# Chapter 14

# International Standards on Auditing (ISAs):

# conflicting influences on implementation

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## Introduction

In contrast to the very significant body of research into the adoption of International Financial Reporting Standards (IFRS), there has been less interest in auditing practices and standards, conceptualised primarily in terms of (i) processes, routines and procedures by which an external auditor forms an opinion of the financial statements as a fair representation, and (ii) settings and conditions within which an external auditor or external audit firm is 'licensed' to operate and where relevant, how the auditor or audit firm is evaluated in compliance with applicable laws, regulations and/or professional ethics/standards. Auditing standards typically seek to codify aspects from these two perspectives and purport to offer some 'legitimacy' of the external auditing process and a degree of reassurance to outside parties as to the basis by which an audit opinion has been expressed (Simunic et al., 2016; Boolaky and Soobaroyen, 2017). In the light of high-profile corporate failures and the finding that audit firms have not always applied the expected diligence and oversight, the issue of audit quality has been the subject of extensive work primarily in the context of developed countries (Gendron and Bedard, 2001; DeFond and Zhang, 2014) but with a heavy reliance on quantitative approaches and potentially limitative proxies of audit quality (e.g. Ahmed and Goyal, 2005). Such approaches have been criticised for being less concerned about audit practices and processes in the field (Humphrey, 2008; Hazgui and Gendron, 2015; Power and Gendron, 2015). Financial statements could thus be prepared in accordance with international accounting standards but concerns may remain as to the reliability of an auditor's assurances if there are questions about the basis (and potentially varying standards) adopted by external auditor in providing such an assurance. It is in this regard that research into the implementation of International Standards on Auditing (ISAs) and the contribution (if any) played in the local arena has begun to take some prominence in developed as well as developing countries, albeit that empirical evidence is substantially lacking in both contexts (Needles et al., 2002; Fraser, 2010; Simunic et al., 2016). The International Auditing and Assurance Standards Board (IAASB) reports that, as of December 2017, 128 jurisdictions [1] were using the clarified ISAs or were committed to using them in the near future, albeit on different bases of adoption (clarified ISAs are explained later in this chapter). Of this total, over 80 jurisdictions are classified as emerging economies by the IMF[2].

This chapter sets the scene for further research and empirical forays on the adoption and use of auditing standards generally, and ISAs specifically, by providing (i) a review of the (limited) academic literature on ISAs, (ii) a broad picture of ISA 'implementation' (or the apparent variations or lack of implementation) in developing and emerging economies and (iii) a specific illustration of how ISAs have permeated a developing economy (Egypt).We first contribute to the extant knowledge on the consequences of policies and strategies instigated by transnational institutions (e.g. IFAC, World Bank; global audit firms) as outlined in Humphrey et al. (2009) and Humphrey and Loft (2013), in developing and emerging economies. Second, we extend an understanding of ISA implementation at the national level and by outlining the relevant contextual factors and dominant actors in the case of developing and emerging economies.

## ISA implementation: A review of prior studies

Work by the International Auditing Practices Committee (IAPC) - reconstituted in 2002 as the International Auditing and Assurance Standards Board (IAASB) - on object and scope of audits of financial statements, engagement letters, and general auditing guidelines led to the 2001 recodification of IAPC's *Guidelines* as International Standards on Auditing (ISAs). In 2004, the IAASB introduced the Clarity Project[3] with the aim of enhancing the clarity of ISAs either as part of a substantive revision or through a limited redrafting of the original standards, particularly in response to pressures (Humphrey and Loft, 2013) from powerful stakeholders such as the International Organizations of Securities Commissions (IOSCO). Supporters of ISAs cite greater confidence through enforceability, higher levels of assurance on financial statements, encouragement for international investment, particularly for emerging and developing countries, a base for elaborating domestic auditing standards, and a reinforcement of the agency-based monitoring mechanism. In addition, the use of ISAs by large accounting firms globally would ensure a consistent message to its clients on audit outcomes and enable efficiencies in the audit process internationally (Needles et al., 2002).

