

REPORT

Seminar on Audit Quality: Towards Enhancing Public Trust

Reaching out to the audit practitioners

"The auditors have to remain focus on the integrity and quality of the audit process to enhance the public confidence on their work" - this statement which was mentioned by Y.B. Dato; Seri Azmi Khalid, Chairman of Public Account Committee (PAC) during keynote address of the Seminar on Audit Quality: Towards Enhancing Public Trust illuminates the importance of audit practitioners to be continuously vigilant in maintaining good quality audit works.

The seminar, which was held on 13 May 2009 at Securities Commission Bukit Kiara, was jointly organised by Universiti Teknologi MARA (UiTM) and Malaysian Accountancy Research and Education Foundation (MAREF) to introduce an audit quality assessment portal called Audit Quality Rating "AQUR" System. Developed by a research team from the university's Accounting Research Institute (ARI) and the Faculty of Accountancy, the system would help audit firms self assess their quality control mechanisms, based on criteria of ISQC 1. The seminar, which was supported by MIA, received attendees of about 170 participants

In his keynote address, Dato' Seri Azmi also stressed upon the need for high quality audits in order to enhance investor confidence. He reminded the auditors to remain focus on the integrity and quality of the audit process to enhance public confidence on their work.

"To me, audit quality has many contributing factors including good leadership, experience judgment, technical competence, ethical values and appropriate client relationships, proper working practices, effective quality control and the monitoring of review processes. Thus, high quality audits should be a priority to avoid more unexpected financial scandals which eventually lead to a further erosion of public trust in the profession", he said.

Dato' Seri Azmi added that more stringent audit regulations are expected when the Audit Oversight Board (AOB) announced in the 2008 Budget, is set up.

MIA President, Nik Hasyudeen Yusof who was also present at the launch called on members in the auditing profession to be committed to quality. In addition, he also reminded that new procedures have been put in place by MIA that members renewing their audit licenses must comply with prior to the Institute issuing the support letter to the Ministry of Finance to allow them to renew their audit licenses.

The Deputy Vice Chancellor of UiTM, Professor Dr Mustaffa Mohamed Zain who represents the UiTM researchers expressed hoped that AQUR System would help raise the bar on audit quality in Malaysia.

The Importance of Audit Quality

The quality of financial statements is the primary responsibility of the Board of Directors and management. Auditors are the external party appointed by the shareholders to conduct an independent audit on the financial statement and to offer a professional opinion on the true and fair view on the state of affairs and result of the said company. Although the responsibilities of auditors have not changed the operating environment has grown complex over the years.

Audit quality is viewed as one of the important factors that affect the credibility of financial statements. Users are more likely to demonstrate high level of confidence on the information presented in the financial statements if the audit of the financial statement is perceived to be of high quality. Hence, the auditors are expected to demonstrate the highest possible due process in discharging their responsibilities.

With the introduction of International Standards on Quality Control (ISQC 1) since July 2006, audit firms in Malaysia have been mandated to adopt this international standard to enhance their operations so that they can be benchmarked against the international requirements. The adoption of ISQC 1 standards is expected to shift the audit firms' traditional focus on building individual competency towards the entire organization. It is the team that delivers the quality reports.

Although the cost of audit had risen somewhat since then, it is nevertheless seen as a positive development within the profession. Recent study by some of the firms in Malaysia has shown that fees payable to the auditors in Malaysia is still the lowest in the Asean region.

ISQC 1 prescribed the quality elements within a practice, starting with the strategic leadership within the firm with emphasis on quality all the way down to how decisions should be properly documented. ISQC 1 emphasis on 6 major elements, which are:

ISQC 1	
INTERNATIONAL STANDARDS ON QUALITY CONTROL	
◆	Cultivation of quality audit through leadership
◆	Commitment to high ethical conducts
◆	Procedures that deal with client's due diligence
◆	Firms HR practices and the emphasis on continuous learning
◆	The need to carry out the assurance engagement based on the approved auditing standards
◆	Creation of quality review circle within the practices

Audit firms are encouraged to access AQuR System to self assess their policies and procedures and practices within the ambit of ISQC 1. The portal can be accessible through www.maref.org.my/isqc. It is hope that this portal would bring benefits to audit firms in their efforts to enhance the public trust in the audit works.