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Professional Auditing Standards: Changes Occurred with the Adoption of the International Standards

¹Prof. Dr. Marcos Laffin, ²Nathália Helena Fernandes Laffin, ³Prof. Dr. Irineu Afonso Frey

¹UFSC – Universidade Federal de Santa Catarina, Departamento de Ciências Contábeis, Rua das Cerejeiras, n.º. 186, casa 04, Carvoeira. CEP: 88040-510. Florianópolis, Santa Catarina, Brasil.

²Accountant, Master's student of Universidade do Estado de Santa Catarina, Management Department. Rua das Cerejeiras, n. 186, casa 04, Carvoeira. CEP: 88040-510. Florianópolis, Santa Catarina, Brasil.

³Universidade Federal de Santa Catarina, Departamento de Ciências Contábeis, Campus Universitário Reitor João David Ferreira Lima, Trindade, Florianópolis, Santa Catarina, Brasil.

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ABSTRACT

Background: One of the most relevant facts that marks the globalization phenomenon is due to the advancement of the sciences that, besides contributing to new ways of dealing with the reality of the institutions and the society in general, also demands new ways and alternatives to commercial and productive activities, aiming at agility in the processes and in the information arising from the decision making. The accounting, as applied social science, seeks to enhance and improve its instruments of control and information in the decisions on the equity managed to better adapt to competitive markets and advance in the theoretical, technical and professional aspects. In this sense, the process of convergence to the international accounting standards was implemented in Brazil. **Objective:** Understanding the need for more studies on this area, the general objective of this study is to present the points of convergence of the changes that occurred in the professional auditing standards with the adoption of the international standards. **Results:** Thus, a survey was carried out in order to verify the standards in place before the changes and to present the changes resulting from the convergence, as well as the contributions and / or changes in the language and content of the standards. The study is characterized as exploratory, bibliographic, and the presentation of the data collected is performed with qualitative approach. **Conclusion:** The research presents the analysis of six resolutions edited and passed by the Federal Accounting Council in the period from 2009 to 2013, and its main results show that the main point of convergence is better professional qualification, three concepts being discussed in the standardization: quality, quality control and independence. Therefore, quality control is essential for these premises to exist, and exist in harmony.

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INTRODUCTION

The current context of the world in globalization process has been represented more specifically by the changes occurring in organizations, with consequences for the consumer markets.

Social institutions of public and private nature, and especially those that commercialize goods, products and services in the market, seek to keep up with the transformations of the external environment as a requirement of continuity of its activities and maintenance of the assets managed.

One of the most relevant facts that mark the globalization phenomenon is due to the advancement of science, especially in the area of communication through digital networks and transformations that these new contributions bring to the production and decision-making processes. In many institutions these new technologies have substantially altered the production and management processes.

Thus, the advancement of the sciences, besides contributing to new ways of dealing with the reality of social institutions and society in general, also requires new alternatives and solutions to the commercial and productive activities, aiming at agility in the processes and in the information resulting from the decision making.

Regarding the control of assets of the institutions, especially in this scenario of changes and new requirements, accounting, as applied social science, also seeks to enhance and improve its instruments of control

Corresponding Author: Prof. Dr. Marcos Laffin, UFSC – Universidade Federal de Santa Catarina, Departamento de Ciências Contábeis, Rua das Cerejeiras, n.º. 186, casa 04, Carvoeira. CEP: 88040-510. Florianópolis, Santa Catarina, Brasil.
Phone: +55 48 38790605; E-mail: marcoslaffin@gmail.com

and information in decisions about the assets managed for better adaptation to competitive markets and make advances in theoretical, technical and professional aspects.

Given the social context of the changes, audit, as one of the specializations of accounting, which has as one of its purposes to ensure the integrity and compliance of accounting standards in the record of administrative events, also starts to revise its rules and procedures as well as legal and procedural instruments that underlie its operation, aiming at expanding its scope and performance in the asset management and keep up with the context of the changes.

In this sense, the goal of this work consists in the study of professional auditing standards in order to verify the changes resulting from the convergence to the international accounting standards. Thus, it will be presented in this chapter the analysis of the Resolution nº 1.158/09, 1.201/09, 1.267/09, 1.311/10, 1.312/10 and 1.323/11 edited and passed by the Federal Accounting Council in the period from 2009 to 2013.

Theoretical Framework:

Brazilian Accounting Standards:

Brazilian Accounting Standards (*Normas Brasileias de Contabilidade - NBC*) are developed by the Federal Accounting Council (*Conselho Federal de Contabilidade - CFC*) and feature accordance with the International Accounting Standards in place.

