
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

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Morning Session

**Guidance on good practices in the area of compliance
monitoring and enforcement**

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Think Ahead

ACCA

**UNCTAD ISAR 32:
Guidance on good
practices in the
area of compliance
monitoring and
enforcement.**

Sha Ali
Khan,
Director –
Regulatory
Development

AGENDA

- Assessment of audit compliance
- Root cause analysis and audit quality indicators

Assessment of audit compliance.

Audit compliance issues

Perfection in audit is usually impossible!

Some weaknesses will usually exist /
improvements can be made

Need to assess audit work as either satisfactory or
unsatisfactory

Need for globally accepted basis of assessment

Different bases used by audit regulators

Marks for each component of an audit

Number of audit deficiencies

Reviewers' (arbitrary) judgment

A, B, C, D

No satisfactory/unsatisfactory conclusion on audits examined!

Basis of assessment applied by ACCA

Derived from auditor's objectives, ISA 200

“to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement”

Consideration of each audit deficiency against the above, to determine if deficiency is serious

One serious deficiency means audit is unsatisfactory

Examples:

Only weakness in audit is no evidence on quantity of inventories - and no alternative procedures undertaken

Entity is trading profitably, cash-rich and no borrowings or future capital commitments, but failure to follow ISA 570

Different bases of assessment: implications

Audits assessed as satisfactory, despite significant risk of material misstatements remaining undetected

Inconsistency of assessment within a single audit regulator

Inconsistency of assessment between different regulators

Root cause analysis thwarted

Root cause analysis and audit quality indicators.

Causes of poor quality audits.

Why did the deficiencies arise?

Auditors not always forthcoming with reasons:

- Competence?
- Supervision?
- Lack of independence?

Root cause analysis/AQI work:

- IFIAR
- PCAOB
- US Center for audit quality
- NZ Financial Markets Authority
- And every other audit regulator!

Audit quality indicators.

Indicators of quality, or contributors to quality?

How strong is the link between quality and the indicators?

Relationship between AQI indicators and root cause analysis?

Inconsistency of assessments of audit quality will adversely impact root cause analysis and AQI research

Thank you.