

This series presents the PricewaterhouseCoopers point of view on a range of auditing, accounting and regulatory issues affecting our clients and our profession. These positions represent the collective view of our network of firms.

A single set of global auditing standards

In October 2007 the Australian Auditing and Assurance Standards Board (AUASB) announced its intention to re-issue auditing standards based on the new international *Clarity* format. We endorse the move to a single set of global auditing standards.

What are the issues?

A single set of global auditing standards does not currently exist. In large part, this is because national auditing standards are incorporated in national laws, or in legislation that expressly delegates the setting of those standards to national standard-setters. In addition, there are national differences in such matters as rules relating to the way auditors conduct their activities. Some progress has been made, as the largest firms have adopted audit methodologies based on International Standards on Auditing (ISAs).

Does globalisation of the capital markets require a single set of global auditing standards designed to promote uniformity in audit quality across the world?

What is our response?

We support development of and compliance with a single set of global auditing standards and a consistent system of auditor oversight. Investors in global markets (and other stakeholders) want to know that the quality of audits is the same regardless of where they are conducted. Otherwise, investors and lenders will inevitably demand a 'risk premium' before buying a security from, or lending to, companies in countries that have demonstrably weaker audit standards where the quality of audits is unknown.

A single set of standards should have the following attributes:

- Principles-based, to facilitate appropriate use of professional judgment and relevance to all companies
- Understandable and clear to support consistent application and performance

The path to a single set of global audit standards is likely to be staged. It should begin with the development of ISAs with broad applicability and which clearly distinguish between principles,

requirements and guidance. In recent years, the International Auditing and Assurance Standards Board (IAASB) has made significant progress in the development and enhancement of ISAs as part of its ongoing 'Clarity Project'. However, substantial work remains and there is risk that the IAASB will tend towards more prescriptive requirements in certain areas.

The next step is for harmonisation of auditing standards among international and national standard-setters. In that regard, several national standard-setters are moving towards harmonisation with the ISAs promulgated by the IAASB. For example, the body responsible for establishing auditing standards for US private companies has committed to harmonising its standards; however, the same commitment has not been made by the standard-setter for US listed companies.

What does this mean?

A single set of global auditing standards is critical to providing investors and lenders with consistently high quality financial information across capital markets. However, to reap the full benefit of a single set of standards, greater consistency among countries is required in the inspection of auditors and the enforcement of auditing standards. Multiple inspection and enforcement requirements affecting the audit profession raise the costs of performing audits, and decrease the comparability of audits performed across different countries.

A single set of global auditing standards would allow global networks of firms to train their people on one set of standards, thereby reducing the cost of delivery. It would also facilitate the mobility of professionals from country to country and allow for sourcing of work in parts of the world with highly qualified workforces and lower costs of delivery.

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