



A Framework for Audit Quality – Key elements that create an environment for Audit Quality

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Presentation Outline



- ❑ What is a Framework for Audit Quality?
- ❑ What are elements that create an Environment for Audit Quality?
- ❑ Conclusion

Audit Quality



What is Audit Quality?

Audit Quality Defined



- ❑ Audit Quality **encompass the key elements** that create an environment which **maximizes the likelihood** that quality audits are performed on a **consistent basis**. (IAASB)
- ❑ Audit Quality therefore involves appropriate interaction among factors/participants in the financial reporting supply chain.

Audit Quality Defined Cont'd



- ❑ Audit Quality is likely to have been achieved by an engagement team that;
 - a. Exhibited appropriate values, ethics and attitudes.
 - b. Was sufficiently knowledgeable, skilled and experienced.
 - c. Applied a rigorous audit process and quality control procedures.

Audit Quality Defined Cont'd



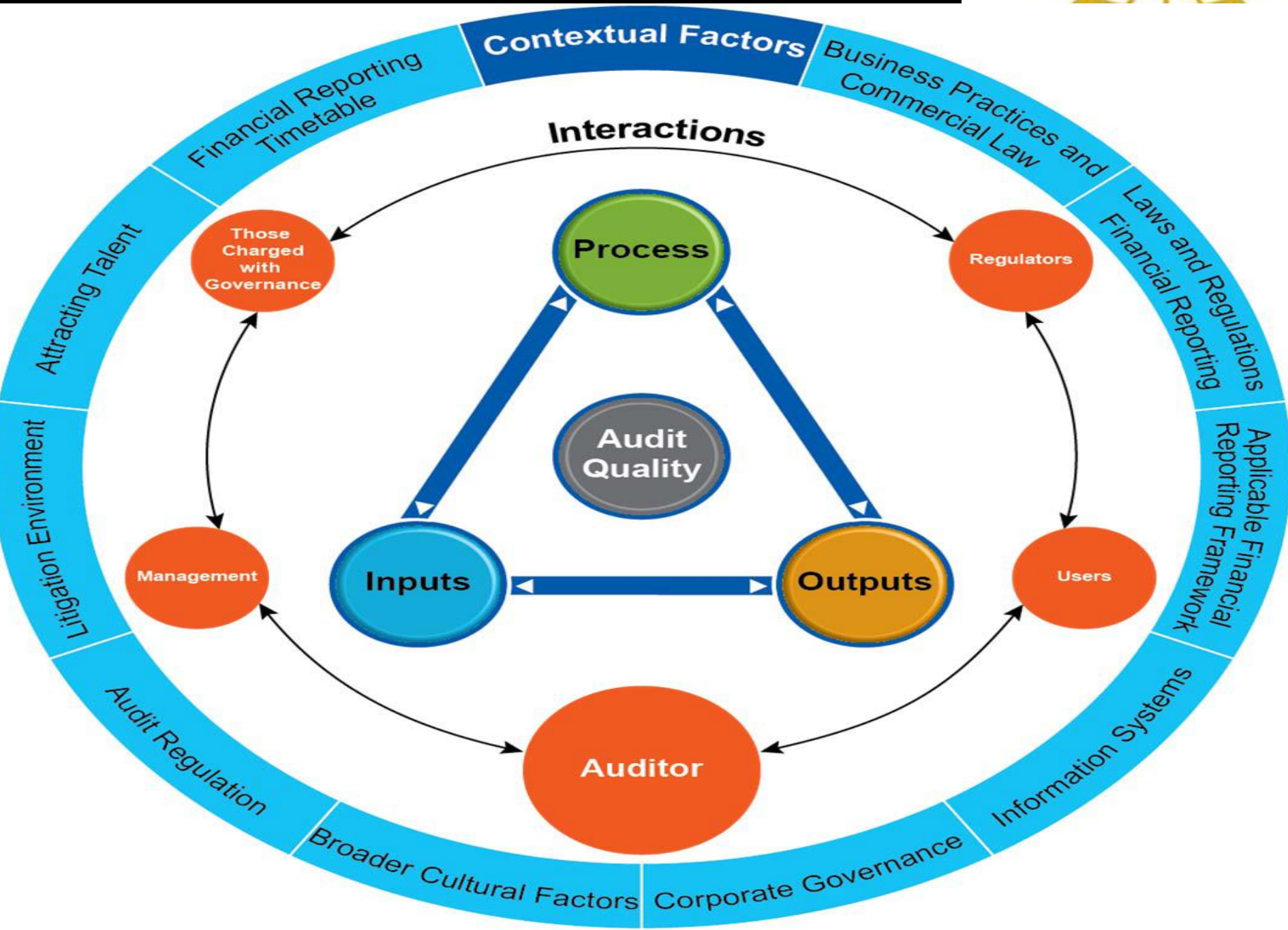
- d. Provided useful and timely reports; and
- e. Interacted appropriately with relevant stakeholders.