According to the sole paragraph of the article 2 of the Resolution CFC nº 1.328/11, the NBC “establish principles of professional conduct and standards and technical procedures necessary for the proper professional practice.”

The first classification established to the NBC segregates the standards into two distinct modalities: Professional and Technical. If necessary, these standards can be detailed by Technical Interpretations (*Interpretações Técnicas - IT*) and, if there is any governmental action temporarily affecting the NBC, Technical Releases (*Comunicados Técnicos - CT*) may be issued.

Professional NBC regulates the conduct of the accounting professional while Technical NBC features, in accordance with the Resolution CFC nº 1.156/09, the “doctrinal concepts, technical structure and procedures to be applied.”

Not far from this situation, Technical NBC are organized in Brazilian Accounting Standards convergent to the international standards (NBC TG); Brazilian Accounting Standards applied to the Public Sector (NBC TSP); Brazilian Accounting Standards applied to Auditing (NBC TA); Brazilian Accounting standards applied to the revision (NBC TR); Brazilian Accounting Standards applied to Assurance (NBC TO); Brazilian Accounting Standards applied to Related Services (NBC TSC); Brazilian Accounting Standards applicable to the work of Internal Audit (NBC TI); Brazilian Accounting Standards applicable to the works of Expertise (NBC TP) and Brazilian Accounting Standards applied to Government Auditing (NBC TAG) .

The complexity of classifications is a consequence of the adoption of the international standards as it will detail the purpose of each specific standard.

Auditing Standards:

According to the conceptualization already exposed, it is understood that audit is premised on revising, attentively, procedures performed and recorded in accounting involving a certain asset. This revision follows the procedural standards of the profession, the law relevant to the actual facts and the code of ethics of the profession.

These guidelines are set by means of auditing standards, which, according to Crepaldi (2004, p. 123), “guide the auditors in conducting their examinations and preparing reports”, to determine “the structure in which the auditor decides on what it is necessary to prepare an examination of financial statements, to perform the examination and to write the report.”

This view is supported by Almeida (1996, p. 32), who believes that “auditing standards represent the necessary conditions to be observed [...] in the development of the audit service.”

Franco and Marra (1989, p. 45) believe that auditing standards include

The rules established by regulators of the accounting profession, in all countries, with the aim of regulating the exercise of the independent auditor role, establishing guidance and guidelines to be followed by these professionals in the exercise of their role. They establish basic concepts about the requirements in relation to the person of the auditor, the execution of his work and the opinion to be delivered by him.

The concepts outlined above restrict auditing standards to the detailing of the professional standards. However, they go beyond this meaning, instructing, in their structural body, all necessary procedures to conduct the audit process.

Each country is bound to establish its auditing standards or comply with the International Auditing Standards promulgated by the International Accounting Standards Board and by the International Federation of Accountant.

Brazilian Auditing Standards:

According to CFC, in its Resolution n° 321/1972, which passed the Auditing Standards and Procedures, "the auditing standards are the requirements to be observed in the performance of the audit work." These standards are the main rules to which auditors must follow when performing the audit. The faithful observance of these rules constitutes a strong indicator of the auditor's work quality.

In 1997, CFC Resolution n° 820 passed NBC T 11, which discoursed on standards of auditing independent of the financial statements. Such resolution presents technical auditing regulations, which constitute

The set of technical procedures whose objective is to issue an opinion on its suitability, according to the Basic Accounting Principles and to the Brazilian Accounting Standards and, when applicable, the specific legislation.

Given these concepts, it is noteworthy the posture of the professional auditor, who must always observe the standards and principles governing the profession. According to the Federal Accounting Council (2007, p. 23)

The accountant, in the role of auditor, should maintain his level of professional competence through updated knowledge on the Brazilian Accounting Standards, accounting techniques, especially in the area of audit, law inherent to the profession, concepts and management techniques and law applicable to the entity.

Brazilian Auditing Standards are intended to establish a benchmark and appropriate expectation among the parties involved in an audit, as reported by Lima *et al* (2009, p. 7):

Currently it is noticed an increasingly growth in the volume of transactions between supplier and customer (in the internal and external level of the organization). Large corporations have investment policies embodied in its mission of continuing growth.

However, large standards differences worldwide become obstacles for further development, as reported by Carvalho and Leme (2002, p.43), "the difficulty that the Accounting has to define a common language of global communication ends up being an initial impediment to companies that, sometimes, feel discouraged to resort to other markets, when facing difficulties in presenting its financial statements under other standards."

Given this situation, it is understood the necessity of presenting standards in accordance with the conditions imposed by the market. As a result of such need occurred changes in the standards regarding auditing procedures in Brazil.

