ISA Implementation Monitoring

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IAASB Meeting, New York
18 September, 2012
Agenda

• Objectives
• Current Status of ISA Implementation Monitoring Project
• Results from Part One of the SMP Survey
• Preliminary Results from Audit Committees Survey
• Next Steps
Objectives of Project

• To determine whether there is any need for further refinement of clarified ISAs
  – In order to increase consistency of practitioners understanding of the ISAs
  – For revised ISAs covered by the review to achieve IAASB’s goals in revising them

• Project undertaken in two phases:
  – Phase I: obtaining pre-implementation information on experiences in introducing the clarified ISAs (undertaken in 2009 and 2010)
  – Phase II: Post-implementation review (plan approved September 2011, information gathered in 2012, findings collated first half of 2013)
Current Status of ISA Implementation Monitoring Project

- Post-Implementation Plan released October 2011
  - Information in the process of being gathered in 2012
  - Deadline is **31 October 2012** (some responses may come later)
  - Information to be collated and preliminary findings expected to be presented to IAASB at April 2013 meeting
  - Final findings expected to be presented to IAASB at June 2013 and will feed into the IAASB Strategy and Work Program 2015—2017

- Targeted approach
  - Stakeholder groups with direct involvement in audit process
    - Firms – through Forum of Firms (all but 1 of 23 full members have agreed to provide input)
    - National Standard Setters (Audit Committees survey and “plusses and minuses”)
    - Audit Inspection Groups – IFIAR and EAIG
    - Other – Discussions with CAG representatives
ISA Implementation Monitoring – SMP Survey (Part One) Results

- Part One: Initial reactions for first year adoption of clarified ISAs on SME’s

- Responses from: Australia, Canada, Hong Kong, Malta, Netherlands, New Zealand, Singapore, Slovenia, South Africa and UK
  - 82 SME’s across broad range of industries participating;
  - Revenue:
    - Greater than $200 million – 1
    - Between $100 million and $200 million – 8
    - Between $20 million and $100 million – 22
    - Between $10 million and $20 million – 21
    - Between $1 million and $10 million – 23
    - Below $1 million – 7
ISAF Implementation Monitoring – SMP Survey (Part Two)

• Part Two: More detailed responses
  – NSS to summarize before sending to IAASB to get jurisdiction view
  – Possibly may also include Hungary and Brazil
ISA Implementation Monitoring – SMP Survey (Part One) : Initial Reactions

• Within countries there were variations of views; majority supportive, some less supportive

• Positives:
  – Changes welcome by many
  – Format of clarified ISAs better and easier to understand
  – Better planning, helps focus audit, improved quality of audits
  – Better communication with those charged with governance

• Negatives
  – High “year one” costs in terms of training and changes to methodologies / audit working papers
  – More time to complete an audit (some noted additional fees)
  – Increased documentation adding to costs
  – Still not enough emphasis on audit of SME’s, more guidance needed
Audit Committee (AC) Survey

- To specifically address ISA 260 and ISA 265
- Sent to IAASB-NSS:
  - Full implementation of ISAs for a longer period
  - Australia, Brazil, The Netherlands, and South Africa agreed to assist
- Example questions provided
- Total of (43) companies participated
  - Listed (31) (Turnover $31.6 million - $73.2 billion; Assets $2.1 million - $132 billion)
  - Large private entities (2) (Turnover $60 million - $511 million)
  - Public sector entities (4) (Turnover $440 million - $10.5 billion; Assets $2.094 million - $17.5 billion)
  - Public non-listed (3) (Turnover $94 million - $243 million; Assets $2.4 billion - $3.7 billion)
  - Not-for-profit entities (3) (Turnover $0.632 million - $1.73 billion; Assets $3.3 million and $21 million)
Audit Committee Survey - Findings

- No significant findings which would require changes to ISA 260 or ISA 265
  - Survey findings only: may still have changes arising from other input to the project, or from other standard setters changes (e.g., UK)

- Most AC meet 4-6 times per year, a few meet 3 times, a few 8-10 times

- Auditors’ responsibilities adequately communicated (consistent across all categories of respondent)

- Communication about planned scope and timing sufficient; information useful (consistent across all categories of participants)
Audit Committee Survey - Findings

- Information about significant findings communicated in all cases where relevant, comments (where made) ranged from adequate to useful, a few said not useful as they already knew the information; all noted communication was on a timely basis.
- A few (3 listed, 2 public sector) were not satisfied with the level that weaknesses in internal control were reported:
  - Minor matters ‘over-reported’ (public sector entities)
  - Level reported at was too high (i.e. not enough reported) (listed entities)
Audit Committee Survey - Findings

• Other comments regarding communications from external auditor
  – Potential for prior year adjustments not reported in a timely manner (listed)
  – Distinction between significant and less significant matters not made, with the result that significant matters not reported urgently enough (listed)
Next Steps

• Deadline is 31 October
• TF Chair and Staff to collate findings in Nov and Dec 2012
• Task Force meetings Jan and Feb 2013 to discuss main issues identified and prioritization
• Preliminary findings presented to:
  – IAASB-CAG at April 2013 meeting
  – IAASB at April 2013 meeting
  – IAASB-NSS at May 2013 meeting