

International Auditing and Assurance Standards Board

**IAASB Project:
ISA Implementation Monitoring**

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IAASB Consultative Advisory Group
Meeting

London

September 14, 2010



Project Outline

**The ISA Implementation Monitoring Project
in Outline**

A two-phase approach:

1.

Monitoring
experiences of
implementation of the
clarified ISAs by
countries and firms

 2009
- 2011

2.

Post-implementation
review of the
clarified ISAs

 2012/13



Phase 1 - Report to IAASB

Report to IAASB on Phase One – June 2010

- Activities undertaken
- Discussions with key stakeholder groups:
 - CAG; IAASB NSS Group; Forum of Firms; IFAC SMPC; IFIAR
- Information gathering - survey questionnaires sent to:
 - Firms: 6 largest auditing firms + a number of other firms from the Forum of Firms who offered to participate and provide information
 - Countries: IAASB National Auditing Standard Setters adopting the clarified ISAs in line with the IAASB's effective date



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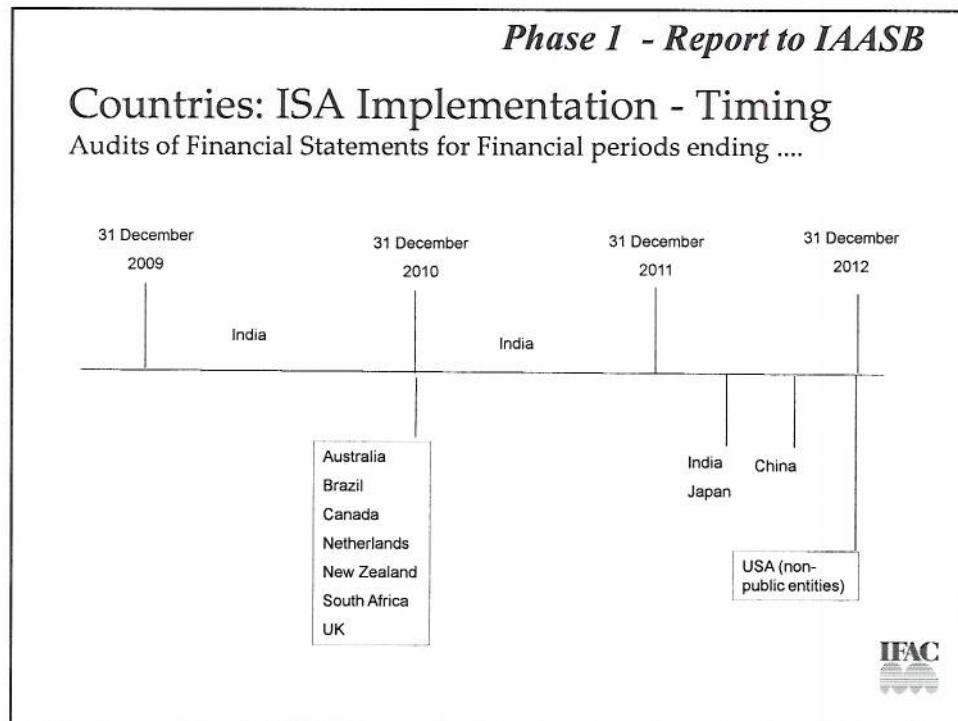
Phase 1 - Report to IAASB

Report to IAASB – June 2010 (cnt'd)

- Of the countries surveyed
 - Clarity ISAs are viewed as useful; no significant challenges regarding the structure and content
 - Most are adopting all the ISAs and ISQC 1
 - Most are using the same structure
 - Most have modifications, additional application guidance
 - Titled as national standards, without reference to the ISAs



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Phase 1 - Report to IAASB

Report to IAASB – June 2010 (cnt'd)

- Of the firms surveyed:
 - Objectives and application material viewed as useful
 - Objectives incorporated into the firm methodologies – in various ways
 - “Considerations for Small Entities” are not viewed as particularly useful, or sufficient
- Task Force Report conveyed preliminary information about:
 - Modification of clarified ISAs by NSS
 - Implementation challenges with individual ISAs
 - Use of the clarified ISAs by SMEs
 - Issues arising from translation

