

International Update

Global Audit, Ethics and Education Standards Boards Outline Need, Way Forward for Enhanced Professional Skepticism

The global standard-setting board for auditing, accounting ethics and accounting education has released a new publication showcasing observations and potential ways to enhance professional skepticism.

The publication, *Toward Enhanced Professional Skepticism*, has been brought out by a joint working group comprising representatives from the International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA) and the International Accounting Education Standards Board (IAESB). It outlines observations about the current environment and sets out actions the global standard-setting boards will take, as well as the role that other stakeholders can play, in enhancing professional skepticism.

The importance of professional skepticism is underscored by the increasing complexity of business and financial reporting, including the greater use of estimates and management judgement, business model changes due to technological developments, and the fundamental reliance of the public on dependable financial reporting. It lies at the heart of a quality audit.

This publication is the first ever jointly commissioned by the three boards. Each of the boards has acted on the input received; the publication also includes a snapshot of their immediate actions and longer-term studies.

New IFAC Guidance Helps Organisations Navigate the Complicated Terrain of Accountancy Regulation

Navigating the national regulatory environment is a crucial part of establishing and developing an effective professional accountancy organisation (PAO). The right accountancy regulation model is vital to ensuring a well-functioning profession that produces high-quality financial information, supports economic growth and development, and is relevant to professional accountants and their clients. In light of regulatory evolution in recent years and the ongoing need for PAOs to adapt to, and actively influence, their environment, the International Federation of Accountants (IFAC) has recently released new guidance to support PAOs in these efforts.

Making Regulation Work: Principles and Models for the Accountancy Profession explores the scope of accountancy regulation, why it is needed, and key principles for consideration, as highlighted in IFAC Public Policy Position 1, *Regulation of the Accountancy Profession and From Crisis to Confidence: A Call for Consistent, High-Quality Global Regulation*. It also provides regulatory model examples used in a number of countries, with further information available in country profiles on the IFAC website.

The guidance is part of the PAO Capacity Building Series, which includes guidance on PAO governance, advocacy and public policy, partnerships, and engaging professional accountants in business. It also builds on one of the key findings of the MOSAIC PAO Global Development Report, which cites strengthening PAOs' legal and regulatory foundations and

internal capacity as a critical need for the global accountancy profession.

Integrated Thinking & Reporting Helps Small & Medium Entities Drive Value

Thinking beyond the financial elements of an organisation to other key areas of value creation can help small- and medium-sized entities (SMEs) develop a better understanding of their business and provide key insights for the future. Today, it is critical for organisations to think broadly about performance and strategy, and improve communication to shareholders, investors, customers and suppliers on what drives value for the organisation.

Creating Value for SMEs through Integrated Thinking: The Benefits of Integrated Reporting, published by the International Federation of Accountants (IFAC) and the International Integrated Reporting Council (IIRC), highlights how SMEs—and the professional accountants serving them—can benefit from integrated thinking and reporting.

Integrated reporting embraces the six capitals established by the IIRC's International Integrated Reporting Framework: financial, human, intellectual, manufactured, natural, and social and relationship. Considering each holistically, organisations can build a clearer understanding of the factors necessary to build value over the short, medium, and long term, including how the business uses and effects its resources.

Whether advising an organisation or working within it, professional accountants are equipped with the skills and understanding to apply integrated reporting, help discover important insights, and provide stakeholders with a broader picture of how the business meets its strategic objectives. Additional resources to help professional accountants improve integrated thinking are available on the Global Knowledge Gateway, including *Creating Value with Integrated Thinking: The Role of the Professional Accountant*.

IAASB Welcomes PCAOB's New Enhanced Auditor Reporting Standard

The International Auditing and Assurance Standards Board (IAASB) has welcomed the adoption by the US Public Company Accounting Oversight Board (PCAOB) of a new auditing standard to enhance auditor's reports by providing additional, relevant information to users, including critical audit matters.

The PCAOB's new standard, which is subject to US Securities and Exchange Commission (SEC) approval, is comparable with the IAASB's new and revised Auditor Reporting Standards, which require the communication of key audit matters in auditor's reports of listed entities and became effective for December 2016 year-end audits.

Two new publications comparing the IAASB and PCAOB standards have been developed by the IAASB's Auditor Reporting Implementation Working Group. These publications will assist users in understanding the key similarities and differences between the IAASB and PCAOB requirements. Additional information on the IAASB's new and revised Auditor Reporting Standards, as well as support materials, are available online.