Note: The responsibility of performing Quality Audits of financial statements rests with the auditors. However, the same is best achieved with support from other players/participants in the supply chain.

A Framework for Audit Quality



- ❑ A framework for audit quality as issued by International Auditing & Assurance Standards Board (IAASB) distinguishes the following elements;
 1. Inputs
 2. Process
 3. Outputs
 4. Key interactions within the Financial Reporting Supply Chain
 5. Contextual Factors



A Framework for audit quality Elements



1. Inputs

Quality audits are achieved by having **appropriate input factors**. They are grouped into the following;

- a. Values, Ethics and Attitudes of auditors- normally influenced by **culture** within the firm.
- These attributes apply at the audit engagement level, at the audit firm level and at a national (jurisdictional) level.
- The audit engagement partner is directly responsible for the quality of audit.

A Framework for audit quality Elements (Cont'd)



- The engagement team must;
 - ✓ Exhibit, objectivity & Integrity,
 - ✓ Exhibit professional competence & due care,
 - ✓ Exhibit Professional Scepticism,
 - ✓ Be independent; and
 - ✓ Comply with ethical requirements (Values, Ethics and Attitudes).

A Framework for audit quality Elements (Cont'd)



- Compliance with Values, Ethics and Attitudes at;
 - i. Engagement Level - Audit Engagement Partner has a key role
 - ii. Firm Level - Audit firm's culture influences those attributes – Environment within the firm- “Tone at the Top”.
 - iii. National Level – regulatory activities influence culture within firms.

A Framework for audit quality Elements (Cont'd)



- b. Knowledge, Skills & Experience of auditors and the time allocated to them to perform the audit.
 - i. At Engagement Level - Audit Team collectively to have competence, experience, reasonable judgments, are monitored and assessed.
 - ii. At Firm Level - Audit firm's policies and procedures, proper structures are all in place, coaching & training are instituted.

A Framework for audit quality Elements (Cont'd)



- III. National Level – Robust licensing of audit firms/individuals auditors, education requirements defined, platforms for updating auditors on contemporary issues.

A Framework for audit quality Elements (Cont'd)



2. Process Factors

Quality audits involve rigorous Audit process and Quality Control Procedures that comply with laws, regulations and applicable standards at;

- I. Engagement Level – Compliance with standards by audit team, work subject to quality reviews as per ISQC 1., use of technology(e.g. Teammate)
- II. Firm Level – Audit methodology that encourages; team work, proper documentation, professional scepticism & judgment, quality reviews.

A Framework for audit quality Elements (Cont'd)



- III. National Level – National audit regulatory activities can impact the audit process.
 - Regulators consider Audit quality and Control procedures; application of existing standards.

A Framework for audit quality Elements (Cont'd)



3. Output Factors

Different stakeholders receive different outputs from an audit. These outputs are likely to be evaluated in terms of ;

- Usefulness
- Timeliness;

and their quality measured on the above elements

A Framework for audit quality Elements (Cont'd)



Some of the outputs are;

Level	Outputs
Engagement Level	From the Auditor <ol style="list-style-type: none">1. Auditor's reports to users of audited financial statements2. Auditor's reports to those charged with governance3. Auditor's report to management4. Auditor's reports to financial & prudential regulators

A Framework for audit quality Elements (Cont'd)



Level	Outputs
Engagement Level	<p>From the Entity</p> <p>5. The audited Financial Statements</p> <p>6. Reports from those charged with Governance, including Audit Committees</p> <p>From Audit Regulators</p> <p>Regulators providing information on individual audits</p>

A Framework for audit quality Elements (Cont'd)



Level	Outputs
Firm & National Level	From the Audit Firm 1. Transparency Reports 2. Annual & other reports From Audit Regulators Providing an Aggregate View on the Results of Audit Firm Inspections.

