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Welcome.

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The Future of Audit.

AGENDA

- Dissatisfaction with the existing model
- What do investors want?
- Who else matters?
- What are auditors/standard setters prepared to provide?

AGENDA

- IAASB proposals
- UK FRC proposals
- The Caribbean view
- Unintended consequences

Dissatisfaction with existing model.

Dissatisfaction with existing model

Sir David Tweedie: “Hopeless...difficult to find the audit opinion”

Hermes investment management: “report says nothing....binary”

What do investors want? ■

What do investors want?

Guarantee for the future?

Audit judgments/problems

Areas of uncertainty

Inside information!

Who else matters? ■

Who else matters?

Regulators

Employees

Contracting parties

Regulators

UK House of Lords' economic affairs committee 2010

Big Four slated on clean bank audit reports

Managing partners: “extraordinarily self-satisfied”

‘Complacency’ and ‘dereliction of duty’

ACCA Research.

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The Value of Audit: Views from Retail (Private) Investors audit as perceived by private investors and A Framework for Extended Audit Reporting a report by Maastricht Accounting, Auditing and Information Management Research Center (MARC) of Maastricht University, Netherlands

Maastricht/ACCA Research

- Improved definition of scope of audit
- Auditor conclusion on each of above
- Auditor discussion and analysis
- Information on auditor – governance arrangements, report from audit regulator etc

ACCA's Position

Retain pass/fail

Retain emphasis of significant audit matters

Commentary on FS not needed

Reference to any FS item fundamental to understanding

Support for IAASB proposals

IAASB

‘Enhancing the Value of Auditor Reporting:
Exploring Options for Change’.

IAASB

Auditor commentary and risk
Matters essential to understanding
Significant audit judgments
Assessment of management's
assumptions on going concern
Level of materiality
Internal control
Areas of audit difficulty and resolution

UK FRC.

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UK FRC

Risk of material misstatement and
auditors response

Materiality

Audit scope taking into account above

The Caribbean view.

ACCA Caribbean Audit Round Tables

Extend auditor scope to corporate governance and risk management

Risks and auditors response

Materiality

Audit scope taking into account above

ACCA Caribbean Audit Round Tables

Andrew Brathwaite: 'the status quo is not an option', reporting on corporate risk management, corporate governance and other IAASB suggestions

Unintended consequences.

Unintended consequences

- Boiler plate approach
- Copying other reports
- Management disagreement/dissatisfaction
- User substitution of own judgment
- Auditor liability
- User confusion

Thank you.

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