Needles et al. (2002) set out a number of factors that might account for the delay by countries to engage with ISAs, namely (i) how accounting is itself subject to economic, political and social influence and unless accounting/reporting issues are resolved, it is difficult to move to the process of reviewing accounting/reporting; (ii) external auditing typically draws its authority from law (e.g. company law) and is thus more dependent on legislative influences in each country; (iii) large global accounting firms tend to see themselves as purveyors of best practice and are often ideally positioned to resist or influence the development and implementation of standards; (iv) local market regulators could traditionally rely on domestic auditing standards to influence the audit process but the use of ISAs would remove this influence; and (v) inadequate professional education and training in accountancy which in turn leads to weak auditing practices. To a limited extent, these factors emerge in a few empirical studies of auditing standards and ISAs, which can be broadly categorised in terms of (i) quantitative cross-country analyses, and (ii) qualitative single country assessments.

Boolaky and Soobaroyen (2017) sought to examine the level of adoption/commitment to ISAs on a cross-national basis (89 developed and developing/emerging countries) and the country-level factors that might explain this extent of commitment by a given jurisdiction. Informed by the neo-institutional perspective, the authors found evidence that a broad set of coercive, mimetic and normative variables (lenders'/borrowers' rights, foreign aid, regulatory enforcement, protection of minority interests, prevalence of foreign ownership, educational attainment and more democratic forms of political systems) were positively associated with higher levels of commitment to ISAs. The empirical analysis effectively supports Needles et al. (2002)'s expectations and highlights how economic and 'non-economic' factors are associated with ISA adoption. However, which factors would be more prevalent in the case of emerging and developing countries has not clearly established and are far more complex than an issue of 'narrow nationalism' (Fraser, 2010). The likely consequences (cost and benefits) of adoption have also been alluded to, although there are methodological challenges in teasing out the effects for auditors and audit firms. Kohler (2009) did attempt to measure the costs and benefits of ISA adoption at the EU level and concluded that the benefits could outstrip the costs by a ratio of 9-to-1, subject to it being imposed wholesale and enforced consistently by national audit regulators (with no opt-outs). Following the implementation of local auditing standards in Egypt, Khlif and Samaha (2014) found that internal control quality (ICQ) improved post adoption and this was positively associated to a reduction in audit report lag. Although seen as finding that is supportive of local auditing standards, the authors acknowledged the weak legal enforcement and high level of secrecy of the Egyptian context.

From a qualitative/case study perspective, ISA studies reveal a complex set of interactions between the different actors in the field (national jurisdiction) involving principally the audit firms (large international and/or local ones), local professional accountancy bodies, state-backed regulatory agencies (audit oversight bodies; stock market regulators; sectoral regulators such as the central banks), the government itself (in terms of a broader political agenda) and 'outside' influencers (e.g. World Bank; IFAC). Mennicken's (2008) study of ISA implementation by a Russian audit firm in 2002 provides an early account of changing micro-practices in an emerging economy and the actors' motivations and experiences in doing so. While the key motivation was related to an organisational interest to join the 'elite' group of international Western-based firms, the practical implementation of ISAs was less obvious given the ISA's inherent limitations in actually guiding and standardising audit practice as such. There was little involvement of the State in this case. In contrast, Al-Awaqleh (2010) evaluates Jordan's decision to adopt ISAs by interviewing local users, preparers, auditors and regulators. Stakeholders generally supported ISAs due to cost implications, limited local expertise/oversight and undue influence which could be exerted on (or by) professionals if local standards were implemented instead. Hence, the reliance on ISAs was both seen as a relatively less costly alternative and one which in the main would preclude interference at the local level and be seen as legitimate from an international perspective. At the same time, an emphasis on international pronouncements has led to an enforcement gap in that there is a lack of familiarity with ISAs amongst local regulators. Lastly, Brody et al. (2005) analyse the audit landscape in Poland and in spite of the European Union's directives and international developments, the local profession and audit regulator have retained the locally developed auditing standards; which provide only general guidelines on audit objectives and procedures. However, even if the local audit regulator was minded to address the gap, the authors argued that there remains an absence of detailed guidelines which could preclude auditors from adequately implementing these standards; and in parallel for the regulator to have the necessary tools for an effective oversight. Yet, there appeared to be a stronger preference for maintaining the local audit standards and its regulatory infrastructure.

