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# Audit & Accounting Alert Newsletter

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## At-A-Glance

The Public Company Accounting Oversight Board (PCAOB) was established when the United States Congress passed the Sarbanes-Oxley in 2002. Along with its regulatory function, the Board issues rules and provides guidance for public companies. In 2023, the PCAOB issued eleven Spotlight reports on a variety of topics. So far in 2024, four Spotlights have been published. In this issue of the Audit & Accounting Alert, one of these reports is discussed: **SPOTLIGHT: Inspection Observations Related to Auditor Use of Data and Reports.**

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



**Gerald Herter - Editor**



another Spotlight report is covered: **SPOTLIGHT: Inspection Observations Related to Auditor Use of Data and Reports**. As mentioned last month, a Spotlight is a publication prepared by PCAOB staff “to help auditors, audit committees, investors, and preparers understand the PCAOB’s activities and observations.”

The Spotlight focuses on the following seven “Common Areas of Inspection Deficiencies Related to Data and Reports:

1. Testing Accuracy and Completeness of IPC (Information Prepared by Company)
2. Considering Relevance and Reliability of Audit Evidence
3. Testing Controls over IPC Used in the Operation of a Control
4. Assessing Information Used in Expectations for Substantive Analytical Procedures
5. Assessing Information Produced by a Service Organization
6. Testing Supplemental Information Accompanying Audited Financial Statements
7. Use of Data by an Auditor-Engaged Specialist”

The external auditor’s goal in order to issue an opinion that financial statements are fairly presented is to determine with reasonable assurance that the records supporting the opinion are both accurate and complete as well as relevant and reliable. Along with examining a sampling of documents that support balances and transactions, tests are performed of the controls in place that assure that all relevant items are included, both internally produced and externally sourced.

Staff reviews indicated insufficient testing of company prepared financial and nonfinancial data, along with related controls. Also, company data used in software analysis was not adequately tested.

External sources are often used in analytical reviews of company data for comparison purposes. In many cases, reliability of the external data was not evaluated. Additionally, service bureaus directly process company data and produce reports, such as a service organization control report (SOC). Accuracy and completeness of these reports had not been tested, nor had controls at the SOC or other specialists been tested.

The report includes several reminders for auditors:

1. Identify and document linkage between likely sources of potential misstatement and controls
2. Understand the sources of data, internal and external
3. Ascertain accuracy and completeness of information in service auditor's report
4. Identify sources of underlying data
5. Test accuracy and completeness of a company specialist's work
6. Establish understanding of responsibility with auditor-engaged specialist

Good practices described are:

1. Use of risk assessment templates
2. Have audit and information technology teams work together
3. Have a central repository of reports
4. Clear communication between audit team and specialists including testing of specialist data

This report will prove to be a useful resource for auditors to use to assure the effectiveness of work in this area.

Further details can be found at [SPOTLIGHT: Inspection Observations Related to Auditor Use of Data and Reports.](#)

## Worldwide Update

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



## International

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

- **Amendments to the Classification and Measurement of Financial Instruments— Amendments to IFRS 9 and IFRS 7**, issued May 30, 2024, include “clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features” and “Settlement of liabilities through electronic payment systems.” Effective for annual reporting periods beginning on or after 1 January 2026.
- **The jurisdictional journey towards globally comparable information for capital markets, Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards**, released May 28, 2024, “to help jurisdictions design and plan their journey to the adoption or other use of ISSB Standards.”
- **Exposure Draft - IFRS Accounting Taxonomy 2024 - Proposed Update 1 - IFRS 18 Presentation and Disclosure in Financial Statements**, issued May 23, 2024, “to reflect the changes to presentation and disclosure requirements arising from IFRS 18 Presentation and Disclosure in Financial Statements, issued in April 2024.” Comment period ends September 3, 2024.

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

- **Proposed Revisions to IES (International Education Standards) 2, 3 and 4 – Sustainability**, issued April 24, 2024, “that embed sustainability—from analysis to reporting to assurance—across aspiring professional accountants’ training.” Comment period ends July 24, 2024.

