



DELIVERING QUALITY AUDIT THROUGH THE EYES OF SINGAPORE AND AUSTRALIA

A questioning mind, professional skills and independence have come to personify modern-day financial audit. Capital markets today place increasing reliance on this function to ensure financial accountability by those entrusted with investor funds. Corporate debacles and other turbulent events of recent times that are collectively referred to as the “global financial crisis” have contributed to a loss of market confidence. In direct response, regulators and standard-setters around the world have scrambled to initiate a range of proposals aimed at re-establishing market confidence.

Research by the International Auditing and Assurance Standards Board (IAASB) as well as outreach activities of IAASB and others have resulted in compelling evidence of strong demand from investor and user communities for improving audit quality. While the IAASB is conducting a number of projects in response to identified demand, the specific projects on audit quality and auditor reporting are noteworthy. The European Commission (EC) has proposed more stringent (and somewhat controversial) rules for the audit sector that include mandatory audit firm rotation, joint audits and hiving off the audit operations within accounting firms into separate businesses. Similarly, the US Public Company Accounting

Oversight Board (PCAOB) has several initiatives around mandatory audit firm rotation, and to determine whether the end product of an audit should be more than the traditional, standardised, pass-fail report. Rejuvenating the fundamental audit concept of professional scepticism has also been considered essential, with papers on the subject being published by the IAASB and the UK and Canadian standard-setters.

Different jurisdictions around the world have sought to address these issues in their own ways. Turning to our region, let’s look through the lens at the two economies of Singapore and Australia.

THE SINGAPORE STORY

Singapore’s audit oversight system has gained recognition by the EC as equivalent to that of the EU Member States, which is excellent testament to the robustness of Singapore’s regulatory framework. The Accounting and Corporate Regulatory Authority (ACRA), which undertakes oversight of the standard-setting due process generally based on international conventions, currently has undertaken steps to review its regulations, in particular the Accountants Act, to address areas in the monitoring of public accounting firm-wide quality controls and policies, establishment of a special investigation function and the registration requirements of public accountants. ACRA and the Singapore Exchange have

also jointly issued guidance to Audit Committees on the evaluation of quality of work performed by external auditors. This move serves as a catalyst for better engagement between Audit Committees and the public accountancy profession in contributing to the delivery of a high quality audit.

The Institute of Certified Public Accountants of Singapore (ICPAS) assists ACRA in the periodic quality reviews of auditors in small and medium-sized practices (SMPs) to ensure their adherence to the relevant standards and regulations.

The recently-launched ICPAS Quality Assurance Framework is also geared towards enhancing the quality of audit in Singapore. Furthermore, ICPAS publishes various online resources such as the *Practical Guidance* series and *Clarity Bulletins*, and its technical knowledge centres provide key references including the *Audit Manual for Small Companies* that are useful to the profession, especially those from the SMPs.

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THE AUSTRALIAN STORY

In 2010, a strategic review carried out by the Australian Treasury concluded that “Australia’s audit regulation framework is robust and stable and, as a key driver of audit quality, can be considered to be in line with international best practice”. While findings from the review have led to some proposals to change audit regulations, there have been few calls for major changes such as mandatory audit firm rotation or joint audits.

The CPA Australia auditing competency standard, jointly developed with the Institute of Chartered Accountants in Australia, enables its members who have sufficient qualifications and experience to obtain a licence with the Australian Securities and Investment Commission (ASIC) to become registered auditors. CPA Australia operates a quality review programme that neatly complements the oversight of the audit profession by ASIC.

In its role as a major professional accountancy body, CPA Australia conducts extensive advocacy work in seeking to achieve the best outcomes for the Australian and global audit markets. CPA Australia develops policy positions which are communicated through responses to consultations and through participation in outreach activities conducted by standard-setters. Concurrent to the advocacy work, the organisation also develops and provides guidance to members on existing and forthcoming audit requirements through factsheets, toolkits and checklists. An example is the recently-revamped *Small Entities Audit Manual* that provides audit guidance for a range of review and audit engagements at the smaller end of the audit market.

CONCLUSION

Although the auditor reporting framework in both jurisdictions is robust, credible and closely aligned with international best practices, calls to enhance the value of audit should nevertheless be heeded to ensure confidence in the profession is reinstated globally. The nature of reporting is also evolving with enhancements, such as sustainability reporting and integrated reporting being developed to provide more comprehensive information that transcends the traditional reporting of financial performance. The role of audit is as important as ever and will need to continue to evolve to keep pace with the challenges in financial reporting and to accommodate newer forms of reporting such as sustainability reporting and integrated reporting. Both ICPAS and CPA Australia are committed to helping the auditing industry achieve higher audit quality, and will continue to work closely with other stakeholders in pursuit of this goal. CPA

This article was jointly developed by ICPAS and CPA Australia.



FINANCIAL REPORTING

IASB Publishes Proposals for Amendments under its Annual Improvements Project

The International Accounting Standards Board (IASB) has published for public comment an exposure draft of proposed amendments to 11 International Financial Reporting Standards (IFRSs) under its annual improvements project. The project provides a streamlined process for dealing efficiently with a collection of narrow scope amendments to IFRSs.

The proposed effective date for the amendments is for annual periods beginning on or after 1 January 2014, while the amendment to IFRS 3 *Business Combinations* and the proposed consequential amendment to IFRS 9 *Financial Instruments* are for annual periods beginning on or after 1 January 2015. Early adoption is permitted for all the proposed amendments.

For more information, please visit www.ifrs.org/Alerts/PressRelease/annual+improvements+May+2012.htm

IASB Concludes the 2009–2011 Annual Improvements Cycle

The IASB has issued Annual Improvements 2009–2011 Cycle, a collection of amendments to IFRSs, in response to six issues addressed during the 2009–2011 cycle, as its latest set of annual improvements.

For more information, please visit www.ifrs.org/Alerts/PressRelease/AI+May+2012.htm

AUDITING & ASSURANCE

Helping SMPs Meet Challenges, Seize Opportunities of Tomorrow

Dr Giancarlo Attolini, Chair of IFAC SMP Committee, discusses in an interview the current environment in



which SMPs operate and advises on how they can best meet the challenges and seize the opportunities of tomorrow.

For more information, please visit www.ifac.org/sites/default/files/news/files/IFAC-SMPC-GA-Interview-Helping-SMPs-Challenges-Opportunities.pdf

REGULATORY & BUSINESS

ACRA Announces Proposed Enhancements to National XBRL Filing System

The Accounting and Corporate Regulatory Authority (ACRA) has announced proposed enhancements to the National XBRL (eXtensible Business Reporting Language) filing system, in response to feedback and changes in technology and the international landscape.

The proposed enhancements are aimed at further facilitating the filing process for businesses and expanding the taxonomy of the XBRL filing system which will improve the quality of the XBRL financial statements. The proposed enhancements are targeted to be implemented in the second quarter of 2013.

For more information, please visit www.acra.gov.sg/news_and_events/NewsDetail.htm?id=24c0b8e5-3fb3-4133-8ac0-8acb13e46e10