Overall, our review provides a limited but multi-faceted picture of ISAs in developing and emerging economies; both as a technical-legal artefact (a guide and regulation to undertake a particular process) and as a social practice (a set of routines and ways of working in an audit firm within a particular context). From the policy-maker's perspective, there seems to be some consensus on the benefits of ISAs for developing countries, primarily as a confidence building exercise and in tandem with the adoption of IFRS. However, issues of relevance, local enforcement and fit to the local (professional) circumstances emerge. Theoretically therefore, it seems apt for implications of ISAs to be analysed from a broader social, economic and political perspective, and from the status of accounting and audit practices/profession in a given national context.

## ISAs in developing and emerging economies

Our snapshot of the extent of ISA implementation in developing and emerging economies is based on a documentary analysis of the World Bank Reports on the Observance of Standards and Codes (ROSC, 2002-2010) on accounting and auditing. ROSC reports are the outcomes of a field visit and review of documentation by a team of World Bank and International Monetary Fund consultants[4]. The review team is tasked with interviewing corporate stakeholders, professional bodies, regulators and government agencies. We found recurring issues of: not providing ISAs that were appropriately translated and thereby leading to the possibility for practitioners to misinterpret the ISAs requirements; non-compliance with a large number of ISAs. Lastly, for a majority of these countries, and lack of education and training appearing to significantly hamper the development of auditing standards and the adoption of ISAs.

The second stage of this desk research draws on the approach of Boolaky and Soobaroyen (2017) to investigating the ISA adoption status of developing and emerging countries. IFAC's *Basis of ISA adoption by Jurisdiction* (IFAC, 2012) reports on a survey of member countries at that time. a. Boolaky and Soobaroyen (2017) sought further clarification of the ISA status post-2012 by reviewing the Statement of Membership Obligations (SMO) reports filed by member countries and other publicly available sources[5]. As a result, we report in Table 14.1 and Table 14.2 below the status of the 60 developing and emerging countries, respectively in alphabetical order and arranged geographically.

INSERT TABLE 14.1 HERE

INSERT TABLE 14.2 HERE

What is first noticeable is that just over half of the surveyed developing and emerging economies have opted for a wholesale adoption of ISAs either as a part of a legal change or as a regulation by the standard setters. In the African context, it is also noted that many of the ex-British colonies whose accounting and auditing practices have been (and remain to a large extent) influenced by UK practices and professional bodies appear to have taken a more determined route towards ISA adoption, albeit that there are exceptions (Nigeria and Egypt). Wholesale adoption by law is more prevalent in the European context and may reflect a general aspiration in response to the European Union's interest in the codification of auditing standards for the wider benefit of all countries within the economic block, and in line with Kohler's (2009) recommendations.

In the Central and South American context, the picture is more mixed with many countries progressing rather slowly. A review of the SMO reports suggests the influence of Spain, and principally in relation to the use of translated versions of ISA. Furthermore, some the South American economies (e.g. Bolivia) are keen to maintain local auditing standards. Finally, in the Asian/Middle Eastern context, there is again some variation but with the largest economies either adopting ISAs with modifications or retaining control over local auditing standards. An analysis of the breakdown of the 'other' category shows that many of the countries seek to retain a local version of auditing standards whilst seeking to progress (how quickly is not always clear) towards a convergence with ISAs. A case in point we review in detail in the next section is Egypt, which has had local standards on the basis of the 2005 ISA edition but which that have yet to be fully updated or adapted to the new or revised standards. Given that the earlier versions of ISAs were deemed to be not sufficiently clear (and hence the need for Clarified ISAs), a reliance on prior versions in various countries (including Egypt) may suggest challenges in applying the standards adequately.

Table 14.2 also displays the regulatory enforcement score (1 is highest, 0 is the lowest) for each surveyed country (World Justice Project, 2012; average from 2009-2012) and the Democracy Index published by the Economic Intelligence Unit (*The Economist*, 2012), on a scale of 0 to 10. Full democracy ranged from 8 to 10, flawed democracy (6 to 7.9), hybrid (4 to 5.9) and autocracy (0 to 3.9). It is not always the case that the commitment to ISAs is associated to a higher democracy index. However, most countries with the higher scores tended to have adopted ISA on a wholesale basis either by law or by the standard setting body. Most of the countries in our sample had a regulatory enforcement score of less than 0.5 and this suggests that the adherence to ISA standards (whether adopted by law or otherwise) will be subject (relatively) to weak monitoring and enforcement.