CFC, understanding the need for adaptations, updated the general responsibilities of the independent auditor in conducting the audit of financial statements in accordance with Brazilian and International Auditing Standards.

This update was due to issue of the Resolution n° 1.203/09, passing NBC TA 200, which, according to its text, "deals with the general responsibilities of the independent auditor in conducting the audit of financial statements in accordance with Brazilian and International auditing standards."

According to IBRACON (2009),

The passing of the Audit NBCs, edited by CFC in line with the international, edited by the International Federation of Accountants - IFAC, resulted from a thorough process of convergence developed by the Institute of Independent Auditors of Brazil (IBRACON) in conjunction with CFC, is of great relevance to the sector of Independent Audit, besides being very important for the Brazilian economy.

Thus, the continuing progress and the increasing importance of the audit require that its procedures, duties, scope, be constantly improved not just to adapt Brazilian professionals and companies to the international market, but also to leverage the economy of the country, as mentioned in the report above.

Methodologies:

This research is characterized, regarding its goals, as exploratory, since, according to Severino (2007, p. 123), "exploratory research seeks only to gather information on a particular object, thus delimiting a field of work, mapping the conditions of manifestation of such object."

To present and discuss the auditing theoretical framework, the resource of literature search was used. Data survey on the changes occurred in auditing standards was carried out with qualitative approach.

Therefore, the information used in the preparation of this research has a more theoretical and deepen bias, not being based on the use of previously verified numerical data.

Data is collected from material already published, especially using legislative instruments, the sources being: Auditing Standards in place until June 30th, 2013; and devices that interpret, in theory and practice, the Professional Auditing Standards.

Analysis of The Results:

Since Brazil adopted the international standards, i.e., since the use of worldwide established standards was determined, CFC issued, passed and published six (06) resolutions that discuss professional auditing standards. The first standardizations occurred in 2009.

In 2009, CFC established Resolution n° 1.158 (NBC PA03), 1.201 (NBC PA 01) and 1.267 (NBC PA 02). In 2010, Resolution n° 1.311 (NBC PA 290) and 1.312 (NBC PA 291) were passed, and finally, in 2011,

Resolution nº 1.323 (NBC PA 11) was passed. The resolutions mentioned above can be categorized by their main themes: quality and independence

With the advent of the convergence, professional auditing standards focused their weights in the requirements for quality and independence. CFC Resolution nº 1.158/09, 1.201/09 and 1.323/11 had their legal text covering, mainly, issues of quality in the provision of Audit and Assurance service.

CFC Resolution nº 1.267/09, 1.311/10 and 1.312/10, in turn, address matters consistent with the independence of the accounting professional in the role of Independent Auditor.

The convergence to the international standards caused a revision in the technical-professional procedures, so as to ensure the reliability of the accounting methods. According to the standards analyzed, the main point of convergence is better professional qualification.

The standards require quality, quality control and independence. When independence is achieved, quality is reached. Therefore, quality control is essential for these premises to exist, and exist in harmony.

The perception of Brazil as a country with relevance in the global economy led to the convergence. Franco and Marra (1989, p. 45) detected that

The more economically advanced countries and, therefore, more advanced in the professional perspective, were the first ones to establish auditing standards, which began simply and concisely and became constantly updated with successive pronouncements of regulatory bodies, which have presented further detailing as new situations arise in the exercise of the independent auditor role.

Therefore, it is pertinent to adherence to rules already adopted by the countries with tradition and excellence in professional auditing standards. This is a continuing process, from which results lots of changes needed for the convergence.

Brazil tried to quickly adapt to the standards, but the process of learning - which is continuous - will present the results in the long run. Each new study finds out more relevant information, important data, a better technique, so there will certainly be new changes.

An example of this statement is noticed in CFC Resolution nº 1.311/10, whose topic "Other Considerations" highlights that 59 items were "intentionally left blank". In this sense, it is inferred that some aspects addressed in the international standards were not adequate to Brazilian needs and require more studies to update and/or insert the rules applied in our country.

The focus on quality demands skilled professional to provide quality information. The standards establish the basis for the exercise of the accounting profession and the prerogative of quality makes audit clients have the conviction in the excellence of the service provided by the auditor.

Quality control is an effective way to integrate the forces of development, maintenance and improvement of the quality of the work performed, allowing to take the service to more skilled levels and that fully meets legal requirements.

According to the Federal Accounting Council (2007, p. 23)

The role of the audit demands from the professional expertise required for the work to be performed with quality, credibility, independence, confidence and relationship with others, keeping balance and moral standards in the conduct of the auditor, meeting the Brazilian auditing standards and other standards issued or received by the CFC.

