

Audit Research in a Changing Audit Environment

Prof. Arnold Schilder, IAASB Chairman

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Research (ISAR)
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Auditor Reporting and IAASB/ AICPA Commissioned Research (2009) regarding User Perceptions

Authors	Title of Report
Theodore Mock, Jerry Turner, Glen Gray & Paul Coram	“The Unqualified Auditor’s Report: A Study of User Perceptions, Effects on User Decisions and Decision Processes, and Directions for Future Research”
Brenda Porter, Ciarán Ó hÓgartaigh & Rachel Baskerville	“Report on Research Conducted in the United Kingdom and New Zealand in 2008 Investigating the Audit Expectation-Performance Gap and Users’ Understanding Of, and Desired Improvements To, the Audit Report”
Asare and Wright	“Investors’, Auditors’ and Lenders’ Understanding of the Message Conveyed By the Standard Audit Report”
Anna Gold, Ulfert Gronewold & Christiane Pott	“Financial Statement Users’ Perceptions of the IAASB’s ISA 700 Unqualified Auditor’s Report in Germany and the Netherlands”

So what are users saying now?

- *“While we are clearly at a very early stage in the development of this enhanced reporting, we have been pleasantly surprised by the usefulness of some of the disclosures”*
- *“There is a strong subjective element in how we, as shareholders, assess the stewardship of a business and the quality of its reporting and auditing, and these reports provide an important medium that can contribute to that. In a world that is rarely black and white, they also help to underpin the credibility and trust that needs to be inherent in the relationship between the leadership of a company and its shareholders”*. (both Iain Richards, Head of Governance and Responsible Investment Threadneedle Asset Management, 2014)
- *“We think the new information may be helpful in prompting better dialogue between companies and their shareholders on accounting and audit issues”*. (Citi – New UK Auditor’s Reports, 2014)

Relevance to Research

- *“There are many current research opportunities which can help to inform the auditor reporting initiative, including both behavioral and archival studies*
- *.....Exploration of these types of research avenues will further illuminate the most appropriate reporting to the auditor’s report, which will be of interest to practitioners, and international and national standard setters alike”*
(Simnett & Higgins, 2014)

