

Evolution and Impact of Auditing Standards: A Comparative Study of GAAS and ISA

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Abstract: The evolution of auditing standards has played a critical role in shaping financial reporting and enhancing the credibility of financial statements. This study provides a comparative analysis of Generally Accepted Auditing Standards (GAAS) and International Standards on Auditing (ISA), highlighting their historical development, key differences, and the ongoing debate regarding their convergence. While both frameworks share common objectives—ensuring financial statement reliability and guiding auditors—their differences in application across jurisdictions have raised concerns about audit comparability in global markets. The study examines the impact of regulatory changes, such as the Sarbanes-Oxley Act and the establishment of the Public Company Accounting Oversight Board (PCAOB), on the evolution of auditing standards in the United States. Additionally, the study explores how international standard-setting bodies influence auditing practices worldwide. The research underscores the importance of harmonizing auditing standards to facilitate cross-border audits and enhance investor confidence. By analyzing the historical development, purpose, and implications of GAAS and ISA, this study provides insights into the future direction of auditing standards and their role in fostering transparency and financial accountability.

Keywords: Auditing Standards, GAAS, ISA, Financial Reporting, Audit Comparability, Sarbanes-Oxley Act, PCAOB, International Auditing, Regulatory Compliance, Financial Transparency

1 Introduction to Auditing Standards

Today, auditing standards are in the process of evolving. A comparative analysis and critique of auditing standards will better position accounting scholars and practitioners to address, and effect, this evolution. Generally accepted auditing standards (GAAS) and international standards on auditing (ISA) have similar objectives – to guide the auditor in the conduct of an audit engagement. The broad objectives of both are to ensure financial statement reliability and industry credibility and to provide guidance to auditors. (Sonnerfeldt and Alander2023)

There has long been debate over the necessity of the convergence of auditing standards. The lack of comparability between audits in different jurisdictions may cause difficulties for readers of financial statements. Recently, with the passage of the Sarbanes-Oxley Act and the creation of the PCAOB, there has been significant debate over the convergence of auditing standards in the US to conform to a set of internationally recognized standards (Mennicken, 2006). As the practice of auditing has continued to expand worldwide, and as international standard-setting bodies have begun to form, more and more accounting firms

are engaged in cross-border markets, auditing multiple industries in countries that do not share a common set of auditing standards. Given the current evolution of auditing standards, and the state of the auditing environment, an analysis and critique comparing GAAS and ISA is both timely and important.

No pre-defined set of standards existed for auditors prior to the 20th century. Early auditors relied almost exclusively on rules derived from commercial custom and legal precedent. It would not be until the turn of the 20th century that either GAAS or the institutionalized process of promulgating them existed. Prior to this time, a common-law legal system largely governed the practice of accounting, and so, by extension, the practice of auditing. Audit guides and industry-specific auditing books were circulated amongst practitioners; none of these guides were the official GAAS with which auditors are now familiar. Meanwhile, a series of sweeping mergers and acquisitions of accounting firms in the US helped to foster the rapidly evolving nature of industry practices, bringing with them a new emphasis on specialized knowledge. (Kaakshief et al.2025)

1.1. Definition and Purpose

1.1.1 The Evolution of Auditing Standards: A comprehensive and detailed review of the development and changes over time

1.1.2. Definition and Purpose

Audit is an examination carried out by independent and objective professionals to get evidence in a systemic way about economic activities or events to ascertain the conformity between such statements and predetermined criteria and communicate the results to those concerned ((Harahap et al., 2017)). Audit is an important intermediary in the capital market to improve financial statement credibility, and changes the role of financial statement as a “public good” to a “common good” (Sankar Saha, 2016)). In the audit, auditors are required to follow established methods to ensure that the audit they have carried out can produce professional results. Standards are authoritative guidelines available in the field of the audit profession governing the conduct of the audit to ensure the quality and consistency of audits performed by public accountants. The establishment of audit standards serves to improve the quality of audit performance, adhere to professional ethical standards, and also manage public accountants in carrying out audits in the way they should.

