



Meeting: IAASB Consultative Advisory Group

Meeting Location: Brussels

Meeting Date: March 6–7, 2012

Agenda Item

E.4

ISA Implementation Monitoring—Report Back

Objective of Agenda Item

1. To provide a report back on proposals of the Representatives on this project as discussed at the September 2011 CAG Meeting.

Project Status and Timeline

2. The IAASB approved the revised post-implementation plan presented at the September 2011 IAASB meeting. Notwithstanding that the review will be focused on auditors and those involved in auditing in both the public and private sectors, the IAASB encourages feedback from a wider group of stakeholders. The final plan includes a list of revised ISAs subject to the post-implementation review, and the main goals for revising the ISAs and ISQCs. Information will be gathered in 2012 (all comments and input should be submitted by 30 October 2012) with the findings expected to be presented at the June 2013 IAASB meeting.
3. An e-mail from James Gunn was recently sent requesting input and feedback for the post-implementation review from the CAG Representatives' organizations.

September 12–13, 2011 CAG Discussion

4. Below are extracts from the draft minutes of the September 2011 CAG meeting,¹ and an indication of how the project Task Force or IAASB has responded to the Representatives' comments.

Representatives' Comments	Task Force/IAASB Response
Mr. Krantz offered the assistance of the World Federation of Exchanges (WFE) to gather additional information.	Offer has been noted and has been reflected in the CAG Representatives' communications recently sent.
Ms. Blomme expressed overall support for the project and agreed that, at the primary level, the stakeholders to be consulted in Phase 2 seemed appropriate. At the secondary level, Ms. Blomme suggested that preparers might also be	Support has been noted. The Task Force notes that, notwithstanding specific stakeholders having been identified and targeted for feedback, the IAASB will strive to ensure that other stakeholders

¹ The minutes will be approved at the March 2012 IAASB CAG meeting.

Representatives' Comments	Task Force/IAASB Response
<p>usefully involved. She also noted that, in Europe there is a difference between standard setters and the policymakers to adopt the clarified ISAs. This may affect who is considered to be a stakeholder for purpose of these consultations.</p>	<p>are aware of the post-implementation review, and of the IAASB's interest in receiving input. Discussions at forums such as the IAASB CAG meetings will assist with disseminating the project to stakeholders who are not directly involved in the audit and therefore not specifically targeted.</p>
<p>Mr. Diomeda supported the approach of gathering information from smaller firms. To this end, he suggested that more countries in Europe could be surveyed and offered the assistance of the European Federation of Accountants and Auditors (EFAA) for SMEs.</p>	<p>Mr. Grant noted that further input from EFAA would be useful since extending the current survey (which has been in progress for 18 months already) would not necessarily be efficient.</p>
<p>Mr. Attolini commented specifically that the SMP Committee is pleased with the manner in which the IAASB includes SME considerations in many of its projects. He supported this project as a means to understand problems and difficulties that might arise in the application of the clarified ISAs. He cautioned, however, that it may still be too early to get a full picture on a wider introduction of the clarified ISAs as the standards have not yet been translated in many jurisdictions, noting that Europe only began its translation activities in 2011. In his view, this might delay the impact of introduction of the ISAs, but he believed that discussion with translating countries who had not been using the ISAs prior to the Clarity Project could be a useful longer-term initiative of the IAASB.</p>	<p>Support has been noted. With regard to Mr. Attolini's comments the Task Force notes that Phase II of the post-implementation review is focused on those who have been using the clarified ISAs for a period sufficient to be able to provide input. The Task Force has acknowledged that there may be more information from those who have not been using the ISAs prior to the Clarity Project, but that this would not necessarily be the objective of this post-implementation review. However, should any stakeholders have input on this it would be valuable to include in the feedback for the IAASB.</p>
<p>Mr. Stewart, whose role at the IASB includes developing post-implementation reviews, suggested the IAASB could make use of quality reviews done by others, such as regulators and firms in other countries, to see what lessons have been learned and understand whether the goals of the clarified ISAs have been achieved. In his view, this was likely to be more efficient than reperforming quality reviews, which can be challenging due to confidentiality and resource issues.</p>	<p>Mr. Grant agreed that the goal is to obtain as much independent input as possible, including self-assessment information from the firms and information from regulators. He explained that in the U.K., and likely Canada and South Africa, audit inspectors are aiming to perform root cause analyses based on their findings, to determine whether there are problems with the auditing standards themselves. Both audit firms (as part of the Forum of Firms) and regulators have been specifically targeted for feedback as part of the post-implementation review.</p>
<p>Mr. Kuramochi noted IOSCO's support for the project as a follow-on from the IAASB's standard-setting activities. He cautioned that the IAASB should be careful not to increase</p>	<p>Support for the project and Mr. Kuramochi's comment have been noted.</p>

Representatives' Comments	Task Force/IAASB Response
the expectations gap by implying that use of the clarified ISAs would lead to a consistent outcome of audits.	
In relation to the question of effectiveness of the clarified ISAs, Mr. Kuramochi raised IOSCO's view that further exploration of whether experts and specialists have been appropriately involved in audits is necessary. It was suggested that, because of the changes in financial reporting frameworks, such expertise is likely needed to enhance audit quality. He was of the view that, while actuaries and other experts may be required to have specific qualifications, this is not necessarily the case for valuation specialists dealing with financial instruments. Mr. Bollman offered the assistance of the International Valuation Standards Council (IVSC) in this regard. He explained that, while there is not an accreditation in place for financial instrument experts, the IVSC's standards are aimed at providing a recognized platform/set of standards for experts to use when valuing financial instruments.	The Task Force has noted that views on all clarified ISAs, including ISA 620 ² , will be accumulated and presented to the IAASB in June 2013. For some CAG Representatives, where relevant, feedback on specific standards such as ISA 620 has been requested.
Mr. Gutterman was of the view that a focus on ISA 620, in particular to ask experts whether they believe they have been utilized appropriately, would be a useful assessment to determine whether effectiveness has improved over time.	The Task Force has noted that views, including on effectiveness of the clarified ISAs, including ISA 620, will be accumulated and presented to the IAASB in June 2013. Where relevant, feedback on specific standards, such as ISA 620, has been requested from specific CAG Representatives.
Mr. Kuramochi also specifically noted ISA 540 ³ should be monitored, due to the increasing use of estimates in financial reporting frameworks.	Mr. Grant agreed, citing current concerns with the financial reporting frameworks, financial instruments and the application of professional skepticism. He hoped that audit inspectors would be able to report on audit inspection findings in relation to estimates in order to assist the IAASB. Where relevant, feedback on specific standards, such as ISA 540, has been requested from specific CAG Representatives.

² ISA 620, *Using the Work of an Auditor's Expert*

³ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

IAASB Interaction with the IAASB CAG

5. There are no substantive new issues being raised for the purposes of the March 2012 IAASB meeting. Accordingly, this report back serves as a status update to the CAG.