

Research Matters – Audit

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Auditing and
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Audit quality

- What is it?
- I'll know it when I see it?



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Audit quality

- Measure inputs?
- Measure outputs?



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UK FRC work on audit quality

- Culture within a firm
- Skills and personal qualities of audit partners and staff
- Effectiveness of the audit process
- Reliability and usefulness of audit (and financial?) reporting
- Factors outside control of auditors affecting audit quality



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Institute publications

- The benefit of audit; a guide to audit quality
- Framework for audit quality sustainability



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Audit quality

- Interactions with audit committee
- Scepticism



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Financial reporting and audit report

- Knowledge gap – financial reporting?
 - Same asset – different measurement
 - Measurement uncertainty
 - Complexity
 - Clarity and comparability lowers cost of capital (lack of transparency = higher cost of capital)
 - Principles and pragmatism – it's 'better to be roughly right than precisely wrong'



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Audit report

- Expectation gap – financial audit?
- IAASB discussion paper
 - Auditor commentary
 - Conclusion on going concern
 - Inconsistencies with other info
 - Clarify role of auditor, management, those charged with governance



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Auditor's report – other

- Matters up for discussion include:
 - Form and content of auditor's report?
 - Less 'boilerplate' and a more discursive auditor's report?
 - Is a 'pass/fail' model appropriate?
 - Is greater detail required – gradings?
 - Should auditor provide information the client's business model, or other risks the entity faces?
 - Reporting of materiality auditor used?
 - Extent and content of auditor's communication with the audit committee?



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