The purpose is to enable those involved in the preparation, auditing, monitoring, and enforcement of financial statements to understand the maneuvering space they provide. Adherence to audit standards by businessmen and public accountants will prevent the preparation of financial statements that mislead users of financial statements, deliberately or due to errors. It optimizes the functioning of financial statements as a medium of information that is reliable in realizing the goals of transparency and investor protection. Furthermore, it is also intended to enable public accountants, or professional organizations that issue auditing standards, to understand the scope and applicative aspects of the Standard to realize the establishment of audit standards that are fair, appropriate, and do not burden the public accountants. It is expected that public accountants will assess their procedures and critically carry out audits so that their audit quality will improve. Mitigation of the risks of business or government property disputes due to financial statement misrepresentation or fraudulent investment by public accountants makes it imperative that a study be

conducted. Compliance with audit standards is expected to improve the quality of audit reports, thereby increasing the reliability of reported financial transactions. The widespread adoption of these principles may facilitate the establishment of comparative results between countries and the dynamics of events that have taken place in the financial and economic sphere of a region. (Alsughayer, 2021)(Gong et al., 2022)

The need for data relating to the chapter area and the broad and related phenomenon of financial statements has also driven the researchers to write a paper with the title. The results of this study are expected to represent a picture of the effect of implementing audit standards on the quality of audit to be able to convey information to the public, especially those who wish to know the quality of the Public Accountant's performance in the implementation of the audit. (Al-Ahdal and Hashim2022) Another expected finding is providing suggestions that can be taken in order to minimize financial risks. In addition, it is expected to provide added value in the scope of filling knowledge and literature in the field of auditing regarding the implementation of audit standards related to the quality of the audit process. With proper audits in accordance with Standard Audits based on International Standards on Auditing, businesses and regents will be able to weight the validity of the more transparent financial statements as reports of the substance of economic activity so that they give rise to public trust. The audit itself is one of the interests of investors and regulators, besides company management. The reason, with the results of a good audit and in accordance with standards, the goods and services produced and marketed by certain companies are real and receive the trust of potential customers. It is the goal of external stakeholders e.g. investors and banks to avoid material losses grafted from fraudulent financial reporting practices.

1.2. Historical Development

The evolution from informal auditing practices to codified auditing standards over the last half-century has had an indelible impact on the accounting profession (Mennicken, 2006). The origins of auditing as a discipline are based on devices that accentuate personal judgment or otherwise depend on no more than rudimentary or inadequate standards. Developments along this line emerged as a by-product of the public accountancy profession in the United States and the increasing complexity of financial transactions that added to the volume of data and records with legal and financial implications. The AIA, formed in 1916 as the first national accounting body of the US, appointed a Committee on Auditing Procedure in 1939. After numerous changes, a new Auditing Procedure Board was established in 1959 that acted under the auspices of the AICPA. The concise, broad, and specific guidelines of the APB for the performance of financial statement audits came to be known as GAAS. Similar developments in the United Kingdom led eventually to the formation of the Auditing Practices Committee of the ICAEW in 1978. European member bodies followed and in 1983 the EEC required each member state to establish comparable audit guidance.

Later, networking of international audit firms saw a need for global auditing standards to guide their actions in foreign jurisdictions. This, coupled with demand from capital markets, led to the International Auditing and Assurance Standards Board being legally constituted in 2001, which now produces ISA (Krivogorsky2024). While the evolution of auditing standards has been incremental and uneven it is viewed as evidence of the reflexivity between audit practice and the established networks of bodies that support and control professional meaning more generally. The incidence of this reflexivity comes in waves pushed along by shifts in societal expectations and superseded by new organizational

forms or technological advances. In conclusion, by studying the case of GAAS and, by comparison, ISA, a historical approach shows how the depth and timing of these waves can vary greatly, but suggests an overall process of the world-building of the audit profession.

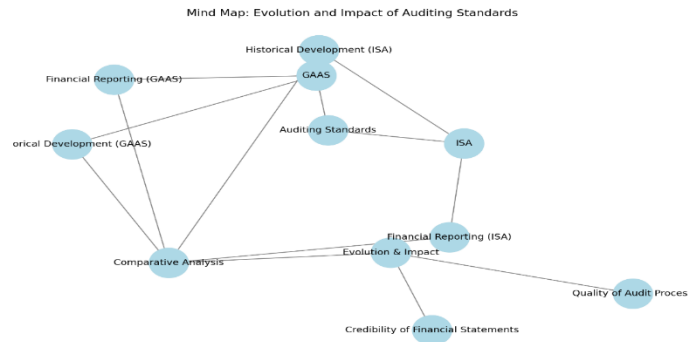


Figure (1): The map shows the hierarchical relationship between the main concepts

