

IAASB Consultation Paper, *A Framework for Audit Quality*

response to consultation paper

15 May 2013

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As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 130515 SC0197

Gary Pflugrath
IFAC Technical Director, Director, Public Policy and Regulation

May 2013

Dear Gary Pflugrath

IAASB Consultation Paper, A Framework for Audit Quality

CIPFA is pleased to present its response to this consultation paper, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

General comment

CIPFA supports the IAASB's Audit Quality project, which is an important initiative both to encourage improvement within the audit profession and to help wider stakeholders understand the factors which contribute to audit quality in addition to the standards framework, and the role which they might play in supporting quality audit.

Reading over the draft Framework, we agree with the breakdown of the material into discussions of inputs, outputs, contextual factors and key interactions. CIPFA also agrees with much of the material contained within the Framework. However, we found the presentation of the material to be problematic.

The Framework is seeking to be accessible to a wide variety of stakeholders, and includes explanation which seeks to help the non-auditor. Unfortunately, some of this material is irrelevant to more knowledgeable readers, while at the same time, it may be read as over-defensive and still only partially explained by less knowledgeable readers.

In our view it would be better if the IAASB were to present a shorter, clearer Framework document. This could be supported by one or more separate documents setting out additional educational material on key aspects of what an audit is, issues faced by auditors in practice, and the risks to audit quality arising from the subject matter of some audits, the client, the firm and individual audit staff. Further material on the way in which auditors are regulated or inspected in different jurisdictions might also be helpful.

Considerations Specific to Public Sector Audits

In line with our comments above, we wonder if most of the material on Considerations Specific to Public Sector Audits would be better placed in a separate document providing fuller explanation, and some of our comments below relate to material which would be best presented outside the framework.

We agree with most of the factual content on public sector audit, and would make the following drafting observations:

The use of the term 'incentive' in Paragraph 11 gives the wrong emphasis

Also, in the public sector, while public sector audit bodies are not profit-making entities, budget constraints may provide them with an incentive to limit the amount of work performed.

In CIPFA's view it would be more natural to frame the effects of funding constraints as matters which affect auditor's judgment on the amount of work required, rather than providing an 'incentive' to limit the amount. For example

Also in the public sector, while public sector audit bodies are not profit-making entities, funding constraints for the audit could influence professional judgement regarding the amount of work required to deliver an ISA compliant audit.

With respect to the discussion of Values, Ethics and Attitudes at Para 244, CIPFA agrees that the potential threats to audit quality may differ in the public sector. However, it would be helpful if examples were provided of *additional threats* which may be faced by public sector auditors – the current text only comments on threats which are *less likely* to apply.

Comments on Specific Matters

Comments on the specific questions in the consultation paper are set out in the attached Annex.

I hope this is a helpful contribution to the development of the Board's guidance in this area. If you have any questions about this response, please contact Steven Cain (e:steven.cain@cipfa.org, t:+44(0)20 7543 5794).

Yours sincerely

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Responses to specific questions

1. Does the Framework cover all of the areas of audit quality that you would expect? If not, what else should be included?

CIPFA has not identified any additional areas of audit quality which should be added.

2. Does the Framework reflect the appropriate balance in the responsibility for audit quality between the auditor (engagement team and firm), the entity (management and those charged with governance), and other stakeholders? If not, which areas of the Framework should be revised and how?

The Framework effectively signposts the complex nature of achieving audit quality, and the range of parties which need to be involved.

In general the balance appears correct, although viewed from a UK perspective the current draft may place more emphasis than is warranted on 'management' as distinct from 'those charged with governance'.

3. How do you intend to use the Framework? Are there changes that need to be made to the form or content of the Framework to maximize its value to you?

As noted in the covering letter, CIPFA considers that it would be helpful to restructure the framework to increase its value to auditors and other stakeholders.

4. What are your views on the suggested Areas to Explore? Which, if any, should be given priority and by whom? Are there additional Areas to Explore?

In general, CIPFA supports the IAASB proposals for Areas to Explore, especially

- Area To Explore 7: *Increasing the informational value of auditor's reports and improving perceptions of the value of audit*
- Area To Explore 9: *Striving for greater international harmonization in the role of audit committees with regard to the evaluation of the quality of the external audit*