

OCTOBER 2007

EFFECTIVE DATE FOR IAASB'S CLARIFIED INTERNATIONAL STANDARDS ON AUDITING

In 2004, the International Auditing and Assurance Standards Board (IAASB) began a comprehensive program to enhance the clarity of its International Standards on Auditing (ISAs). This program involves the application of new drafting conventions¹ to all ISAs, either as part of a substantive revision by the IAASB or through a limited redrafting to reflect the new conventions and matters of clarity generally.

At the outset of this program, the IAASB established a plan for completion of its Clarity project by the end of 2008, resulting in a set of ISAs that are consistently drafted and subject to a single statement of authority and effect. Provisionally, the IAASB also planned to make all revised and redrafted ISAs effective for audits of financial statements for periods beginning on or after December 15, 2008.

Final Effective Date

The IAASB has been considering whether the planned (provisional) effective date is appropriate in light of the factors discussed below. At its meeting in September 2007, the IAASB agreed that its set of clarified ISAs should be effective for **audits of financial statements for periods beginning on or after December 15, 2009.**² The IAASB remains committed to publishing the entire suite of clarified ISAs in late 2008.

The IAASB believes that this effective date appropriately responds to requests it has received from stakeholders to make the implementation period for the clarified ISAs longer than provisionally proposed.

In considering these requests, the IAASB recognized that:

- It is in the public interest to give the more than 100 jurisdictions around the world that use ISAs or have

based their national standards on ISAs the opportunity to be fully compliant with the newly drafted ISAs in accordance with their effective date.

- A number of jurisdictions are considering introducing ISAs for the first time; experiences in many countries have suggested that an appropriate implementation period is necessary.
- It is highly desirable that jurisdictions using ISAs should all adopt the clarified ISAs simultaneously. This will aid in mutual recognition of audits in cross border filings.
- A significant number of the ISAs, including some that have been substantively revised, will be finalized in clarified form in the latter half of 2008 and all will be effective at the same time.

Accordingly, the IAASB has concluded that extension of the effective date strikes an appropriate balance between the desire that users of financial statement audits obtain the benefit of the revised and redrafted ISAs as soon as practicable and the fact that jurisdictions need time to translate and adopt the ISAs and audit practitioners need time to implement them effectively. The revised effective date allows for a reasonable period which stakeholders can use to further adoption or convergence, training and implementation activities.

Planned Completion of Clarity Project

The IAASB plans to complete its Clarity project by the end of 2008 in accordance with its stated timetable, and it continues to be on track to do so. As of its September 2007 meeting, the IAASB has approved eight final ISAs drafted

1 These conventions, and the obligations of auditors who follow ISAs, are set out in IAASB's *Amended Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*, and in the April 2007 exposure draft, proposed ISA 200 (Revised and Redrafted), *Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing*.

2 The IAASB has also issued for exposure proposed International Standard on Quality Control (ISQC) 1 (Redrafted), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, redrafted in accordance with the new conventions. It expects to finalize this standard concurrently with proposed ISA 220 (Redrafted), *Quality Control for an Audit of Financial Statements*. The redrafted ISQC 1 will be effective for firms' systems of quality control as of December 15, 2009.

in accordance with the new conventions, and has exposed all but five ISAs in clarified form. The IAASB expects to approve exposure drafts of the remaining six ISAs at its December 2007 meeting and to issue the remaining ISAs in final form in 2008.

The IAASB's timetable to 2008, which is updated after each IAASB meeting, is available at www.ifac.org/IAASB/downloads/Current_IAASB_Project_Timetable.doc.

As a result of this project, 21 extant ISAs will have been fully revised or updated and redrafted in the last five years and the remaining 11 will have been redrafted in accordance with the new conventions, providing more clarity as to their requirements and thereby contributing to improving the consistency of their application.

Implementation Considerations

It is important that all those with responsibility for implementation activities consider these as early as practicable. National standards setters, legislators and others involved in setting standards have been following the development of the ISAs and contributing to the process by commenting on exposure drafts. They will, therefore, be well placed to consider adoption or convergence plans that maximize the implementation period for auditors. IFAC member bodies and audit practitioners, who have similarly been following the process, will want to consider what continuing professional development courses or other training materials need to be developed. Audit practitioners will also need to consider the extent to which the new requirements within the ISAs call for amendments to current audit programs and procedures.

The IAASB is releasing the final redrafted ISAs as they are approved by the Board and after the Public Interest Oversight Board has provided its confirmation that due process has been followed in the development of each standard. The IAASB believes that publication of the ISAs in this way

will assist in their translation, adoption and implementation. The IAASB accepts that there is a possibility of conforming changes being necessary to released ISAs as other ISAs are redrafted, although this process will be completed before publication of the set of final clarified ISAs in late 2008. Any such changes are not expected to change the substance of the ISAs already approved, although they may have a small effect on their content.

The IAASB strongly cautions against delay in considering implementation issues, and it reminds users that compliance with ISAs may only be claimed when the auditor has complied with all currently effective ISAs relevant to the audit.

About the IAASB

The objective of the IAASB, an independent standard-setting board within the International Federation of Accountants, is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession. The Public Interest Oversight Board oversees the activities of the IAASB and, as one element of that oversight, establishes the criteria for its due process and working procedures.

For more information about the IAASB, visit its home page at www.iaasb.org.

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