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## Audit & Accounting Alert Newsletter

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### At-A-Glance

Accountants who carry out financial audits are continually challenged to adhere to professional and governmental standards while simultaneously staying within the time and budget that the client has approved. Going over budget may require write-offs, while skimping on the standards may cause a misstatement resulting in dire consequences. This issue of the Audit & Accounting Alert discusses these challenges and the new pronouncements that address the concerns.

Also, our Worldwide Update covers news from organizations across the globe.



**Gerald Herter - Editor**

## Attaining Audit Quality Through Accountability

The importance of efficiency while not compromising  
standards



The financial auditor faces a constant battle between keeping the audit fee down while performing adequate procedures to attain necessary audit quality. Time needs to be trimmed where possible, but without eliminating essential steps required to gain reasonable assurance as to balances and accounting principles.

Materiality plays a significant role. A new auditor needs to develop the ability to overcome the desire to correct even the smallest variance when the adjustment does not warrant the time required to analyze and calculate the immaterial amount. With time and experience, judgement is acquired that helps with decision making.

At the other extreme, the auditor must avoid the temptation to cut corners just to avoid going over the budget for an audit. Such an action would be considered improper at the very least, warranting severe consequences. In 2005, the Public Company Accounting Oversight Board (PCAOB) issued PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*, to officially prohibit a registered accounting firm's individual auditors from committing "reckless" acts.

To remove any doubt as to the auditor's responsibility, the PCAOB on June 12, 2024, issued Release No. 2024-008, which changed from "recklessness" to "negligence" the accountant's contributory liability to an accounting firm's violation of Rule 3502. The United States Securities and Exchange Commission quickly approved of the rule in Press Release 2024-100, released on August 20, 2024. Commenting on the matter, SEC Chief Accountant Paul Munter stated, "The amendments to Rule 3502 are critical because moving the PCAOB contributory liability standard from recklessness to negligence aligns the rule with other negligence-based professional conduct standards, including the standard for sanctions by the Commission for individuals negligently contributing to firm violations as well as certain state professional licensing requirements, that have long governed the accounting profession, and aligns the rule with the same standard of reasonable care that auditors are required to exercise when executing their professional duties. The PCAOB's new standard regarding auditor responsibilities and the amendments to other PCAOB audit standards related to the use of technology will support high-quality audits and protect investors."

Technology developments can help by pulling together all aspects of the audit process. One new approach, created through an alliance including the AICPA, software developer Caseware, CPA.com, and leading audit practitioners, is Dynamic Audit Solution (DAS), a fully integrated, cloud-based product that is “designed to enable greater efficiency, improved quality, and enhanced client value through data-driven AICPA methodology and guided workflows, real-time collaboration, and robust data analytics.”

DAS covers the complete audit process from beginning to end through a single platform. Risk assessment is continual throughout the audit utilizing integrated analytics applied to client data. DAS will be helpful for meeting the requirements of Statement on Auditing Standards 145, **Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement** (SAS 145), which is now in effect.

SAS 145 supersedes SAS 122, and amends various other AICPA Professional Standards with the overall goal of enhancing “Requirements and guidance related to the auditor’s risk assessment, in particular, obtaining an understanding of the entity’s system of internal control and assessing control risk” and “Guidance that addresses the economic, technological, and regulatory aspects of the markets and environment in which entities and audit firms operate.” Other aspects of the standard further address the design, assessment and documentation of risk.

Further details can be found at [Dynamic Audit Solution \(DAS\)](#) and [Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement](#)

## Worldwide Update



Periodic roundup of recent and upcoming actions and activities by auditing and accounting organizations throughout the world.

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## International

IASB “International Accounting Standards Board ([www.ifrs.org](http://www.ifrs.org))

- Exposure Draft - IFRS Accounting Taxonomy 2024“Proposed Update 3 - IFRS 19 Subsidiaries without Public Accountability: Disclosures, Amendments to the

**Classification and Measurement of Financial Instruments and Annual Improvements**, issued August 29, 2024. The comment period ends on October 28, 2024.

**IFAC** – International Federation of Accountants ([www.ifac.org](http://www.ifac.org))

- **The International Public Sector Accounting Standards Board (IPSASB) - Exposure Draft (ED) 91, Limited-scope Updates to First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS) (Amendments to IPSAS 33)**, issued August 14, 2024. –to clarify the requirements of IPSAS 33 to assist entities and jurisdictions in successfully completing their IPSAS transition journey.– The comment period ends on December 13, 2024.

**IFR4NPO - International Financial Reporting for Non-Profit Organisations** ([www.ifr4npo.org](http://www.ifr4npo.org))

- *No new developments.*

**IOSCO** – International Organization of Securities Commissions ([www.iosco.org](http://www.iosco.org))

- *No new developments.*

**ACCA** – Association of Chartered Certified Accountants ([www.accaglobal.com](http://www.accaglobal.com))

- *No new developments.*

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## Africa, Europe, India and the Middle East (AEIME)

**FRC** – Financial Reporting Council of the UK ([www.frc.org.uk](http://www.frc.org.uk))

- **Discussion paper: Opportunities for future UK digital reporting**, published August 14, 2024, –addresses changes in the regulatory landscape and considers the impact of the recently passed Economic Crime and Corporate Transparency Act 2023–Key topics covered in the discussion paper include: 1) Potential alternatives to the European Single Electronic Format (ESEF) taxonomy for UK regulated markets, 2) Proposed changes to structured digital reporting to support regulatory disclosure initiatives, 3) Considerations for mandatory assurance of digital tagging, 4) The impact of "full tagging" requirements on companies and charities, and 4) Strategies to support stakeholders in adapting to new digital reporting requirements– Comment period ends November 1, 2024.

**ICAEW - Institute of Chartered Accountants in England and Wales** (<https://www.icaew.com/>)

- *No new developments.*

**EC** – European Commission (<https://ec.europa.eu/>)

- *No new developments.*

**EFRAG** – European Financial Reporting Advisory Group ([www.efrag.org](http://www.efrag.org))

- *No new developments.*

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## Americas, Asia, Australia and New Zealand (AAANZ)

**AICPA & CIMA** – American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org))

- *No new developments.*

**FASB** – Financial Accounting Standards Board ([www.aicpa.org](http://www.aicpa.org))

- *No new developments.*

**GASB** – Governmental Accounting Standards Board ([www.gasb.org](http://www.gasb.org))

- *No new developments.*

**COSO** - The Committee of Sponsoring Organizations of the Treadway Commission ([www.coso.org](http://www.coso.org))

- *No new developments.*

**PCAOB** – Public Company Accounting Oversight Board ([www.pcaob.org](http://www.pcaob.org))

- *No new developments.*

**SASB** – Sustainability Accounting Standards Board ([www.sasb.org](http://www.sasb.org))

- *No new developments*

**SEC** – Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov))

- *No new developments*

## Additional A&A News

[SEC tightens auditor oversight](#)

[Ask Not What AI Can Do for You, Ask What You Can Do for AI](#)

[Improve Governance and Accountability With Enhanced Internal Controls](#)

[Sustainable services: CPAs positioned for burst in opportunities](#)

[UK regulators launch consultation on the future of digital financial reporting](#)

[Assessing credit losses in financial statement audits](#)



Audit & Accounting Alert is a publication of Integra International intended to highlight emerging issues in the profession. The goal is to give Integra members an awareness of developments impacting the practice of Audit & Accounting enabling them to stay on the forefront of industry trends. This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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