2 GAAS: Generally Accepted Auditing Standards

In the United States, the generally accepted auditing standards (GAAS) were created to supply a coherent framework for the conduct of financial audits. Audits are not a new concept and have been conducted for centuries. The first known auditor was said to be the Pharaohs of ancient Egypt, who required an audit of their granaries. But it wasn't until the 1850s, with the advent of joint-stock companies, that there was a need for financial audits. However, there were no formal standards governing these early audits. At the end of the 19th century, the AICPA was formed to bring some consistency to the profession and was given the authority by the SEC to create standards. The present form of GAAS was created starting with AICPA's landmark 1938 publication, 'Auditing Procedure' (Sankar Saha, 2016). In the years since, GAAS has matured and now comprises eighteen broad standards and ninety-eight related interpretations distributed among four subcategories. The standards are further subdivided into the general standards, the fieldwork standards, and the reporting standards. Five guiding principles underlie the application of these standards. These principles begin with ethical responsibilities and involve the requirements for the performance of an audit, the application of due care, the preparation and retention of adequate documentation, and the presence of a sufficient basis for an opinion (Harahap et al., 2017). This set of standards is the benchmark by which the conduct of audits in the United States is evaluated and provides a useful point of comparison with the International Standards on Auditing (ISA). In essence, GAAS spells out the aiming points an auditor is expected to hit during the course of performing an audit.

2.1. Overview and Framework

Auditing, in its elemental nature, is a systematic process for acquiring and evaluating evidence objectively pertaining to assertions about economic activities or events to determine congruence with pre-established criteria (Harahap et al., 2017). The corpora of principles and concepts to be abided by auditors in the conduct of an audit engagement is termed as Generally Accepted Auditing Standards (GAAS) in the United States (Sankar Saha, 2016). It is critically important for an auditor to be aware of the conduct of audit responsibilities in agreement with GAAS so as to sufficiently fulfill those responsibilities. For ease of exposition, the GAAS is organized into General Standards, Standards of Fieldwork, and Standards of Reporting.

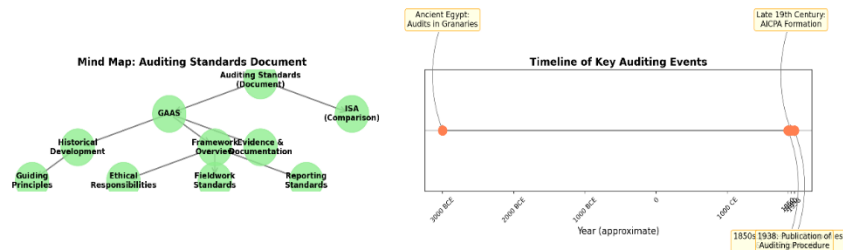
The conduct of an audit by an independent auditor in accordance with overarching objectives is to collect reasonable assurance about whether the financial statements are free from material misstatement due to fraud and error. Based on that conclusion, auditor(s) are required to draw a reasonable conclusion as to whether the financial statements are represented fairly in all aspects material to the applicable financial reporting framework. The examination and inquiry of the conduct of the engagement with regard to GAAS, illustrated herein, are strengthened by the attachment of excerpts from the codified GAAS, particularly SASs (Lu et al.2023). It is advisable to understand the clarified AU-C sections attentively in the conduct of the audit. That is expected to invigorate the audit quality and facilitate reviewing and inspecting authorities to evaluate the sufficiency of the audit conduct. A successful audit engagement cannot be delivered without following the auditing standards carefully. With this in mind, the importance granted in auditing curricula to year-round auditing standards workshop is worth paying attention to.

2.2. Key Principles and Components

The Generally Accepted Auditing Standards, composed of ten different principles, serve as the cornerstone to which audits are conducted. Again, in comparing ISA to GAAS, those principles support the idea of an enhanced commitment to thoroughly engaging in the auditing process, further supported by the ISA's seven components. According to GAAS, auditors must comply with the standard of independence required by their professional field. Independence is defined as freedom from responsibilities that would otherwise conflict with the auditor's impartial analysis of the company's financial condition and reporting processes. A peculiar tension regarding this standard comes in the form of how an auditor should be independent in both fact and appearance (Sankar Saha, 2016). Professional skepticism is another key component of GAAS, calling for a critical examination into all forms of evidence and analysis provided by the client. Assurances, requests for information, even internally circulated emails can be – and often are – a means through which potential clients deceive the public if such information isn't critically assessed. Such skepticism should be accompanied by a level of due diligence, thoroughly investigating all independently obtained facts and knowledge made aware by the client. Third opponent is the principle of collecting sufficient audit evidence. Incomplete auditing procedures bolstered by preparations for an audit with the client can easily result in financial misrepresentations going unnoticed; it is vital that, whatever the internal processes of a company, the auditor independently verifies each financial report originally provided.

