



International Federation of Accountants

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Agenda Item **E**

Committee: IAASB Consultative Advisory Group

Meeting Location: Dubai

Meeting Date: March 9-10, 2009

Clarity ISAs – Implementation Support

Objective of Agenda Item

1. To receive an update on an IAASB staff initiative to provide implementation support for the set of clarified ISAs.

Background

2. In response to stakeholder concerns noted during its recent strategy consultations regarding implementation challenges, the IAASB agreed that as part of its future work program, it would include activities designed to assist practitioners in their implementation of new IAASB standards. Accordingly, the IAASB's *Strategy and Work Program, 2009-2011* contemplates, as one of the initiatives geared towards implementation, the development of appropriate implementation guidance.
3. As a further support to practitioners, the IAASB also agreed, subject to any unforeseen circumstances, not to issue any additional ISAs that would become effective in the two years after the completion of the clarity project. This responds to stakeholder requests for a period of stability in the standards as jurisdictions focus on the important task of implementing them.
4. In view of the above, IAASB staff has been considering the type of activity that IAASB might undertake to support the implementation effort in a way that would be practicable and cost-effective, and achieve maximum impact. Accordingly, at its December 2008 meeting, the IAASB considered a staff proposal for the development of 'implementation support modules' for the set of clarity ISAs, together with a number of related activities (see Appendix).
5. In supporting this proposal, the IAASB made the following points:
 - Notwithstanding the proposal's suggested approach to focus mainly on the newly revised ISAs, consideration should be given to developing appropriate modules focusing on such fundamental standards as the audit risk and quality control standards. A focus on the audit risk ISAs, in particular, may have a greater impact on audit quality.
 - The modules will be ideal for educational use in classrooms and will stimulate academic lectures and research.

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- While the larger firms may not be in significant need of implementation support, the initiative will be very helpful to smaller practitioners. Nevertheless, care should be taken in not undermining the IFAC SMP Committee's efforts on its Guide to ISAs.
 - Consideration should be given to developing a module focusing on the newly revised ISAs 800, 805 and 810.¹
6. With the IAASB's support, IAASB staff has started work on developing a mock-up of one module for the IAASB's consideration at its March 2009 meeting. This mock-up, which will cover ISA 550 (Revised and Redrafted), "Related Parties," will include both a video presentation and a slide deck. In addition, IAASB staff will present at the March 2009 IAASB meeting a short introductory module that will introduce this initiative and explain what it is intended to achieve.
7. Subject to the IAASB's further views, it is envisaged that staff will develop an additional four modules over the course of 2009 covering ISAs dealing with such topics as the overall objectives of the auditor in an audit of financial statements (ISA 200); accounting estimates (including fair value accounting estimates); and group audits. It is expected that the first few modules would be released on the IAASB website by Q2 2009, with the remaining modules by Q3 2009.

Action Requested

8. The Representatives are asked for their views on:
- (a) Whether this initiative and the approach outlined in the Appendix represent a reasonable way forward with regard to implementation support for the set of clarified ISAs; and
 - (b) Any other matters that should be considered as part of the IAASB's effort to provide implementation support for the clarified ISAs.

¹ ISA 800 (Revised and Redrafted), "Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks;" ISA 805 (Revised and Redrafted), "Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement;" and ISA 810 (Revised and Redrafted), "Engagements to Report on Summary Financial Statements."

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APPENDIX

IAASB Staff Proposal

IMPLEMENTATION SUPPORT MODULES

1. The main thrust of the proposal consists of the development of a series of modules that target specific ISAs, mainly those that have been revised and redrafted. The content of the modules would be developed by IAASB staff, with IAASB's involvement limited to providing general input on the approach, identifying the key topics for the series and commissioning them.
2. Each ISA module would consist of the following two distinct parts.

Video Presentation

3. The first part would involve the chair of the relevant project task force (where possible), or other appropriate individual, presenting an overview of the module in video format for 10-15 minutes. The overview could cover such matters as the following:
 - Reasons for revising the ISA
 - Main changes in the ISA and what these mean for the practitioner
 - Key points of emphasis relating to new or revised requirements (or definitions), and major viewpoints considered by IAASB in establishing the requirements
 - Practical considerations with regard to adoption and implementation
4. It is envisaged that IAASB staff would develop, in consultation with the task force chair, the necessary script in advance of the presentation. IAASB staff will consult with IFAC's Communications Department with regard to the creative aspects of developing the video portions. It is envisaged that the videos would be recorded in New York in batches, 3-4 modules at a time.

Slide Presentation

5. The second part of the module would comprise a slide presentation covering the provisions of the ISA in more detail. It is envisaged that the presentation would consist of a standalone set of slides (together with supporting explanatory notes) that would not require narrative support. The length of this presentation would vary depending on the subject addressed. The content of the presentation would expand on the key matters highlighted in the video presentation and cover changes in the standard not otherwise addressed in the video.
6. The content of the slides would be drawn principally from the text of the ISAs, and developed by IAASB staff with appropriate clearance by the task force chair.

Distribution Considerations

7. To facilitate access by all stakeholders, the modules would be made available on the IAASB website. If appropriate, the full series could be distributed to IFAC Member Bodies on CDs,

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and various permissions could be granted for translation purposes.

8. It is envisaged that each module, and their component parts, would be separately accessible on the IAASB website so that users can readily access or download that which is of interest to them.
9. As the modules may be delivered locally, they will include appropriate disclaimers (e.g., IAASB takes no responsibility for the content of the course in which they are used, or for the way in which the materials are used). It may also be necessary to specify some conditions for the users, for example, that they are expected to be knowledgeable of the subject matter and of ISAs as a whole, that they have relevant practical experience, etc.

RELATED ACTIVITIES

10. In addition to the above, two separate related activities are being contemplated.

IAASB Chair Presentations

11. This activity consists of developing two “standard” thirty-minute presentations for the IAASB Chair to be given at targeted conferences.
12. One presentation would highlight significant changes to the ISAs as a whole (including reference to the modules on the IAASB website that explain these changes more fully), and identify key implementation challenges for practitioners. The other would focus on adoption/implementation challenges for the national bodies responsible for such activities.
13. A number of possible conferences in 2009 have been identified at which it might be appropriate to arrange for the IAASB Chair to speak. Other conferences may be identified in due course.

Clarity Section on IAASB Website

14. The success of this implementation support initiative, in particular the modules element, will depend to a significant extent on practitioners being aware of it, and how well the proposal meets the needs of those implementing the ISAs. Accordingly, there would be a need for a strong communication package, one that includes a relatively early announcement of the intended approach and a mechanism to test or solicit the level of interest in the modules.
15. In that regard, IAASB staff, in cooperation with IFAC’s Communications Department, is planning to develop a dedicated “Clarity ISAs” section on the IAASB website. The implementation support modules themselves would be included within this section of the website.
16. The need to raise practitioners’ awareness of the availability of this support would also be addressed through other channels, such as IFAC e-news, IFAC Member Body announcements, national professional journals, etc.