confidence swiss Auditing builds confidence

Multidisciplinary audit and advisory firms

Auditing is a crucial tool for reducing information asymmetries, particularly between a company's administrative and executive bodies and its internal and external stakeholders. The work of auditors in the areas of financial and non-financial reporting, corporate governance, compliance and risk management is demanding and requires expertise across multiple disciplines. This expertise also comes into play in the advisory field, meaning that multidisciplinary audit and advisory firms can offer high quality services across the board now and in the future.

Take-Outs

1. In order for auditors to adequately perform an assurance engagement, they require extensive knowledge of the company and its strategies, processes, market environment and much more.
2. Auditors acquire such knowledge primarily through their audit practice, but beyond this it is also obtained through the performance of advisory services.
3. Moreover, advisory expertise and new advisory content and methods are driving the further development of audit services, while also supporting audit-related issues.
4. Modern auditors are increasingly required to act as companies' business experts; they are points of contact for the company management on various corporate issues and key persons of trust with an objective, external perspective.
5. Robust independence requirements ensure that no conflicts of interest arise between audit and advisory. Disclosure and reporting requirements ensure clarity and transparency.

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Multiple disciplines: audit, assurance and advisory expertise

By auditing, investigating and verifying information, processes and diverse business issues, the audit profession generates added value for companies, public authorities and society as a whole.

In both the private and public sectors, auditors and the services they provide create a robust basis of trust – for investors, lenders, customers and clients, tax authorities, social insurers and other social stakeholders.

Auditors thus work to build trust in companies, economic systems and regulatory authorities. This foundation ensures that markets can grow, investments are made and the economy as a whole is able to prosper.

Auditing annual financial statements is the most important trust-building service provided by auditors. With the rising demand for corporate social responsibility, the increasing legal and regulatory requirements pertaining to economic activity and the risks of digitisation, auditors now also perform further high-responsibility tasks (assurance services). These cover a variety of areas such as compliance, fraud and corruption prevention, governance, IT security and sustainability. In all of these fields, auditors are able to create trust through their assurance services, thanks to their expertise and their independent, external perspective.

Their comprehensive industry and technical expertise enables members of the profession to advise their clients across the entire company life cycle as sparring partners and experts – while maintaining objectivity and the appropriate critical distance at all times – with regard to business operations, tax and strategic planning (advisory). This may involve advising on re-structuring or providing support on corporate transactions (in the form of company valuations, for example).

The expertise and experience gathered and honed by providing these advisory services in turn enable auditors to execute their audit mandates in a more targeted and risk-oriented manner.

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How compatible are audit and advisory services from a single source?

Markets and companies are developing at an unprecedented rate. This is increasing the complexity of financial statement audits and other assurance services and puts high demands on audit and advisory expertise. The industry – particularly the big audit and advisory firms – have reacted to this trend by offering expertise in multiple fields and specialist teams.

For financial reasons, companies want to be able to use the same multidisciplinary provider to meet various needs. This is both sensible and possible and is very clearly regulated. The profession is subject to rigorous regulation in the form of restrictive legal approval conditions and explicit independence requirements. In addition, the industry has imposed a strict Code of Conduct and Professional Rules, which require that auditors avoid any relationships or conduct that could jeopardise their professional decision-making autonomy or impartiality in the performance of their work.

Provided that auditors do not create circumstances in the context of an advisory mandate that they will later be required to evaluate – from an audit perspective – in the context of an audit mandate, audit and advisory do not preclude one another. Plus, to avoid conflicts of interest, the acceptance of an advisory mandate by the auditor requires express approval on the part of both the client and the audit firm through the client's board of directors and the compliance department of the audit firm.

It is only permissible to offer a client audit and advisory services regarding the same matter if the client is an SME and the audit firm observes a strict separation policy with respect to staff and its organisation. This requirement has been explicitly put in place by lawmakers to enable SMEs, which are so important for the Swiss economy, to use their auditor as a sparring partner for business issues.

The compatibility of audit and advisory in different audit segments and the existing safeguards are shown in the figure below.

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Audit segment	Audit and advisory in different areas	Audit and advisory in the same area
Public companies	Possible in principle, subject to clear legal requirements. Disclosure ensures transparency: – The audit firm must – if, in the case of public interest entities, the ratio between audit fees and additional fees during a financial year exceeds the ratio of 1:1 – submit an ad-hoc report to the audit oversight authority. – The company being audited must disclose the scope of the services received in the notes to the annual financial statements.	Not permitted.
Economically significant companies	Possible in principle, subject to clear legal requirements. – The company being audited must disclose the scope of the services received in the notes to the annual financial statements.	Not permitted.
SMEs	Possible in principle, subject to clear legal requirements..	Permitted, subject to clear separation of staff and in organisation of the audit firm; disclosure in the audit report..

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