Just under half of the surveyed developing and emerging countries have gone for a stronger commitment to ISAs (principally with the local standard setter embedding ISAs) but there is little in the way to assess whether this has been effective so far. The remaining countries have, in the main, been slower and more circumspect in their approach to ISAs particularly in the presence of existing auditing regulators on the local scene. Whilst reviewing the SMO reports (particularly in relation to the categories of 'modified adoption' and 'others' i.e. partial or limited adoption), it became apparent that the historical context figured extensively in the explanations as to the current status. The Egyptian case below provides us with an opportunity to delve further on this point.

## The micro-level picture: an Egyptian case

The following case of Egypt[6] helps to contextualise the professional and regulatory elements that underlie the challenging path towards ISA adoption in developing and emerging countries. The evidence relates to a broader study of audit practices and regulation, and was gathered from 32 face-to-face interviews conducted between December 2014 and June 2016 with senior members of the Egyptian Society of Accountants and Auditors (ESAA), Egyptian Financial Supervisory Authority (EFSA), auditors of local small, mid-size and Big Four firms, as well as academics. Participants were contacted on the basis of their involvement in the local profession and, subsequently, by referral. The interviews, conducted in Arabic, ranged from 30 minutes to about 3 hours. It presents a story of long standing external pressure to adopt international standards such as ISAs in a country where local institutions have remained weak, inadequately resourced, and dominated by the state. This context has led to an undue favouring of dominant players in the country, whilst there has not been adequate monitoring of audit practice and, in particular, ISA implementation.

Since 1979, the International Monetary Fund (IMF), the World Bank (WB) and the United States Agency for International Development (USAID) have repeatedly provided Egypt with financial and technical loans to fund the application of comprehensive economic (including accounting and auditing) reforms but there have been few noticeable improvements (Lofgren 1993; Momani 2003). During the 1990s, the Egyptian government entered into an agreement with the IMF and the WB with the aim of privatising the public sector and restructuring the Egyptian capital markets (Zohny, 2000). Consequently, a new capital market law was issued which initially mandated the use of international reporting standards. This requirement led to the necessity of issuing local Egyptian Standards on Auditing (ESA) (World Bank 2002; Abd-Elsalam and Weetman, 2003). In 1997, this task was assigned by the State, represented by the Minister of Economy and Foreign Trade, to a new Permanent

Committee for Standards of Accounting and Auditing, which the Minister chaired along with one representative from the following governmental institutions; the Central Auditing Organization (CAO)[7], the Capital Market Authority (CMA), the Departments of Companies, two professional associations, the Egyptian Institute for Accountants and Auditors (EIAA),[8] the ESAA, and one accounting academic[9] (Ministerial Decree 478, 1997).

The Capital Markets law was amended to dictate the use of the newly issued Egyptian standards (Ministerial Decree 503, 1997). In 2000, six ESAs were issued, mainly addressing the content and process for an auditor`s report (Ministerial Decree 55, 2000). Additionally, it was mandated that ISAs could be applied for issues that the EASs did not specifically address (Ministerial Decree 625, 2000). In 2008, the current version of ESAs was issued, comprising of thirty eight ESAs and a general audit framework (Ministerial Decree 166, 2008). The still valid 2008 ESAs were based on the 2005 version of ISAs.

The most prominent player in the auditing standards-setting process is the ESAA, which functions as an 'elite body of accounting professionals', as described by the World Bank and the International Monetary Fund (IMF) in their Reports on the Observance of Standards and Codes (ROSC) (World Bank, 2002). ESAA's 2,100 membership represents about 14% of the number of registered auditors in Egypt (ESAA, 2016). The majority of ESAA members are auditors in the local offices of Big Four firms, its board is dominated by Big Four partners, and its president has been the same Big Four lead partner since 1977. The ESAA takes pride that their members are the only Egyptian certified auditors by examination and practical experience - unlike other certification routes available for Egyptian auditors. Deficiencies of the Egyptian audit market at both the auditor and the firm level stem from a few factors. First, ESAs are fairly new from the perspective of practitioners and at the same time rather outdated. Second, Egyptian auditors were never subject to any form of oversight. Third, the accounting education system in Egypt is weak and auditors lack adequate knowledge in many technical areas and professional aspects such as auditor independence and conflict of interest (Raslan et al., 2016).

