Key foundations of high-quality reporting: International audit and assurance requirements and good practices in their implementation

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Global momentum for more transparency in corporate and auditor reporting


Financial accountability is increasingly supplemented by more context-related information such as strategic information and non-financial information

More interaction between those involved in the full corporate reporting supply chain

Independent auditors continue to have a key role in these evolving times, contributing to high quality accountability and setting a basis for trust
IAASB’s Strategic Objective for 2015–2019

1) Ensure that ISAs continue to form the basis for high-quality, valuable and relevant audits conducted worldwide by responding on a timely basis to issues noted in practice and emerging developments.

2) Ensure the IAASB’s standards evolve as necessary to adequately address the emerging needs of stakeholders for services other than audits of financial statements.

3) Strengthen outreach and collaboration with key stakeholders in the reporting supply chain on public interest issues relevant to audit, assurance and related services.
New and Revised Auditor Reporting Standards

Key Features

- Audit Opinion – Required to be presented first
- Key Audit Matters – Required for listed entities
- Going Concern – Additional focus
- Other Information – New section
- Responsibilities – In the audit; Independence and ethical obligations; Engagement partner (listed entities)
What Are KAM?

KAM are defined as those matters that, in the auditor’s professional judgment, were of most significance in the audit of the financial statements of the current period. KAM are selected from matters communicated with TCWG.
Which Auditor’s Reports Will Include a KAM Section?

- **KAM is required** to be communicated in the auditor’s report for audits of financial statements of listed entities in accordance with new ISA 701.
  - Law or regulation may require **KAM** for audits of entities other than listed entities (e.g., “public interest entities”, or public sector entities).
  - Auditors may voluntarily, or at the request of management or TCWG, communicate **KAM** in the auditor’s report for entities other than listed entities.
The Decision-Making Framework for KAM

Matters that were communicated with **those** charged with governance

Matters that required **significant** auditor attention

Matters of **most** significance in the audit

Key Audit Matters
Key Public Interest Areas to Address

- Audit Leadership in the Public Interest
- Transparency and Observability of the Audit
- Independent, Challenging, Skeptical
- Proactive Quality Management Approach (resulting in new ISQC 1 and ISA 220)
- Fit with Evolving and Complex Business Environment and How Audits are Being Carried Out
- Fit for Complexity (Financial Institutions, Groups)
- Communication, Interactions, Documentation
- Networks, Firms, Remediation Processes
Work Plan for 2015–2016 — Priority Projects

The IAASB in the Coming Years

2015:
(1) Intense exploration, research and outreach → One discussion paper (ITC);
(2) Project proposal related to ISA 540

2016:
Analysis of comments and dialogue → Proposals for standard setting and other guidance

Enhancing Audit Quality with a Clear Public Interest Perspective
Exploring New Developments

- **Innovations Working Group**
  - Monitoring at a high level new and emerging issues

- **Integrated Reporting Working Group**
  - Monitoring the developing demand for assurance engagements designed to enhance the credibility of integrated reporting, and other emerging developments in external reporting, and how and when to respond to these developments most effectively in the public interest
  - Working Group Publication - July 2015
  - Issuance of a discussion paper – second half of 2016

- **Audit Data Analytics Working Group**
  - Considering audit data analytics and effect on the audit, including whether ISAs may be viewed as restricting innovation
  - Issuance of discussion paper or similar document – second half of 2016