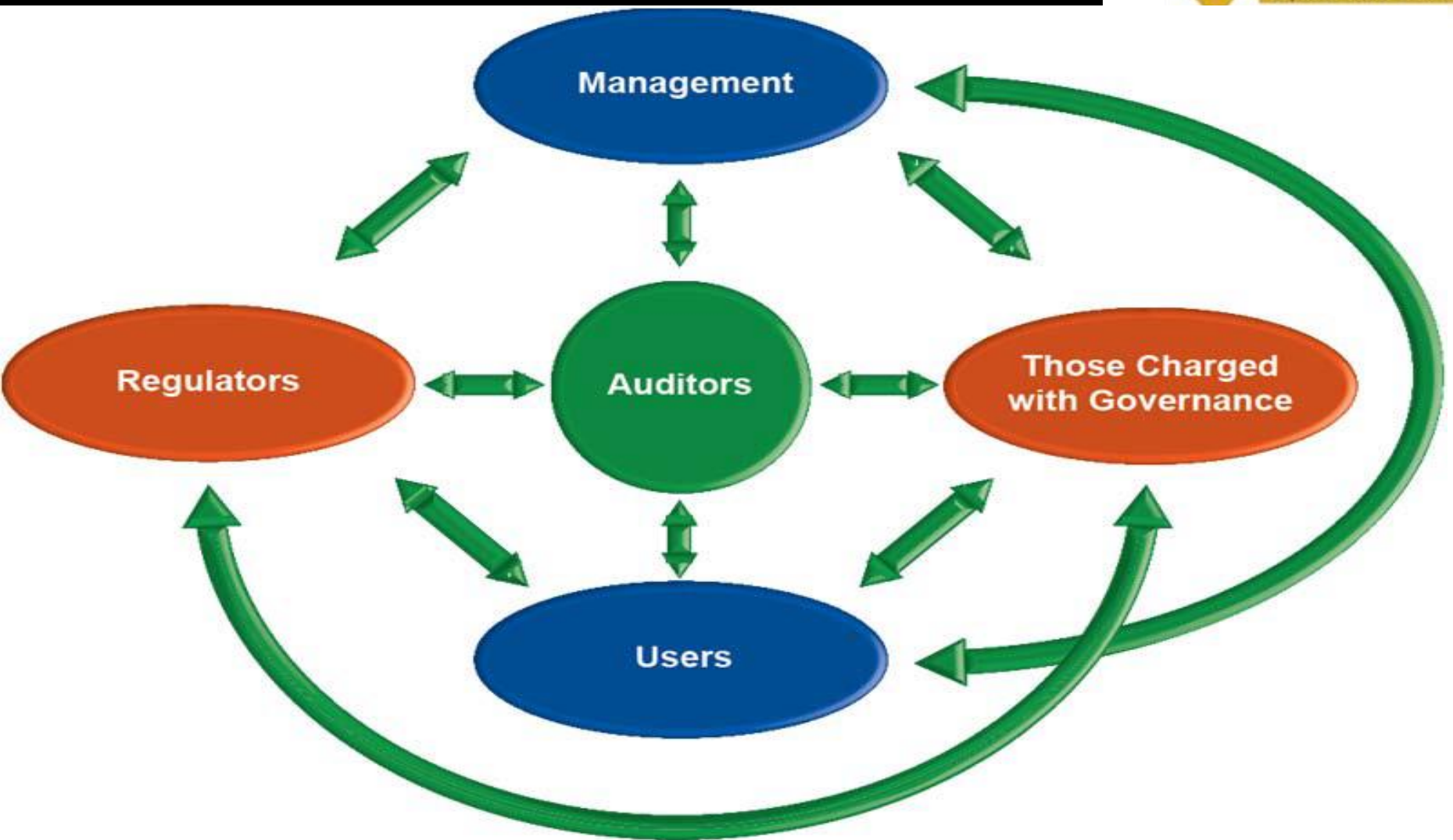
A Framework for audit quality Elements (Cont'd)



4. Key Interactions within the Financial Reporting Supply Chain

- The chain involve people, processes involved in the preparation, approval, auditing, analysing, regulating, and use of financial reports.
- There must be an interaction between and amongst the key players.
- Interaction is through formal and informal communication thereby contributing to improvement in audit quality.