According to the World Bank (2002), the standards-setting committee within ESAA is the de-facto ISA standards-setter in Egypt. This committee handles the translation of ISAs from English to Arabic and its adaptation to the local Egyptian laws. Based on the interviews with local stakeholders, there is no evidence that the ESAA standards-setting committee involve ESAA members or the other stakeholders in the standards-setting due process (i.e. exposure drafts). The 10 years' time lag between IFAC's current ISAs and ESAs' 2008 version is another criticism of ESA standards-setting process (ESAA, 2016). In light of the limited financial technical resources, the ESA standards-setting process is completely dependent on the 'voluntary' contributions of ESAA and of its member firms. Indeed, the WB (2002) highlighted ESAA's domination of the Egyptian standard setting process whereby the selecting, drafting and translating of relevant ISAs into ESAs were left to the ESAA, in spite of this being the responsibility of the State bodies.

Once the above tasks are done, the drafts are submitted to the State's permanent standards-setting committee for ratification. Despite the substantial presence of government and state players within the permanent committee, their role is limited to suggesting modifications on the applicability of the standards to the Egyptian legal framework. Whilst the role of these state actors could, on paper, be considered to be influential in setting accounting and auditing standards, their limited technical knowledge created a void for local affiliates of Big Four firms to exploit. Due to their international networks and resources, technical expertise and financial resources, the local affiliates were thus able to carve out a dominant position on ISA adoption in Egypt.

The research highlights how the market dominance of accountancy and audit services by Big Four firms in developing and emerging economies (Hopper et al., 2017) is significant. Whilst similar arguments could be made in the context of developed countries, it is the knock-on effect on the development of a local profession and a competent local oversight function that are seen to be more problematic. In relation to the latter, the first form of oversight to be ever levied on Egyptian auditors came from the Auditor Oversight Unit (AOU) of EFSA. EFSA, a member of the International Forum of Independent Audit Regulators (IFIAR), was established in 2009 as a part of the Egyptian government's efforts to restructure its capital markets and in accordance with  loan agreements with the IMF (EFSA 2008; IFIAR, 2012; Raslan et al., 2016). Inspired by the US-style Public Company Accounting Oversight Board (PCAOB) and in order to meet IFIAR requirements, the EFSA established the AOU as it compliance and oversight arm. According to Egyptian law, the 375 auditors listed with EFSA are registered in their personal capacity and not in their firm's name, and are the subject of the AOU's regular oversight. The AOU's main responsibilities include setting the entry criteria for registering auditors and a mechanism for audit compliance reviews. Yet, the AOUs achievements have so far been limited to managing the auditors' registration, since the AOU consists only of a handful of employees handling registration, compliance reviews, and continuous professional development. Compliance reviews remain somewhat minimal and primarily involved a checklist of the auditor's independence profile, duties, information about their firm e.g. HR policies and Quality Control (QC) manual. According to AOU staff, this questionnaire was developed after reviewing the Egyptian and International Standards on Auditing, and based on what is done by regulators in developed countries.

The introduction of EFSA as a new regulator had a varying impact on the three types of audit firms operating in the Egyptian market. The first type of firms are small local firms with one partner, who is the only registered auditor of the firm but most of these firms will not have clients listed on the main equity market. The second type is the mid-size or large local firms with a nominal international affiliation[10]. The third type includes the Big Four firms and other 'top tier' international firms, which are in close contact with their network in terms of staff training, technical resources including the application of the network's audit software and QC (quality control) manual.

The local firm's application of ISAs in their audit engagements varied between the three types of Egyptians firms. Small size firms are limited to the use of the 'current' version of ESA, issued in 2008 and based on the 2005 version of ISAs. Although most of the auditors we interviewed are aware that the current ESA version is poorly written, outdated and does not reflect the new Clarified ISAs (issued 2009), it is still the legally required set of standards and it is in Arabic. The consequence is that local auditors, particularly small-size firms are applying an outdated, pre-Clarified version of ISA. This is a situation that not only affects the growth potential for such firms, but also limits their knowledge base.

As, for the second tier of Egyptian auditors (i.e. mid-size or large local firms with nominal international afflation), the extent of ISA implementation varied between firms and was dependent on the nature of the firm and the type of their audit engagements. Some interviewees highlighted that they do use ISAs when dealing with audit engagements that have a foreign clients (i.e. either Egyptian companies with foreign subsidiaries or an Egyptian company as subsidiary of a foreign company). They also rely on some of the staff's English proficiency to be able to translate the requirements to other staff members. Other mid-size firms depend on the updated Arabic versions of ISAs from Jordan or Saudi Arabia. In effect ISA standards are being 'implemented' but not necessarily in terms of the most timely version and on a comprehensive basis. Therefore questions arise as to whether particular standards are ignored or not considered due to the delay.