The quality of information is achieved when all legal and ethical precepts established to a professional are respected. The ethical precepts must be a categorical imperative in the conduct of the professional and there should always be the observance of the Code of Ethics of the Accounting Professional, in parallel to professional auditing standards.

The inclusion of quality in the professional regulation seeks to guide the conduct of the professional, dictating the necessary practices and reducing the possible arbitrariness that may arise due to the judgment of the professional.

However, there is a perceived difficulty in reading the resolutions: the lack of conceptualization for quality and quality control. This could hinder the understanding or interpretation of the standard. However, as they are concepts called "universal", previously discussed, it is understood that this lack of conceptualization brings flexibility to the standard, allowing this concept to adapt to the demands of each time.

Regarding the concept of independence, the guidelines remain the same: it is necessary that the accountant, in the role of auditor, has ability to judge with objectivity and integrity the data being analyzed without interference that may cause that the information presented be biased in relation to the audited entity.

The Securities Commission (*Comissão de Valores Mobiliários – CVM*), through Instruction nº 308, presents as one of the most important aspects of independence not only the fact that the auditor is or not, but, also, the fact that the auditor seems to be independent. Resolutions analyzed that address the independence corroborates this statement by emphasizing that the independence comprises "independent thinking" and "appearance of independence."

It is important to highlight the interdependence of the concepts presented. Independence is an essential feature to achieve quality. And an effective quality control allows the accountant, in the role of auditor, to perform his work with the necessary independence.

Regarding the development of the accounting science, the convergence to the international standards adds value to the accounting professional, but also presents a new challenge: qualified staff to meet the demands at the same speed that the world and market relations develop.

Although the processes have only been “copies” of what is practiced in other countries, it is a step towards the development of the science in the country. The science is not stagnant anymore; it is developing with the world. The technology upgrades are an example of this situation.

In short, convergence brings undeniable benefits for the development of the accounting science in Brazil, at the same time that demands the adoption of measures to ensure that their application be useful, such as proper training of professionals, intensification of debates on the continuous development of accounting techniques and especially of ethical increment that must be absorbed by the accountant.

Conclusions:

The convergence to the international standards promoted a revision in the technical-professional procedures so as to ensure the reliability of the accounting methods.

Regarding audit, the international standards present a set of specificities and details on the particularities of the audit work.

Besides requiring a full understanding of the fundamentals of accounting and its legal aspects, it is required from the accountant a continuing professional development, not only in the aspects of the profession, but, especially, in understanding the scenario in which the assets studied are.

However, worldwide normative differences become obstacles for further development, inhibiting companies to expand their scope in other countries because of the difficulty in adapting to different rules regarding the presentation of financial statements.

The intention of the convergence of the Brazilian standards to the international standards is to create a unified understanding on financial information, making the reading and interpretation easily recognized by a user anywhere in the world.

This is an irreversible process, considering that Brazil nowadays is an important global economic player. Moreover, there are several companies emerging throughout the world, having offices in several countries.

The adoption of standards enables Brazilian organizations to be understood and compared with equivalent organizations worldwide. The new professional auditing standards, beyond reframing the style and pattern of the international standards, have the same encoding.

A “common language” inherent to the new standards also allows the user of the accounting information to know that their financial statements were audited in accordance with the best methods of international auditing practices.

Brazilian Standards Auditing Professionals, for teaching purposes, were categorized, in this paper, according to the approach, into two categories: a) standards regarding quality, b) standards regarding independence. This classification, though devoided of theoretical framework, had the objective to facilitate the visualization of the changes, allowing more objective and accurate analysis. In this respect, it is noteworthy that the concepts of quality and independence are interdependent, being quality control closely linked to independence.

CFC Resolution nº 1.201/09 and 1.323/11 are the norms in place regarding the quality of the information provided, whether in the aspect of external review, or in the aspect of control. It should be noted that the reference to quality is not new in the Brazilian auditing standards, this concept being widely discussed in the technical norms.

While the convergence of the NBC to the international standards is an important step forward, it is essential that studies be directed to the particularities of the country. It is not enough only to lay the rules of practices and procedures of the accounting science in compliance with the international parameters, because it does not guarantee the quality of the information provided. It is necessary, especially, to observe the Brazilian market and understand its needs and demands, as well as situations involving the Brazilian economy.

Furthermore, due to the convergence, it is necessary that studies be dedicated to the training of accounting professionals, to the extent that the use of the new rules requires highly skilled professionals, especially for the judgment of concrete situations, whenever required. After all, it is pointless to have normative transformation without professionals capable of carrying out its premises.

Due to the limitations of this study, it is suggested to update the research with a longer period of analysis. It is also recommend conducting a research covering an analysis of technical auditing standards.

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