Each of these Principles and Components provide the blueprint needed to conduct a quality audit. Auditors must, initially, plan the audit, gaining an understanding of the

client's internal control systems and employing a risk-based attitude to determine which financial matters to scrutinize most heavily. It is also necessary to notify the client of the office's responsibilities vis-à-vis the audit in an engagement letter (Zdyrko et al., 2022). Throughout the audit, the auditor must adhere to the previously mentioned principles, exercising professional skepticism and a diligent examination of the client's information. The auditor is also responsible for maintaining flexibility in developing appropriate responses to new information learned from the client. After completing the audit, the auditor must analyze all identified misstatements and confirm the client has recorded them in the draft financial statements. It is only after the client takes such steps that the auditor should provide their final report. Finally, public confidence in financial reporting greatly depends on the ethical responsibility of all actors involved. It is, thus, vital important that auditors uniformly apply the standards to which they are obligated. A client inputs that cannot be directly obtained during the auditing process, such as a calculation of a their assets-to-liabilities ratio, cannot be developed by the office.



Fieger (2)

3 ISA: International Standards on Auditing

1.1 Introduction

The professional practice of auditing is significantly influenced by the prevailing auditing standards. Auditing standards became increasingly popular over recent decades and were developed from a number of perspectives. The most common models are principles-based auditing standards, rules-based auditing standards, and hybrid auditing standards. Auditors operate within a diverse and complex business environment, influenced by relevant determinants that include, but are not limited to, the legal set-up, the regulatory body conducting monitoring, the characteristics of the client's industry, and the quality of financial reporting (Eltweri et al., 2022). As a consequence, similar auditing standards have been expected to be implemented differently and therefore their evolution requires a thorough investigation of the regulatory, social and economic characteristics of each

country. A comparative reviewing of how auditing standards have evolved so far in different countries thus reveals an alternative understanding of the interacting relations among legislators, standard setters, regulation tools, and social and economic environment of the country.

1.2 ISA: International Standards on Auditing

The International Federation of Accountants (IFAC) has developed and adopted International Standards on Auditing (ISA) as a framework of guidelines to enhance the quality, consistency, and relevance of auditing, as well as to increase international acceptance of international auditing services, which are increasingly in demand. By setting a high benchmark, ISA serves to generate and further public confidence in the auditing and financial reporting process which is crucial for the development of international investments and trade. ISA establishes comprehensive principles rather than detailed procedures so that auditors are better equipped to cope with the different challenges that arise in the diverse jurisdictions and industries in which they work and it requires the reporting of breaches of laws and regulations directly related to financial statements to be reported (Harahap et al., 2017).

3.1. Comparison with GAAS

The International Federation of Accountants (IFAC) acknowledges the importance of global adoption of international auditing standards and has focused on strategies for implementing International Standard on Auditing (ISA) globally. However, the question arises as to how the harmonization effort can expand to the international auditing literature level where all the stakeholders perceive and discuss various auditing standards on an equal footing. The aim of this study is to demonstrate the need for the global harmonization of auditing standards. The empirical analysis compares General Auditing Standards (GAAS) and ISA since the differences and commonalities in two of the most widely used auditing standards will be particularly relevant to the practitioners and standard setters in both America and countries that have already adopted ISA (Sankar Saha, 2016). The main focus of the paper is set upon the overall objectives of audits, which are generally considered to be the foundation of auditing standards.

The discussion begins with a brief comparison of some academic thinking and legal measures with regard to the question of how much global harmonization of auditing standards is desirable. The differences and commonalities in the preambles of GAAS and ISA are then explored. A main focus is set upon the terms and concepts that are emphasized as central to the auditing practices in each standard. A brief comparison with the Polish auditing practices are made on the basis of the Legal Measures on Statutory Auditors, Audit Firms and Public Supervision that has adopted the wording and the meaning of the ISA (Mennicken, 2006).

3.2. Global Adoption and Implementation

As early as 2009, International Standards on Auditing (ISA) were already being used in more than 100 countries, and that number is still growing (Mennicken, 2006). International Standards on Auditing have come to symbolize the international dimensions of audit

practice in today's globalizing world. Globalization represents the further integration of markets and industry across national borders through harmonization and standardization, such as the international convergence of national auditing standards toward ISAs. There is a growing concern among countries and international organizations regarding the lack of uniformity and consistency in the auditing practices existing in different countries. These concerns are further exacerbated due to the recent financial crisis, which has renewed attention to the needs of higher quality audits.