The Egyptian case provides a more detailed local understanding of ISA adoption and implementation in the context of a developing country. ISA adoption is often conceptualised by international institutions as being the end-goal and the reflection of a successful outcome. When faced with such pressure, governments frequently seek to accelerate and portray compliance, but the standards-setting institutions are evidently not ready, leading only to adoption in name. In such cases, local Big Four firms typically take precedence to provide the technical knowhow to adapt ISAs to the local environment but at the same time, seek to benefit from the competitive position they hold in the market. This not only hinders the ISA standards-setting process (which normally should consist of a wide variety of local constituents for consultation) but may also negatively affect the subsequent oversight by regulators. For instance, one could question how a local regulator, who has just relied on the expertise of local Big Four in the adoption of ISA, could subsequently carry out a meaningful and objective oversight function on its own advisors?

## Future directions

Limited research attention to the development and practice of auditing standards can be associated with the lack of access to primary data on the working practices of audit firms. Humphrey (2008) suggests that audit research 'at a distance' has thrived with the use of close-ended questionnaires, experimental designs and the reliance on financial or arguably simplistic proxies. For instance, audit quality has often been associated with the type of firm (Big Four or non-Big Four) regardless of the circumstances in which these firms operate. Yet, it is not always apparent that Big Four's global networks of offices and staff operate on the basis of different ownership and control arrangements (e.g. branch offices, local representative firm or affiliates) and the looseness or tightness of this relationship may well affect the quality of the audit outcomes.

Increasingly, audit firms, particularly large ones, operate at the cross-roads of a potentially conflicting set of social, economic, cultural, and political influences. In the context of developing and emerging economies, large firms are often the primary intermediary organisation involved in advisory, audit and other certification activities for the benefit of public, private and international (e.g. financing or development agencies) institutions. The firm's reputation and standing is on one hand related to their credentials and experience, and on the other hand, to the processes and practices pertaining to audit tasks that have been over time codified in the auditing standards. With regards to the latter, there is a lack of understanding as to how these standards become operationalised and how auditors form an opinion and judgements (e.g. about sufficiency of evidence, reliability of particular controls) in relation to the standards. The Egyptian case reflects the difficulties for practitioners to embed these standards within their existing practices and the varying level of motivation amongst practitioners to adopt ISAs.

At the same time, the reputational advantage of being ISA-compliant (however this comes to be defined in the local context and/or by IFAC) takes precedence because there is a clear material interest (e.g. more 'international' clients) from the audit firms' perspectives and that of policy makers (i.e. more international investment; better country governance scores). In this way, institutional level factors in terms of how and why particular jurisdictions seek to convey adoption (in part or fully or even a commitment to it) takes precedence in the analysis rather than concerns about substantive and functional improvements in auditing practice.

There are two key strands to be considered for future research and in particular, (i) do auditing standards improve audit quality or other audit outcomes (using a longitudinal research and cost/benefits analysis), (ii) how and why would certain stakeholders (government, audit firms or accountancy bodies) seek to encourage the adoption of ISAs. We would therefore encourage a more in-depth and theoretically-informed investigation of this phenomenon.

A further dimension to the study of ISA adoption is the role of audit regulators. As a result of the various ROSC reports (Hopper et al., 2017; Boolaky and Soobaroyen, 2017), there has been a proliferation of accounting & audit regulators in developing and emerging countries, whose remit have been inspired by institutions established in developed countries (e.g. UK Financial Reporting Council; United States Public Company Accounting Oversight Board). There is an urgent need to develop an evidence base on the effectiveness of audit regulators worldwide, and how these regulators have engaged with the oversight of auditing standards (including ISAs) and the outcomes thereof. The dynamics of regulatory space (e.g. Malsch and Gendron, 2011; Hazgui and Gendron, 2015) could be an appropriate theoretical frame in teasing out more explicitly the issues relating in the adoption and embedding of ISAs in some of the developing and emerging economies, and in particular to investigate the complex set of interactions between the different actors in the field, their roles, agendas and influence.