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

- **Exposure Draft – (CIPFA/ED/2024/3) International Non-Profit Accounting Guidance**, issued May 28, 2024. “In ED3 [Exposure Draft 3] the focus is on the presentation of financial information. It includes new sections on fund accounting, the classification of expenses and fundraising costs. It also includes a new section on supplementary information.” Comment period ends September 16, 2024.

### 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))

- **Sustainability reporting – SME guide**, released May 29, 2024. “Creating and using sustainability-related information supports SMEs to survive and importantly means they can thrive through better business. This report shows how professional accountants are integral to helping SMEs access the enablers to this better business.”

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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))

- *No new developments.*

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

- **Shaping sustainability standard setting**, thought leadership report released May 29, 2024. “The aim of this report is to consider the features of good accounting standard setting and discuss whether there are important lessons that sustainability standard-setters can learn from the experience of their accounting counterparts.”

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

- *No new developments.*

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

- **IG 1 - Materiality Assessment Implementation Guidance (MAIG)**, issued May 31, 2024, “provides an illustrative materiality assessment process for undertakings, and it develops the concept of impact and financial materiality with a number of examples, including how these two concepts interplay.”
- **IG 2 - Value Chain Implementation Guidance (VCIG)**, issued May 31, 2024, “outlines the reporting requirements for the value chain from materiality assessment to policies and actions to metrics and targets. It illustrates the reporting boundary of the group for sustainability reporting, including the concept of operational control in environmental standards.”
- **IG 3 - List of ESRS Datapoints**, issued May 31, 2024, “translates the complete ESRS (European Sustainability Reporting Standards) Set 1 list of detailed requirements in each Disclosure Requirement and related Application Requirements in Excel format. The file contains additional information, such as the types of requirement (for example, quantitative or qualitative) or whether these are subject to transitional provisions. This list can form the basis for a data gap analysis or data collection exercise.”

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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))

- **GASB Statement No. 103 - Financial Reporting Model Improvements**, issued May 28, 2024, provides “key targeted improvements to the financial reporting model. Its requirements are designed to: Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government’s accountability, and address certain application issues.” Effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

**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))

- **PCAOB Release No. 2024-005 - A Firm's System of Quality Control**, issued May 13, 2024, to "(1) supersede current PCAOB quality control standards with an integrated, risk-based standard, QC 1000, A Firm's System of Quality Control, that would apply to all registered public accounting firms; (2) create reporting requirements on quality control matters and a new, non-public reporting form, Form QC; (3) expand the auditor's responsibility to monitor for and respond to deficiencies on completed engagements under an amended and retitled AS 2901, Responding to Engagement Deficiencies After Issuance of the Auditor's Report, and related amendments to our attestation standards for broker-dealer engagements; (4) supersede our existing standard ET 102, Integrity and Objectivity, with a new standard, EI 1000, Integrity and Objectivity, to better align our ethics requirements with the scope, approach, and terminology of QC 1000; and (5) make additional changes to PCAOB standards, rules, and forms." Effective December 15, 2025.
- **PCAOB Release No. 2024-004 - General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards**, issued May 13, 2024, "addresses the general responsibilities of the auditor, such as due professional care and professional skepticism, when conducting an audit in accordance with the standards of the PCAOB." Effective for audits of financial statements for fiscal years beginning on or after December 15, 2024. For certain firms, the amendment relating to the documentation completion date will take effect for audits of financial statements for fiscal years beginning on or after December 15, 2025.

**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**

[Five Ways to Prevent Audit Bottlenecks](#)

[Why Accountants Are Now Learning About Bitcoin](#)

[The CFO's role in the age of generative AI](#)

[The rising tide of hedge accounting: Navigating financial risks in an uncertain world](#)

[3 Reasons Why AI Will Not Replace Accountants \(But Can Help, Instead\)](#)

[How auditors can apply a forensic-like approach to fraud](#)

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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