



Disruption in the Auditing Profession

FROM IFAC CONFERENCE - HIGH QUALITY AUDITS IN A CHANGING
BUSINESS ENVIRONMENT INFLUENCED BY TECHNOLOGY, COMPLEXITY, AND
DEMAND FOR CONTINUED RELEVANCE

We are all being disrupted

- ▶ ในยุคสมัยที่คนอายุยืนขึ้น แต่องค์ความรู้กลับมีอายุสั้นลง
- ▶ ในโลกที่พยากรณ์ได้ เราต้องการคนเก่ง แต่ในโลกที่เปลี่ยนแปลงรวดเร็วและพยากรณ์ได้ยาก เราต้องการคนรู้จักปรับตัว
- ▶ ในปัจจุบันทุกอย่างในอาชีพของเรา เปลี่ยนเร็ว ไม่แน่นอน ซับซ้อน คลุมเคลือ
- ▶ การเปลี่ยนแปลงในอดีต เป็นการเปลี่ยนแปลงเชิงเส้นตรง แต่ปัจจุบันเป็นการเปลี่ยนแปลงแบบยกกำลัง
- ▶ เราสอนคนมาในอดีตให้เก่งแบบคนเดียวทำงานแบบคนเดียว ห้ามเปิดหนังสือ ต้องสอบแข่งกัน ห้ามปรึกษากัน
- ▶ ที่ผ่านมารเราสอนคนให้ตอบคำถาม แต่ไม่สอนให้ตั้งคำถาม
- ▶ ทั้งลูกค้าทั้งผู้สอบบัญชี ถูกเขย่าจากการเปลี่ยนแปลงทั้งสิ้น ซึ่งมีผล โดนตรงต่อ Inherent Risk และ Detection Risk
- ▶ การปรับตัวต้องขับเคลื่อนจากภายใน คนนอกไปบังคับก็ไม่เกิดผล

Gaps from disruption

- ▶ Knowledge Gap
- ▶ Performance Gap
- ▶ Expectation Gap

Interesting Information in 1961

▶ Age	Total	Number Sign-Off	Approx. Per Person
▶ 25-40	2,289	160,013	70
▶ 40-60	3,358	234,611	70
▶ 60-80	717	45,934	64
▶ 80-90	250	23,665	95
▶ 90 Up	9	790	88
▶ 100 Up

New CPAs

- ▶ In 1960 317
- ▶ In 1961 363
- ▶ In 1962 Up to April 156 Mostly are from Big 4

Challenges and Opportunities

“In a rapidly changing world , audit does have a future”

4 Challenges and Opportunities



1. Understanding the clients is the corner stone of the audit.
2. Professional skepticism and professional judgment are key inputs to audit quality.
3. Audits are not dying but they do need to disrupt.
4. Improved audit reporting with KAM may not be enough.

1st . Challenge and Opportunity

Understanding the business of the clients, their corporate defense and their value preservation is the corner stone of the audit. Each company is required to bring the money in the front door and prevent them from leaving through the back door.


8 components of the corporate defense are :

- ▶ Governance
- ▶ Risk
- ▶ Compliance
- ▶ Intelligence
- ▶ Security
- ▶ Resilience
- ▶ Control
- ▶ Assurance

2nd. Challenge and Opportunity

Professional skepticism and professional judgment are key input to audit quality. Professional skepticism, as a state of mind and attitude, should govern the performance of auditors. Professional skepticism are about:

1. The appropriate mindset. It is relevant throughout the entire audit.
2. A sufficient knowledge of the business enable the auditor to ask questions, more effectively, challenge management, and identify when evidence is contradictory.
3. Behavior-how can auditor acts as critical challengers and put together a team with the right skills, expertise and experience.

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- 4 Training and education is important to infuse the professional skeptical attitude into the DNA of auditors.
 - 5 There is a strong link between professional skepticism and “tone at the top” and “tone at the middle”

3rd. Challenge and Opportunity



Audits are not dying yet, but they do need to adapt to the disruption. Industries all over the world are being disrupted by technological advancements.

The use of data analytics in the audit can lead to better risk assessment and more evidence to support professional skepticism behavior.

4th . Challenge and Opportunity

- ▶ The audit report should speak more clearly to users and provides a link to wider forms of assurance on emerging with other external reporting, including integrated reporting.
- ▶ The old binary pass or fell report is no longer valid, auditors now provide a number of observations on key matters. The new more informative and relevant reporting helps clarify the public's perception on what an audit is and stimulates dialogues between the company, its investors, and regulators.

3 Projects to Enhance Audit and Assurance Quality

1. Emerging External Reporting such as Integrated Reporting
2. Professional Skepticism
From Quality Control to Quality Management
3. Enhanced Auditors' Report

Audit Under Renovation

1. Strengthening the application of professional skepticism
2. Enhancing firms' System of Quality Management (ISQM 1 and ISQM 2)
3. Quality control at the engagement level by revising ISA220
4. Risk identification and assessment by revising ISA315
5. Auditing accounting estimates and fair value by revising ISA540
6. Group audit by revising ISA600

Professional Skepticism

- ▶ Trust but verify
- ▶ Questioning mind
- ▶ Critical assessment of evidence
- ▶ Not accepting management assertions without corroboration
- ▶ Ask management to prove each relevant assertion
- ▶ Awareness of potential conflict of interest

Professional Skepticism-Key Observations

- ▶ Increased attention to business is central to the exercise of professional skepticism
- ▶ Environmental factors can influence the ability to exercise the professional skepticism
- ▶ Awareness of personal traits and biases is essential

ISQMs and ISA 220 Quality Management

- ▶ Establish quality objectives
- ▶ Perform quality risk assessment
- ▶ Design and implement response to quality risks
- ▶ Monitor and remediate

ED ISA 315

- ▶ Identifying and assessing the RMM
- ▶ Understand the entity and its environment
- ▶ Identify classes of transaction, Account balances and disclosures
- ▶ Spectrum of inherent risk
- ▶ Identify significant risk

Emerging External Reporting (EER)

- ▶ EER is a major new project to embrace the variety of forms of external reporting by entities which go beyond traditional financial reporting.
- ▶ In developing the guidance, the appropriate collaboration will be sought with EER standard setters and other relevant international organizations actively working in this area

Enhanced Auditor's Report (EAR)

- ▶ EAR have brought about insightful disclosures, particularly in the form of KAM. They have also driven positive behavioral changes among various stakeholders in our financial reporting eco-system
- ▶ Audit committee had more robust deliberation over KAM
- ▶ Investors were using EAR to identify significant accounting and audit issues before reading financial statements
- ▶ Audit partners were spending more time engaging audit committees


KAM – The decision Making Framework

- ▶ Matters communicated with TCWG
- ▶ Matters that required significant audit attention
- ▶ Matters of most significant in the audit

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- ▶ Both audit committee and investors now have more confidence in audit
 - ▶ Companies proactively enhanced their financial and non-financial disclosures in conjunction with KAMs reported by auditor

Framework for Audit Quality- Key Players

- ▶ Management
- ▶ Regulators
- ▶ TCWG
- ▶ Users External auditors

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- ▶ Primary responsibility for performing quality audit rests with engagement partner
 - ▶ Each stakeholder plays an important role supporting high-quality financial reporting
 - ▶ Audit quality is best achieved in an environment where there is support and challenge from other participants
 - ▶ Increased interaction is promoted in the “ Framework for Audit Quality”