercise of professional skepticism.
2. Environmental factors can influence the ability to exercise professional skepticism.
3. Awareness of personal traits and biases is essential.
4. Building in professional skepticism from the outset is key.
5. There is more that the three standard-setting boards can do, both in the immediate term and the longer term.
6. Beyond audit, aspects of the concepts underlying professional skepticism may be relevant to all professional accountants.
7. Standard setting alone will not be enough.



## Quality Management : A Dynamic Approach



### Quality management approach

Modernized, fresh approach to firms' management of quality:

- Risk-based and scalable
- Effective
- Proactive and preventative
- Tailored for the firm's circumstances

## Emerging External Reporting (EER, including Integrated Reporting)

- IAASB approved Project Proposal in October 2017 unanimously
- Will be published soon, together with Feedback Statement on 2016 Discussion Paper [Supporting Credibility and Trust in Emerging Forms of External Reporting](#)
- Major new project under which the IAASB will develop guidance on applying its existing assurance standard ISAE 3000 to emerging forms of external reporting (EER). EER is a term used by the IAASB to embrace the variety of forms of external reporting by entities, which go beyond traditional financial reporting. This includes reporting of sustainability information and <Integrated Reporting>.
- Funded with support of World Business Council for Sustainability Development (WBCSD) by Gordon and Betty Moore Foundation
- In developing the guidance, appropriate collaboration will be sought with EER standard setters and other relevant international organizations actively working in this area, including WBCSD.



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