Agenda item 3. Practical implementation of compliance monitoring and the enforcement of accounting and audit requirements for high-quality reporting

Presented by

Karel Van Hulle
Member
Public Interest Oversight Board

This material has been reproduced in the language and form as it was provided. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Compliance and enforcement of audit requirements

Prof. Karel Van Hulle
Member of the Public Interest Oversight Board

ISAR 33rd Session
Geneva – 4 October 2016

overseeing international audit, ethics and education standards for the accounting profession
Why a PIOB?

- Legal requirement to have an audit is imposed in the public interest, i.e. audit plays a key role in (financial) markets
- Need to continue reducing the expectation gap
- Public authorities are taking a more active interest in the audit function (financial stability)
- PIOB looks at public interest issues in the standard setting process (nominations, due process) and in the content of the standards (is the focus right)
OVERSIGHT ARCHITECTURE

overseeing international audit, ethics and education standards for the accounting profession
Guiding principles and core elements

• High quality reporting not possible without high quality auditing standards
• Auditing standards need to be developed in the public interest
• Standard setter must be independent and accountable and the process for the adoption of the standards must be transparent
• Proper representation of all relevant stakeholders in the standard setting process is necessary
How to ensure that auditing standards are applied in practice?

- Application in practice is in the public interest
- Education and training of auditors
- Proper behaviour of auditors and audit firms (ethical standards)
- Importance of audit reporting
- Monitoring of application of the standards in practice (inspections)
- Inspection findings must influence standard setting
Resourcing and funding

• Do not try to re-invent the wheel

• Learn from your peers, i.e. look at best practice in other countries and internationally

• Make sure that the persons / institutions who set the standards and enforce them are
  — independent
  — have proper experience

• Try to obtain independent funding, preferably from relevant stakeholders
Consistent implementation of internationally agreed standards

- Absence of a global enforcement body
- Issue higher on IFAC’s agenda (CAP)
- Consistent implementation encouraged by PIOB because it is in the public interest
- Importance of consistent implementation in audit networks (group audit – IAASB)
- Increasing role of bodies such as EAIG, IFIAR and PCAOB in ensuring enforcement of auditing standards
• Increasing importance attached to non-financial reporting
• Difference between audit and assurance
• IAASB has started work on integrated reporting and is exploring other areas where there is a need for assurance engagements
• Specific regime for SME and/or public interest entity audits (different standards or proportionate application)
Contribution of ISAR

- Making best practices available to all participants
- Regular review of emerging issues in the presence of experts in the field
- Provide a forum where participants can ask questions and obtain advice
- Ensure a system of networking and of easy contact