Key Interactions within the Financial Reporting Supply Chain



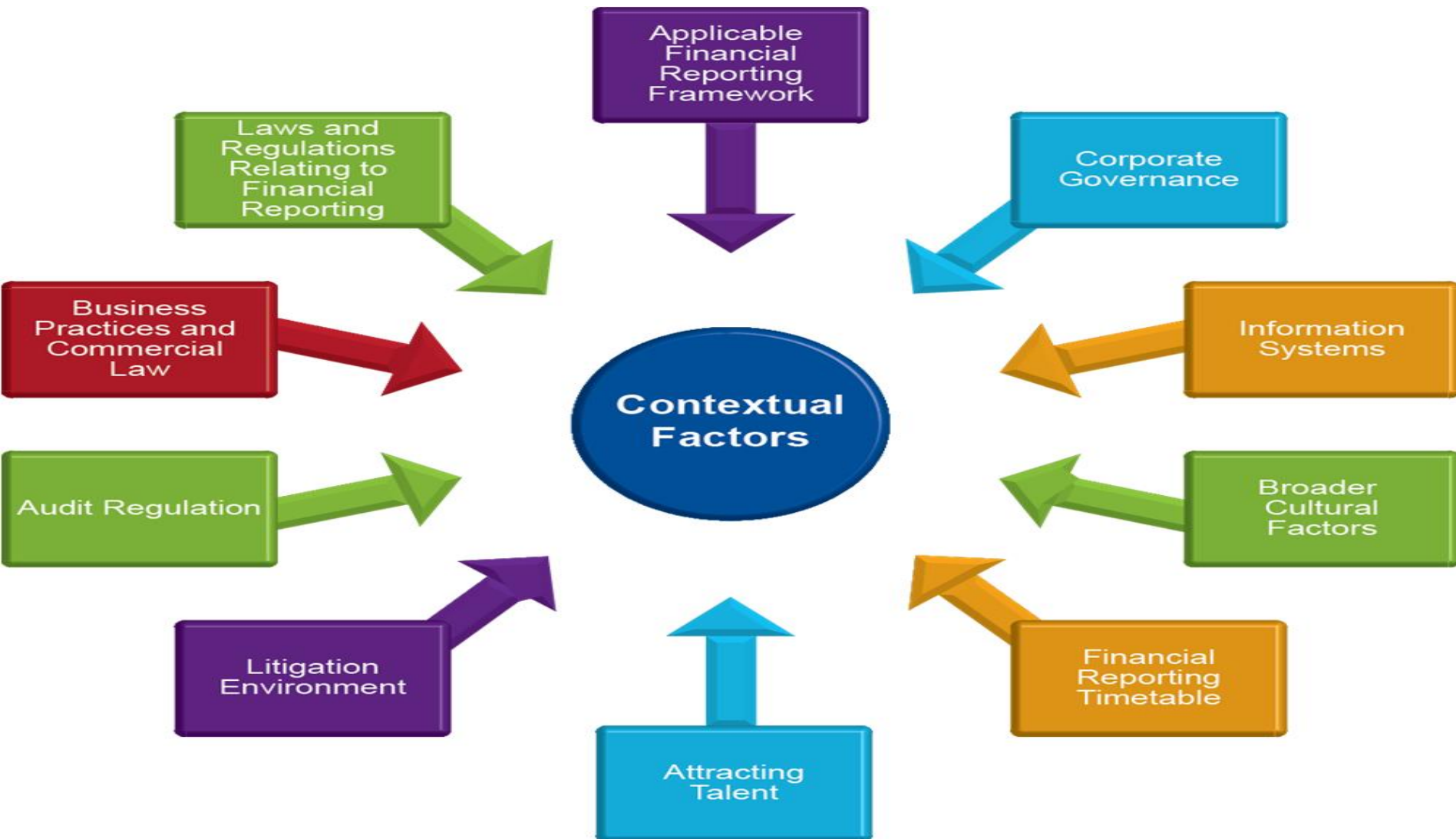
A Framework for audit quality Elements (Cont'd)



5. Contextual factors

- These are factors drawn from the environment in which financial reporting and audit takes place.
- Collectively, these environmental/contextual factors impact quality of financial reporting and directly or indirectly, audit quality.

A Framework for audit quality Elements (Cont'd)



Conclusion



- ❑ The framework applies to audit of all entities regardless of their size.
- ❑ The factors to audit quality must interact amongst themselves and at various levels to achieve Audit Quality.
- ❑ Each factor is important - “A Chain is as strong as its weakest link”.

Take Home



- ❑ Elements of Audit Quality must be embedded in/at/with;
 1. Inputs
 2. Process
 3. Outputs
 4. Key interactions within the Financial Reporting Supply Chain
 5. Contextual Factors

THE END



THANK YOU

