

Future of Auditing: Audit Quality, Implementation and Innovation

Commentary by:

Warren Allen,
Partner, Ernst & Young,
New Zealand
IFAC Board Member

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Commentary Agenda

- **Practitioner's view on Arnold's presentation**
- **Opportunity for profession to introduce a new assurance product for SMEs**

Practitioner's View

- Totally supportive of global adoption & implementation of ISAs,
- Agree the value of audit is strongly affirmed,
- Still need to be mindful of expectation gap,
- Major audit firms support practical and proactive regulation over audits,
- IAASB staff alerts last year in the heat of GFC were invaluable:
 - Staff alert on fair valuing of financial instruments in illiquid markets was most timely & useful for auditors
- Acknowledge real difficulty for SMPs without assistance of global networks to incorporate full ISA.

Profession's Opportunity

- IFAC's view "an audit is an audit", I accept this,
- ISAs designed to apply to audits of entities of all sizes,
- Many countries require all companies to have an audit – not the case in NZ,
- Many countries are seeing SMPs give up their audit licences,
- Statutory audit highly focused around truth & fairness of financial reporting & compliance with IFRS,
- Great opportunity for profession to develop a totally new assurance product for SMEs,

Profession's Opportunity cont'd

- What SMEs care about :
 - Adequate systems of internal control,
 - Legislative compliance,
 - Compliance with financier's requirements,
 - Corporate governance,
 - Asset values,
 - Independent business advice,
 - Effective management reporting,
 - Risk identification & mitigation.
- Needs a totally different name, not to be confused with audit, review, agreed upon procedures or compilation.