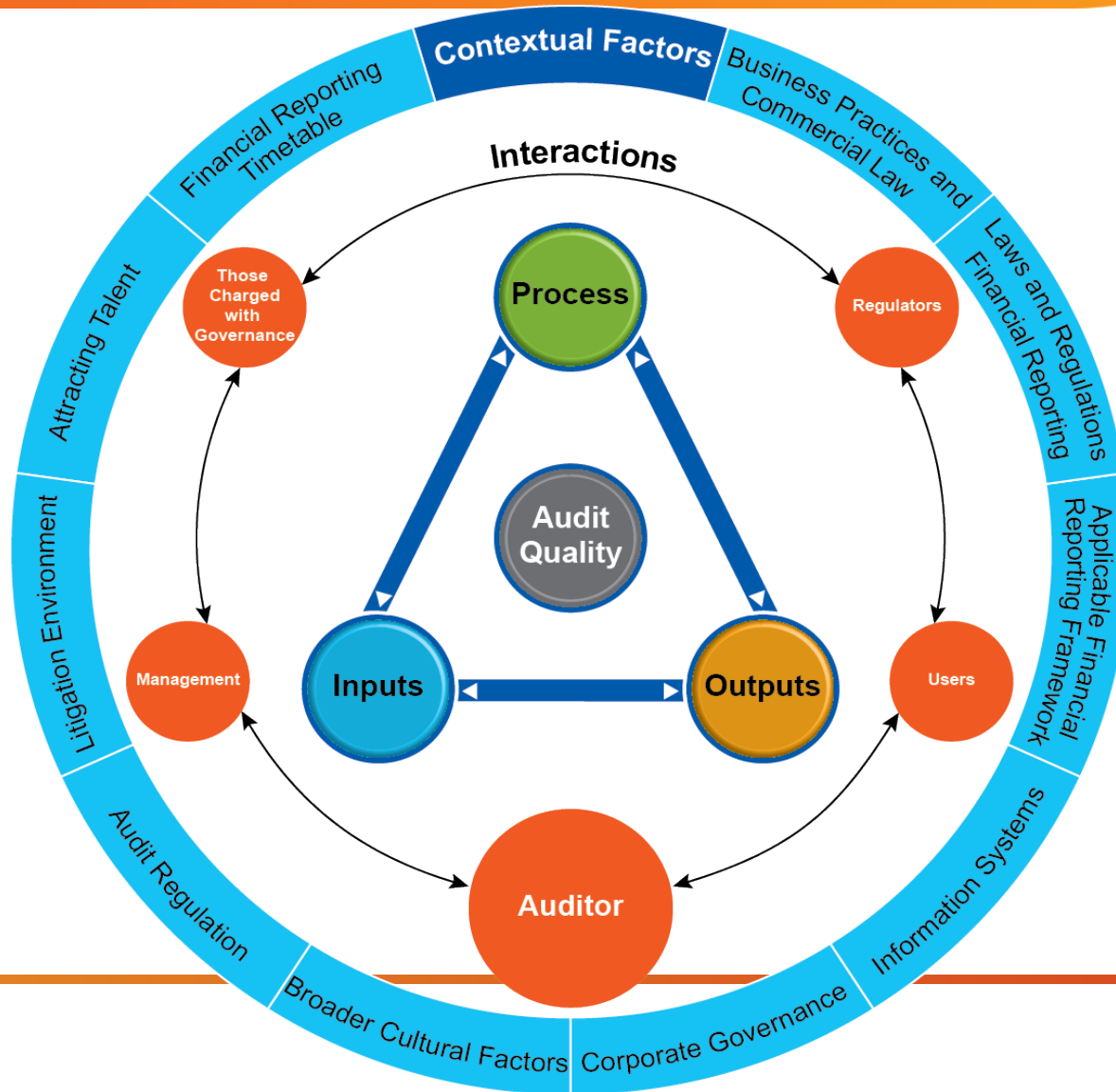
Audit Innovation

- *“Shouldn’t the profession be one that stops living with a lack of innovation, to become one that actively promotes innovation and knows what practice innovations work and deserve to be applied on a wider scale?” (Humphrey, 2013)*
- *“The launch of assurance guidelines by the AA and IAASB, assurance training programs jointly hosted by the AA and IRCA, and new types of auditing services related to emissions provides the motivation for examining associations between the characteristics of sustainability reporting assurance” (Mock et. al. 2013)*

Innovation, Needs and Future Opportunities WG

- **Objective:** Explore emerging developments in the audit, assurance and related services fields for the purpose of assisting the IAASB in identifying opportunities for relevant and effective standard setting, or determining other potential actions, in a timely and informed manner
- **Focus areas:**
 - Integrated Reporting/”Front part” Annual Reporting/Sustainability Reporting
 - Information Technology, in particular data analytics and their effect on the financial statement audit, e.g., the effect on risk assessments, testing approaches and audit evidence
- **Other:**
 - Corporate governance, risk management and internal control

Framework for Audit Quality



Framework for Audit Quality: Examples of its Use

- Use in developing a tool/guidance for audit committees
- Use in discussions of new established committees on audit quality
- Use in operational plans to reform governance profession
- Use in webcasts and education
- Use in research by institutes and academics
- Use in internal reviews of audit quality by audit firms

Audit Quality

- *“Over the past couple of years the Institute of Chartered Accountants Australia has conducted innovative research into the perceptions by audit partners and staff of the main drivers of audit quality in major accounting firms in Australia” (ICAA, 2014)*
- *“Failure to match the reality of the economics of auditing to the regulatory approaches adopted could lead to results contrary to the objective of improving audit quality” (Knechel, 2014)*

IAASB Annual Report 2013



- <http://www.iaasb.org/2013-annual-report>



www.iaasb.org