Thus, it seems apt for ISA adoption and implementation in the context of emerging and developing countries to be analysed from a broader social, economic and political perspective, and from the positioning of accounting and audit services in the national context. Theoretical implications call for further investigation into auditing practices and standards, with particular focus on diligence, oversight, and audit quality in the field. This might serve to address concerns about the reliability of an auditor’s assurances and the basis (and potentially varying standards) adopted by auditors in providing such an assurance. In conclusion, we suggest that the adoption and implementation of ISAs and their contribution (if any) as a consequence of policies and strategies instigated by transnational institutions deserve much greater attention than it has received to date.

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[1] For the IAASB's list of countries, see: http://www.iaasb.org/clarity-center/support-and-guidance (acessed 8 Feb 2019)

[2]Editors' note. We define emerging economies in chapter 1 by reference to the IMF's World Economic Outlook 2018 and the Statistical Appendix to that report. https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018 (accessed 8 Feb 2019).

[3] https://www.iaasb.org/clarity-center

[4] World Bank Report on Observance of Standards and Codes (ROSC), available at http://www.worldbank.org/en/programs/rosc (Accessed 15 August 2018).

[5] A summary profile per country is available on the IFAC website http://www.ifac.org/about-ifac/membership/member-organizations-and-country-profiles?

[6] This section is drawn from a broader study of Egyptian audit practices (Ghattas-, 2017).

[7] In 1964, Egypt created the Central Accounting Organization (CAO) as the main entity for setting future budgets, overseeing public funds and conducting audits for all public entities and governmental entities (Farag, 2009).

[8] The Egyptian Institute for Accountants and Auditors (EIAA) was established with the initial help of the USIAD through a two million US dollar grant. One of the EIAA's aim was to establish an Independent Board for Accounting and Auditing standards and to provide training programmes for Egyptian auditors. However, the EIAA activities were paused due to a lack of funding (Farag, 2009). Recently, the EIAA resurfaced and continued its operations, yet the ESAA continue to have the leading position as the primary accounting and auditing professional association in Egypt.

[9] In 2013, the Prime Minister changed the makeup of the Permanent Standards-Setting Committee. The committee maintained the same bureaucratic composition in of previous the standards-setting body with two notable changes.

First the committee is now headed by the president of EFSA instead of the minister and second, the academic member is replaced by an auditing expert (practitioner), a Big Four partner (Egyptian Cabinet, 2011; EFSA, 2014).
[10] Typically, there is an agreement with an international audit firm to carry its brand, but they do not receive any technical assistance. They are often not subject to the international network`s audit quality review.

*[Editor's note These tables are for chapter 14 International Standards on Auditing (ISAs): conflicting influences on implementation.]*

Table 14.1 ISA adoption by region

| | By Law | by standard setters | modified adoption | Others |
|---|---|---|---|---|
| **Africa** | Mauritius | Botswana | Nigeria | Cameroon |
| | | Ghana | Senegal | Ivory Coast |
| | | Kenya | | Egypt |
| | | Lesotho | | Ethiopia |
| | | Malawi | | Madagascar |
| | | South Africa | | Morocco |
| | | Uganda | | |
| | | Zambia | | |
| | | Zimbabwe | | |
| **Central/ South Americas** | Costa Rica | Brazil | Mexico | Bolivia |
| | | Colombia | | Dominican Republic |
| | | El Salvador | | Ecuador |
| | | Guatemala | | Nicaragua |
| | | Jamaica | | Peru |
| | | | | Uruguay |
| | | | | Venezuela |
| **Asia/Middle East** | Mongolia | Cambodia | Bangladesh | China |
| | | Jordan | India | Indonesia |
| | | Kazakhstan | Malaysia | Nepal |
| | | Turkey | Pakistan | Sri Lanka |
| | | | Philippines | United Arab Emirates |
| | | | Thailand | Vietnam |
| | | | | Kyrgyz rep |
| **Europe** | Bulgaria | Bosnia & Herzgovina | Albania | |
| | Romania | Serbia | Poland | |
| | Georgia | Ukraine | | |
| | Macedonia,FYR | | | |
| | Russian Federation | | | |

Source: This table is compiled for this chapter, from data based on IFAC sources and from the evidence collected in preparation for Boolaky and Soobaroyen (2017).