The development of ISAs by the International Audit and Assurance Standards Board is seen as step towards addressing these concerns with the ultimate goal of increasing the quality of audits. ISA are often expected to bring a significant improvement in the quality of audits conducted in different jurisdictions. Consequently, the adoption and implementation of ISAs by a growing number of countries have become a focal point for the promotion of the consistency and quality of audits internationally. Currently audit regulators in sixty-five countries have adopted or are in the process of adopting ISAs (Fairburn, 2023). Dependencies and territories of the UK and the Netherlands, with only 0.06 percent of the world's population, represent almost 20 percent of these countries. However, the challenge is immense given the large number of countries, territories and jurisdictions in the world. Differences in ethical, cultural and regulatory environments are also hindering factors in adopting ISAs worldwide. The absence of the right infrastructure, training programs and resources to conduct audits in compliance with the ISA are also other concerns raised or encountered by audit regulators of less advanced economies.

4 Evolution of Auditing Standards

Several trends and developments have shaped the contemporary realm of auditing standards. As factors prompting these changes evolve, so does the nature of the standards themselves. Factors such as an increase in the complexity and volume of financial information, improvements in technology, the decentralization of both clients and their suppliers, and the growth in outsourcing have accelerated a longstanding trend toward the international convergence of both auditing practices and accounting standards (Perjuci Uka, 2019). Globalization itself has led to new markets and the growth of large international institutions and competition worldwide. As evidenced by various market frauds and corporate failures, the backdrop of increased regulatory scrutiny has given further impetus for the harmonization, standardization, and the improvement of the standards for auditing. Auditing is the critical final stage in the information pipeline, thus changes in the types and quality of information and in the ways it is processed and communicated are likely to evoke corresponding changes in the theory and practices of auditing (Mennicken, 2006). The practice of auditing can also have a catalytic effect through the interrogation or institutionalization of the practices relating to the ways information is reported and documented.

In the auditing arena, rapid changes in technology have provided both the prompt and the means to bring about revisions of existing standards and the formulation of new standards. While information technology has played a major role in the globalization of markets, it has had a more direct influence on audit practices long before the globalization process began. Changes in auditing practices resulting from the use of increasingly sophisticated technology have accelerated the revision of auditing standards. However, the rapid changes in technology have made the incremental development and implementation

of new standards difficult. Auditing standards are already out of date when they are promulgated due to long development cycles and the cost of changes in major standards. More recent standards focus more on general principles and leave the detail to the judgment of the auditor. Although the aim is to achieve a more timely updating and the establishment of review procedures, this is easier said than done, especially in a collaborative environment such as the ASEAN region.

4.1. Emergence and Development

This section provides a comprehensive overview of standard setting in auditing, with a particular emphasis on the historical evolution of standard setting in the U.S. and on the development and impact of both Generally Accepted Auditing Standards (GAAS) and International Standards on Auditing (ISA). Research questions are raised and a conceptual and historical framework for addressing these questions is developed. Broadly speaking, there are two major reasons for examining standard setting in auditing. The first is the substantial influence of audit on capital markets and the economic welfare of society (Ball, 2024). Such concerns have sparked an interest in the regulation of auditing and in the requirements and processes that auditors should follow. Consequently, understanding and influencing existing auditing standards have become important issues. The second reason is to develop concepts, hypotheses, and theory in the sociology of auditing and accounting. Although audit affects many other institutions and domains, the audit process itself has not received much attention. The subsequent literature review and analysis of research opportunities delineate an approach to meet the two major goals above.

Standard setting has emerged in the U.S. because the practice of auditing has grown and developed. To understand this complex system, an examination of its emergence in both a methodical and a historical context is needed. Beginning with the latter, auditing in the U.S. has a pragmatic and commercial origin, forming around the growth of the business corporation in the mid-19th century. In the wake of the Civil War and the crises that accompanied it, investors came to question the financial integrity of firms, creating a need for financial verification. At first, directors themselves conducted audits, but growing conflicts of interest spurred investors to employ outside accountants to examine firms' records. Outside auditors investigated cash holdings and debts, making sure that financial claims by firms were not excessive. Auditing, therefore, focussed on a thorough analysis of tangible assets, debts and cash, enjoying no involvement in expanding operations or investments. Metaphorically, auditing was like a "waste paper basket" where "all the items were counted and ticked" (L. Krogstad, 1977).