IFAC

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Phase 1 - Report to IAASB

Modification of the Clarified ISAs

- The ISAs are used in different ways in different countries that are adopting or using them; and named to reflect national standards
- Nature and extent of modifications to national auditing standards incorporating or using the clarified ISAs:
 - Different approaches appear to be motivated by national considerations, such as: audit quality considerations; maintaining national practices/conventions
 - IAASB Policy Position Paper : *A Guide for National Standard Setters that Adopt IAASB's International Standards but Find it Necessary to Make Limited Modifications* (2006)

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Phase 1 - Report to IAASB

Implementation Challenges – Individual ISAs

- ISA 320 *Materiality in Planning and Performing an Audit*
 - Interpretation and application
 - Consistency of individual auditor judgments
- ISA 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
 - Equity accounted investments, joint ventures and other entities
 - Shared service centers

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Phase 1 - Report to IAASB

Implementation Challenges – Individual ISAs

- *ISA 700 Forming an Opinion and Reporting on Financial Statements*
 - Changes in national standards reflect: national laws and regulations; language or conventions used in national context
 - Some countries have more extensive changes: UK and USA
 - IAASB Auditor Reporting Working Group is considering these issues
- Large firms are looking into ISA 600 issues and expect to pool firm-level guidance; monitor the situation in 2010 audits
- Consultation on IAASB Strategy and Work Program 2012–14 provides scope to assess need for further work in these areas



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Phase 1 - Report to IAASB

Implementation Challenges – Audits of SMEs

- General concern about foreseen implementation difficulties
- Sharing of national implementation support materials more widely ... need to find ways to facilitate that
- Explore possible further IAASB or IFAC support initiatives possible
- Further work to obtain information about actual implementation challenges from SME practitioners in countries that are using the clarified ISAs (2010 – 2012): survey questionnaires



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Phase 1 - Report to IAASB

Translation of the Clarity ISAs

- Information from survey responses pointed to some areas of difficulty
- Dedicated IFAC resources to assist countries that are undertaking translations – points to a number of areas that are reported to be challenging
 - Nuances of language sometimes give rise to different interpretations (e.g. use of “to consider” and “to issue”)
 - Some terms that are difficult to translate (e.g. professional accountant; assurance engagement)
 - Need for a close translation of the ISAs under IFAC policy (e.g. translation of both “gives a true and fair view of” and “fairly presents”).



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Phase 1 - Report to IAASB

Communicating the Findings

- IAASB to publish a communication reflecting these findings:
 - Beneficial for countries adopting the ISAs, and those making decisions about adoption and approach
- Provides opportunity for IAASB to:
 - Underline importance of international convergence; benefits of using internationally accepted and recognized auditing standards
 - Emphasize adoption with minimal modifications
- Planned timing: late October 2010



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Next Steps

Phase 2 – Post Implementation Review

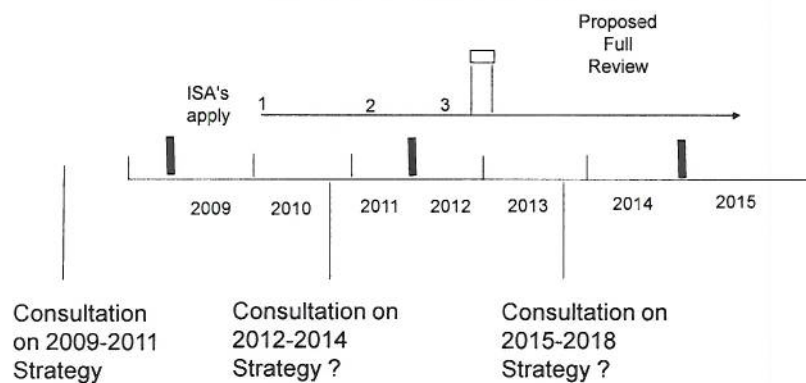
- Designing and progressing the next phase
 - Broadly, to assess whether and how well the clarified ISAs are achieving their objectives
- Dialogue with key stakeholders important, including IFIAR
- Different perspectives on objectives and approach
 - Contribution to audit effectiveness
 - Consistency of implementation
 - Interaction with broader discussion of audit quality
- Timing: 2012/2013
- Feedback for next round of IAASB strategy (2015 →→)



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Timetable

Review timetable in context of IAASB's three- year planning cycle



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ISA Implementation Monitoring Project

Questions?