Table 14.2 Regulatory enforcement, political systems and ISA adoption

| Countries | Regulatory Enforcement | Political Regime/System | Basis of ISA Adoption | | | |
|---|---|---|---|---|---|---|
| | | | By Law | By Standard Setters | Modified Adoption | Others |
| Albania | 0.4 | 5.8 | | | x | |
| Bangladesh | 0.2 | 5.8 | | | x | |
| Bolivia | 0.4 | 6 | | | | x |
| Bosnia and Herzgovina | 0.1 | 5.5 | | x | | |
| Botswana | 0.2 | 9.7 | | x | | |
| Brazil | 0.3 | 7.3 | | x | | |
| Bulgaria | 0.5 | 6.9 | x | | | |
| Cambodia | 0.1 | 4.9 | | x | | |
| Cameroon | 0.2 | 3.4 | | | | x |
| China | 0.2 | 3 | | | | x |
| Colombia | 0.5 | 6.5 | | x | | |
| Costa Rica | 0* | 8.05 | x | | | |
| Cote D'ivoire (Ivory Coast) | 0.1 | 3 | | | | x |
| Dominican rep | 0.5 | 6.3 | | | | x |
| Egypt | 0.1 | 3.9 | | | | x |
| El Salvador | 0.5 | 6.4 | | x | | |
| Ecuador | 0.46 | 5.7 | | | | x |
| Ethiopia | 0.2 | 4.2 | | | | x |
| Georgia | 0.2 | 4.9 | x | | | |
| Ghana | 0.5 | 5.7 | | x | | |
| Guatemala | 0.2 | 6 | | x | | |
| India | 0.4 | 7.6 | | | x | |
| Indonesia | 0.5 | 6.5 | | | | x |
| Jamaica | 0.2 | 7.3 | | x | | |
| Jordan | 0.5 | 3.8 | | x | | |
| Kazakhstan | 0.2 | 3.3 | | x | | |
| Kenya | 0.4 | 4.8 | | x | | |
| Kyrgyz rep | 0.2 | 4.3 | | | | x |

| | | | | | | |
|---|---|---|---|---|---|---|
| Lesotho | 0* | 6.36 | | x | | |
| Macedonia, FYR | 0.1 | 6.2 | x | | | |
| Madagascar | 0.1 | 4.8 | | | | x |
| Malawi | 0.1 | 5.5 | | x | | |
| Malaysia | 0.3 | 6.2 | | | x | |
| Mauritius | 0* | 8.07 | x | | | |
| Mexico | 0.3 | 6.8 | | | x | |
| Mongolia | 0.1 | 6.5 | x | | | |
| Morocco | 0.5 | 3.9 | | | | x |
| Nepal | 0.1 | 4 | | | | x |
| Nicaragua | 0.1 | 5.8 | | | | x |
| Nigeria | 0.5 | 3.6 | | | x | |
| Pakistan | 0.4 | 4.4 | | | x | |
| Peru | 0.5 | 6.3 | | | | x |
| Philippines | 0.5 | 6.3 | | | x | |
| Poland | 0.6 | 7.2 | | | x | |
| Romania | 0.3 | 6.8 | x | | | |
| Russian federation | 0.2 | 4.4 | x | | | |
| Senegal | 0.58 | 6.09 | | | X | |
| Serbia | 0.1 | 6.4 | | x | | |
| South Africa | 0.6 | 7.9 | | x | | |
| Sri Lanka | 0.1 | 6.4 | | | | x |
| Thailand | 0.5 | 6.4 | | | x | |
| Turkey | 0.55 | 5.76 | | X | | |
| United Arab Emirates | 0.3 | 2.5 | | | | x |
| Uganda | 0.2 | 5.1 | | x | | |
| Ukraine | 0.2 | 6.5 | | X | | |
| Uruguay | 0.2 | 8.1 | | | | x |
| Venezuela | 0.2 | 5.3 | | | | x |
| Vietnam | 0.2 | 2.8 | | | | x |
| Zambia | 0.1 | 5.6 | | x | | |
| Zimbabwe | 0.1 | 2.6 | | x | | |
| Total | | | 8 | 21 | 11 | 20 |

Source: This appendix is compiled for this chapter, from data based on IFAC sources and from the evidence collected in preparation for Boolaky and Soobaroyen (2017).

Zero scores with an asterisk (*): data was not available.