5 Impact of Auditing Standards

Research in the area of social studies of standards has started to address how new standards are implemented, which problems and resistances arise and how they are overcome. A lack of adherence to auditing standards is seen as reason for audit failure and low audit quality. Possible reasons for noncompliance are at first the ambiguity of certain auditing standards, which allow room of discretion, and second the threat of independence if all audits were conformed exactly to auditing standards. Mostly field studies are missing. Enforcement actions are studied under the headline of litigation risk.

Compliance with accounting and auditing laws and standards serves to ensure reliable and consistent financial reporting. This again contributes to the confidence of stakeholders in the market economy system. Confidence in economic transactions and in the capital market presupposes transparency, as a certain necessity results from the separation of ownership and control in firms, and the agency cost that arises from it. Confidence is especially impeded if financial information is complex and if the party providing this information has an interest in managing perceptions about it (Ilori et al.2024). Visible costs are of lesser importance than the immanent risk of financial statements being misstated enable the positive impacts on practice when the auditors decide that a reserve of legal liabilities is exceeding the other costs of intense and less permissive audits. When auditing becomes a routine behaviour and there are fewer lawsuits, costs should decrease. With their implications for item response strength, these issues provide a common rationale to otherwise divergent views about the interpretation of the cohesion and convergence of audit practice. A better understanding of this concept of nature may be elusive.

5.1. Enhancing Audit Quality

Audit has emerged as a very crucial activity in the present market scenario. Quality audit ensures a high level of assurance to the users of financial statements, such as regulators, investors, and agencies, about the fairness and accuracy of the financial statement. Quality audits play a crucial role in providing confidence to the users, encouraging investment, and protecting interest in investment (Sankar Saha, 2016). Further, quality audits contribute to the long-term success and transparency of the capital market, enhancing good governance, internal control, and potential growth and profitability of organizations. This study examines the evolution and impact of auditing standards in ensuring quality audits. Adherence to auditing standards has a critical influence on the entire audit activities. There are a range of audit activities that are crucial for audit quality and that influence the quality of audit directly. The generation of audit working papers must be thoroughly documented. The preparation and presentation of audit evidence are particularly relevant. The form, content, and timing of audit work papers are regulated. A quality audit opinion is expected from the statutory auditor of auditee organizations. Adherence to auditing standards is essential to safeguard the independence of the auditor. Auditors have a duty to inform the audit committee of any inconsistencies in the accounting policies observed during the audit engagement. Keeping in mind the different perspectives of audit quality activities in the existing academic literature and the practical prospects of auditing, the following activity-wise analyses are made. Along with these, a few related issues entwined with quality audit that deserve significant attention are also included in the study.

5.2. Regulatory Compliance and Enforcement

Regulatory compliance and enforcement are part of a very important scenario within which standards have a vital role. Being based on legal obligations, auditing standards must address the steps to be effective within the legal context. Moreover, since acting as a safety net for legal breaches, auditing standards might help to mitigate risks associated with them. Finally, since regulatory compliance and enforcement increasingly refer to standards, professional requirements allow auditors to fulfill their scope on that front.

In addition, following up on financial crisis, there might be an imperative to examine what went wrong with professional requirements when the system broke down (Ojo, 2010).

Under such a discussion, it becomes obvious that a robust auditing standard could have helped. That is, within auditors' ethical responsibilities, and hence contributing to reliable financial reporting, a sound evidential framework could have fostered compliance with legal obligations, warnings would be raised earlier, and related party transactions could be better detected. Likewise, while meeting the legitimate expectations of shareholders and the wider market, a strong emphasis on going concern could strengthen the safety net, covering a broader Swedish case. In summary, therefore, auditing standards covering those items help audits to meet its goals within the legal framework of GAAS.

Regarding audits of financial statements, adherence to auditing standards ensures that the audit will meet the expectations of the profession as to the nature, timing and extent of the work required for a proper audit. In addition to the professional requirements for audit evidence, adherence to the relevant auditing standards is necessary for the audit to meet the requirements under the Corporations Act 2001, Principles of Auditor's Independence with recent changes. Enhancing the framework set out in GAAS would provide potential for a more robust defense in any subsequent enforcement action, and possibly greater deterrence from non-compliance (Ilori et al.2024). Since disclosing the names of the engagement partner and the audit firm on an annual basis can contribute to enhance the transparency and accountability of the audit, and where the audit firm has a market share greater than 15%, additional disclosures can be ceeded to prevent the investor from concentrating its audit risk in a systematic manner on an audit firm.

