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1960s to 1990s

The world economy continued to grow in the 1960s-1990s. This period marked an important development in technological advancement and the size and complexity of the companies. Auditors in the 1970s played an important role in enhancing the credibility of financial information and furthering the operations of an effective capital market. The duties of auditors, among others, were to affirm the truthfulness of financial statements and to ensure that financial statements were fairly presented.

Hence, the role of auditors with regard to the audit of financial statement generally remained the same as per the previous period.

Despite the overall audit objectives remaining similar, auditing had undergone some critical developments in this period. In the earlier part of this period, a change in audit approach can be observed from "verifying transaction in the books" to "relying on system". Such a change was due to the increase in the number of transactions which resulted from the continued growth in size and complexity companies where it is unlike for auditors to play the role of verifying transactions. As a result, auditors in this period had placed much higher reliance on companies' internal control in their audit procedures. Furthermore, auditors were required to ascertain and document the accounting system with particular consideration to information flows and identification of internal controls. When internal control of the company was effective, auditors reduced the level of detailed substance testing. In the early 1980 there was a readjustment in auditors' approaches where the assessment of internal control systems was found to be an expensive process and so auditors began to cut back their systems work and make greater use of analytical procedures. An extension of this was the development during the mid-1980s of risk-based auditing. Risk-based auditing is an audit approach where an auditor will focus on those areas which are more likely to contain errors. To adopt the use of risk-based auditing, auditors are required to gain a thorough understanding of their audit clients in term of the organization, key personnel, policies, and their industries. Hence, the use of risk-based auditing had placed strong emphasis on examining audit evidence derived from a wide variety of sources, i.e. both internal and external information for the audit client. Most of the companies in this period had introduced computer systems to process their financial and other data, and to perform, monitor and control many of their operational and administrative processes. Similarly, auditors placed heavy reliance on the advanced computing auditing tool to facilitate their audit procedures. In addition to the auditing of financial statement, auditors at the same time were providing advisory services to the audit clients.

1990s-present

The auditing profession witnessed substantial and rapid change since 1990s as a result of the accelerating growth at the world economies. It can be observed that auditing in the present day has expanded beyond the basic financial statement attest function. Present-day auditing has developed into new processes that build on a business risk perspective of their clients. The business risk approach rests on the notion that a broad range of the client's business risks are relevant to the audit. Advocates of the business risk approach opined that many business risks, if not controlled, will eventually affect the financial statement. Furthermore by understanding the full range of risks in businesses, the auditor will be in a better position to identify matters of significance and relevance to the audit profession on a timely basis. Since the early 1990s, the audit profession began to take increased responsibility to detect and report fraud and to

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A member making for publication a report on, for example, net sales or newspaper circulation figures, should be careful to ensure that his report deals only with ascertained facts. If this report is quoted in any literature by the organisation or in the press, it should not be presented in such a way, either as to size or presentation, as to be capable of being regarded as an advertisement for the member and should not include his practicing address. Such a report on headed notepaper should not be reproduced in a facsimile form.

Opinion shopping

The term 'opinion shopping' is generally understood to involve the search for an auditor willing to support a proposed accounting treatment designed to help a company achieve its reporting objectives even though that treatment might frustrate reliable reporting.

An auditor can be defined as lacking independence if he/she adopts a viewpoint that is biased in favour of management. A lack of auditor independence might be manifest in the design of the audit programme, the volume and quality of audit evidence collected, and the audit opinion issued. The threat of audit firm dismissal and the consequent loss of audit income relates closely to the issue of auditor independence. An independent audit firm would not change its opinion in response to a client's dismissal threat, whereas a firm that lacks independence might bend to its client's wishes. Dismissal threats need not be explicitly stated in order for them to be effective. If an audit firm is concerned that an unfavourable opinion would lead to the loss of a client, it may be deterred from issuing an unfavourable opinion without explicit threats from client management. Instead, there might be an implicit recognition by the client's management and the audit firm that their economic interests are mutually dependent