



International Federation of Accountants

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Agenda Item D.2

Committee: IAASB Consultative Advisory Group

Meeting Location: Washington

Meeting Date: September 9–11, 2009

ISA Implementation Monitoring—Key Issues and Report Back

Objectives of Agenda Item

1. The Objectives of this Agenda Item are:
 - (a) To obtain the Representatives' views on a number of key issues relating to this project (previously called the "Effectiveness Review"), and
 - (b) To provide a brief report back on proposals of Representatives on this project discussed at the March 2009 CAG Meeting.

Background

2. The IAASB considered and agreed directional matters in relation to this project (as described in the CAG Agenda Paper at **Agenda Item D.2.1**, which is the updated June 2009 IAASB Meeting Paper on this topic) at its June 15–19, 2009 meeting, including the scope of information gathering in 2009 and 2010.
3. The IAASB encouraged further consultation with stakeholders and key constituents regarding the objective, design and process for undertaking a post-implementation review of the Clarity ISAs.

Matters for CAG Consideration

4. Representatives' views and comments are requested on the questions set out below. The CAG Paper included at Agenda Item D.2.1 provides the context for these questions.

Phase 1: Implementation Monitoring of the Clarity ISAs (2009 through to 2011)

- 1) Are Representatives supportive of the suggested approach to pre-implementation monitoring in 2009 and 2010?
- 2) How would the CAG wish to be involved in Phase 1?

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Phase 2: Post-implementation or Effectiveness Review of the Clarity ISAs (2012/2013)

- 3) Are Representatives supportive of a post-implementation review?
- 4) If so, should the post-implementation review focus on consistency of application of the ISAs, on their effectiveness or on a combination of the two?
- 5) What are Representatives views on the possible timing of a post-implementation review?
- 6) Would CAG wish to participate in Phase 2, or rather be briefed periodically on the progress being made and findings?

Report Back on the March 9-10, 2009 CAG Proposals

5. Below is an extract from the draft minutes of the March 2009 CAG meeting,¹ and an indication of how the IAASB Task Force or the IAASB responded to the Representatives' comments.

Representatives' Comments	Task Force/IAASB Response
OBJECTIVES, DESIGN OF AND PROCESS FOR A POST-IMPLEMENTATION REVIEW OF THE CLARITY ISAS	
<p>Mr. Bradbury noted the IAASB will need to determine how it will use the findings from the effectiveness review – while the agenda material indicates that standards will not be reopened, it is important not to prejudge whether this will be necessary.</p> <p>Ms. Sucher also suggested that, while it may not be necessary to immediately change a standard as a result of the findings from this review, the IAASB should consider whether these findings could result in clarifications being made to a particular standard.</p>	<p>Point taken into account.</p> <p>The IAASB considered questions about the objectives, design of and process for a post-implementation review of the Clarity ISAs (which is viewed as being the “Phase 2” of this project) at its meeting in June 2009.</p> <p>A key element in the Task Force’s current thinking is the need to integrate the plans for gathering information about how the ISAs are being applied with a strategy on responding to that information.</p> <p>That said, the IAASB considers that answers to these questions, including the question of how to respond to the results obtained from a review, will benefit from consultation with the IAASB’s key stakeholders.</p> <p><i>See paragraphs 3.17–3.20 of the CAG Paper at Agenda Item D.2.1.</i></p>
<p>Mr. Gutterman was of the view that the effectiveness review and the matter of responding to emerging and urgent issues</p>	<p>Point taken into account.</p> <p>Development of a process by which the IAASB can respond to</p>

¹ The minutes will be approved at the September 2009 IAASB CAG meeting.

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are very much related. He believed the IAASB should remain open to the need to revise standards should a significant issue arise, for example, in connection with the adequacy of the standard on fraud.	<p>emerging and urgent issues is under consideration at present.</p> <p>The Task Force recognizes the link between this project and the IAASB's Rapid Response project (Agenda Item H for this CAG meeting). Phase 1 of the project is likely to provide important information relating to both the way the ISAs are being applied and emerging and urgent issues.</p> <p><i>See paragraphs 3.17-3.20 of the CAG Paper at Agenda Item D.2.1.</i></p>
REVIEW OF INDIVIDUAL ISAS OR THE PACKAGE OF CLARITY ISAS AT ONE TIME	
Ms. Sucher suggested that specific standards such as ISA 315 (Redrafted) and ISA 330 (Redrafted) could be reviewed as a starting point.	<p>Point taken into account.</p> <p>Information will be gathered in Phase 1 (including in relation to smaller audits). In relation to Phase 2 a key strategic issue is whether to focus on individual ISAs or consider them in their totality.</p> <p><i>See paragraphs 3.24-3.27 of the CAG Paper at Agenda Item D.2.1.</i></p>
TIMING	
Mr. Johnson was of the view that timing of this project will be critical. While the IAASB can develop a process to be implemented, the project will not be feasible until national standard setters (NSS) and firms have had experience with the standards, which would likely be after two audit cycles.	<p>Point accepted.</p> <p>The IAASB agreed that the earliest possible timing for the effectiveness review is mid-2012, and data collection would not have completed much before December, 31 2012.</p> <p>Undertaking the review in 2012 may be too early to involve some important groups given that the European Commission and other important jurisdictions such as China, Japan and the US (American Institute of Certified Public Accountants) will not have adopted the Clarity ISAs for 2010 audits. In light of this there is a case for starting the review in 2013 rather.</p> <p><i>See paragraphs 3.21-3.23 of the CAG Paper at Agenda Item D.2.1.</i></p>
COMMUNICATIONS	
Mr. Krantz welcomed the initiative. He suggested that consultation should be undertaken to determine whether and how bodies such as the IASB and the Financial Stability Forum undertake	<p>Point accepted.</p> <p>The IAASB agreed that there should be prior consultation with those stakeholders/constituencies for whom the IAASB's plans to review the Clarity ISAs are likely to be of considerable</p>

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similar reviews, in particular, whether individual standards or the full suite of standards is reviewed.	<p>interest, such as:</p> <ul style="list-style-type: none">• The IAASB CAG;• The International Forum of Independent Audit Regulators;• The Forum of Firms;• The IFAC SMPC Committee;• The International Organization of Supreme Audit Institutions; and• The IAASB National Auditing Standard Setters. <p>Working together with the IAASB Chairman and IAASB staff, the Task Force will engage with these stakeholders during 2009 and 2010 to communicate the planned approach and activities for this project, to obtain their feedback and to keep them updated about ongoing developments in relation to this project.</p> <p><i>See paragraphs 3.1–3.2, and 4.1–4.4 of the CAG Paper at Agenda Item D.2.1.</i></p>

Actions Requested

6. The IAASB CAG is asked to review and comment on the key issues highlighted in this paper in the context of the IAASB's approach to this project described in **Agenda Item D.2.1**.
7. Since this is an important monitoring of the implementation of the ISAs in many jurisdictions, representatives are requested to circulate this and future documents on the topic for consideration by their organizations as may be useful.

Material Presented – IAASB CAG PAPER

Agenda Item D.2.1 ISA Implementation Monitoring – (Agenda Item 6 of the June IAASB meeting material, updated for the IAASB's decisions taken at the June meeting).

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

IFAC SMPC Comments on Task Force proposals presented to the
IAASB at its June 2009 meeting

[Word File attached](#)