6 Challenges and Criticisms

The setting and enforcing of country-wide and international auditing standards is a complex and multi-faceted issue. The assumption that standards are well written, that they are suited for all occasions, that they will be properly understood and adopted, and that the auditing profession is able implement them represents a considerable sophistication (Ojo, 2010). Ignoring the requirements of auditing, the pressures operating on standard setters and standard implementers, and the wide variety of cultural, educational and regulatory frameworks within which auditing takes place is a naive proposition. The place of auditing standards in the armoury of audit regulators in achieving high quality audit regulation is therefore by no means straightforward. Defining standards simply as words on a page is an objective, and it is objective to judge what those words say. How well they are implemented in auditing firms is also perhaps objectively verifiable. However, there is a great deal that cannot be captured using this objective methodology. For example, the evolving nature of the audit market place and audit work; the number of educational meetings that is necessary for their understanding; the effects on national educational standards, on audit quality or audit approach style caused by standards; or the national approaches to achieving auditor compliance with standards. Furthermore, that such detailed regulation of auditors may move audit work away from the underlying principles of auditing. This paper is an attempt to reveal the complex landscape on which auditing standards are played out. To therefore look not just at the observable appearance of standards but also seek to find further understanding about how well suited they are to the task for which they are designed (Sulaiman). Discussions and studies on the accounting harmonization in the European Union seem to be less developed. With the deepening of the integration process, calls for harmonization in auditing practices and auditing standards have been made. In fact, a single set of standards for the conduct of statutory audits is an important building block in achieving a fully

integrated capital market in Europe. However, standard setters ought to appreciate that other bodies are in a better position in standard implementation and that the last two examples illustrate that effort to provide the impetus for standards implementation exist. It is possible, however, that this role could be developed further by linking it with financial regulatory oversight bodies, possibly at the ESMUE or other supranational level. Remembering that the main purpose of auditing standards are to improve audit quality ultimately serves the public good audit regulators ought to exploit all available means and bodies to ensure that thorough standard implementation. Standards and the rhetoric that surrounds them are not intended to give review objectives “how to” or “how not to”. Auditing standards do not present an objective truth that can be imposed on auditors. To argue this would be to ignore the creative element in standards setting, the cultural aspects of standards use and to define auditing too narrowly. This is evident, for example in the spate of reimaginings in the 1990s of one of the foundational auditing standards, the true and fair view. Instead, standards can be seen as specifying some absolutes of the world which are considered orthopedic within a particular community (auditing standard-rock solid) the circulars of practice, and norms legitimizing these interpretations. The persuasive effects of standards rely not on their some material superiority but a presentation as an objective and neutral truth.

6.1. Limitations and Weaknesses

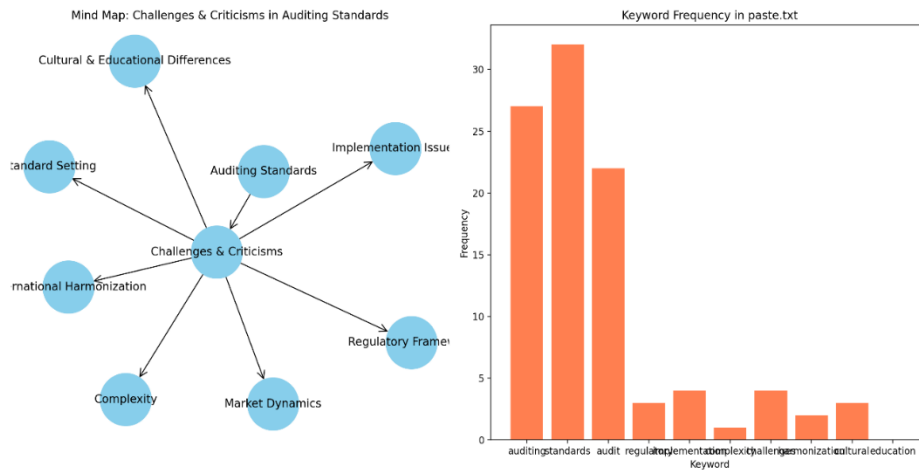
Although a necessary framework is provided by established auditing standards, the landscape of auditing practices comprises challenges and nuances that are not covered by these standards. Auditors are increasingly being held accountable for fraud detection (Chui & Pike, 2013). This discourse is particularly criticized in standards, as typically they fail to acknowledge how auditors are properly equipped to detect fraud when proper detection methodologies are intentionally disguised from auditors and financial manipulation occurs within regulations.

Since its creation in 1922, the Council of Public Accountancy Bodies of the United States of America (CPA) – a grouping of the accounting bodies within the US and Ireland - has achieved significant milestones in terms of both the formation and the quality of Generally Accepted Accounting Standards (GAAS). Prompted by corporate financial scandals in the USA, the Board of Governors of the Federal Reserve System, the General Accounting Office, and the Office of the Comptroller of the Currency required the financial institutions under their control to comply with internal controls stipulated by the GAAS-based SOX Act effective from year 2004. The GAAS standards were initially formulated by the AICPA and were also audited by the AICPA by year 2007 onwards. The IAASB has closely monitored the implementation of its counterpartings, suggesting the necessity and potential effectiveness of first raising the quality of domestic schemes before devising an international risk-adequate auditing standard. Currently carrying out its own projects in this area, a study of the milestones, improvements, and common pitfalls pertinent to these auditing standards recently visited a similar extended by the CPA in Ireland of GAAS, a jurisdiction in which these standards had not been deviated since its pioneering year of formation. Consequently, empirical works, and this one, have recently been excluded from these two jurisdictions. (Herzfeld, 2021)(Scott & MacCarthaigh, 2023)

7 Future Trends and Developments

New and Emerging Trends in Auditing Standards. Technological advancements are reshaping landscapes and virtually altering the way tasks are accomplished. The field of audit is not immune to these changes, with continual innovations in automation, data dehydration strategies, and increased capabilities for large-scale data analysis. Tasks that formerly required a plethora of manhours to complete are now accomplished within seconds. This is pivotal as analysts often describe these alterations as the 6th wave of audit, due to the profound, convoluted, and far-reaching implications of the modifications. Consequently, what were formerly various unique and distinct audit domains are now at an inflection point. On both a macro and micro level, these alterations are more far-reaching and wide-ranging than any group of prior alterations that audit or inspect standards. Not only are the alterations profound, but the rate of development and the rapidity with which the alterations have occurred are unprecedented in the history of the audit profession, leading firms with the charge of instituting annual protocol changes in a bid to keep up. Accordingly, while audit inspections might incorporate new advances, they are at best fighting a rapidly retreating rearguard action in the face of the remainder of the future tidal wave of developments (C. Oldhouser, 2016).

An alliance of prominent players in the audit arena are hotly striving to execute protocol that would, in its idealized form, permit data to be shared instantaneously and directly from the client's source system to the auditor's audit system in a way that is seamless, standardized, and universal across all public entities. Any latent, apparent, non-public entities, such as bankruptcies or mergers, would be accessible to the audit firm at precisely the same moment that the rest of the market had knowledge of such events through electronic postalizing. Data sharers are keen, even occasionally legally compelled, to share information and data electronically in detail that an advisory can analyze such standards and transactions with any other audit affiliate. Data providers are faced with myriad acquiescence, technological, cultural, and transparency challenges in their fervent attempt to provide such detailed data electronically. (Gaston, 2021)(Martin et al., 2021).



Fieger (3): This shows the relationship between auditing standards and their various challenges and criticisms. The central node "Auditing Standards" connects to "Challenges & Criticisms,".

7.1. Technological Innovations in Auditing

In the current environment of change and innovation, various concerns have emerged as to the impact of technological evolution on auditing and how international and national regulatory frameworks are adapting to the inevitable transformations in the audit profession. It is expected that auditing standards will be influenced by technological advancements and the capacity to respond efficiently to information expansion and complexity. This study will focus on the latest technological breakthroughs and will speculate on further developments in auditing practices, raising awareness on auditing standards adequacy (Pierre Junior D Aboa, 2014). The increasingly rapid evolution of informational systems and computing power is also likely to transform the way users access, manage and audit financial information.

Concerns about technological developments are significantly related to how data and information are managed, distributed, protected and audited, and have created challenges to auditors and the assurance profession. (C. Oldhouser, 2016) Legislation and regulation are perceived as struggling to keep up with the pace of technological change. More complex financial instruments and transactions are seen as the roots of new frauds that may undermine the stability of financial markets. However, the audit profession, as well as lawmakers and standard setters, are beginning to react. The effects of emerging technologies on data in auditing are arguably understated in current research and media. Auditing practices, processes, distribution and management alike will be revolutionized by technologies that major accounting firms are beginning to investigate and implement.

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