

International Auditing and Assurance Standards Board

ISA Implementation Monitoring Project

Phase 2: Approach and Planning Issues

IAASB Meeting, Paris

March 2011



Phase 1: Pre-Implementation Monitoring

- Gathered information from firms and national auditing standard setters – i.e. those implementing the clarified ISAs in line with the IAASB's effective date – on pre-implementation experiences
- The information reflected positive feedback on their experiences, and emphasized some key areas (e.g. audits of group financial statements; application to SMEs; overall importance of implementation planning and preparation)
- A report reflecting the key findings was presented to IAASB in June 2010. IAASB publication of key findings and responses thereto, in October 2010

Phase 2 Post-implementation Review - Timetable

Outline plan
Seek input:
IAASB (March)
NSS, TAC & FoF (April)

Qs1-2 2011

IAASB review and
approval of the plan

June and September 2011

Gather and analyze
information; liaison
activity

2012

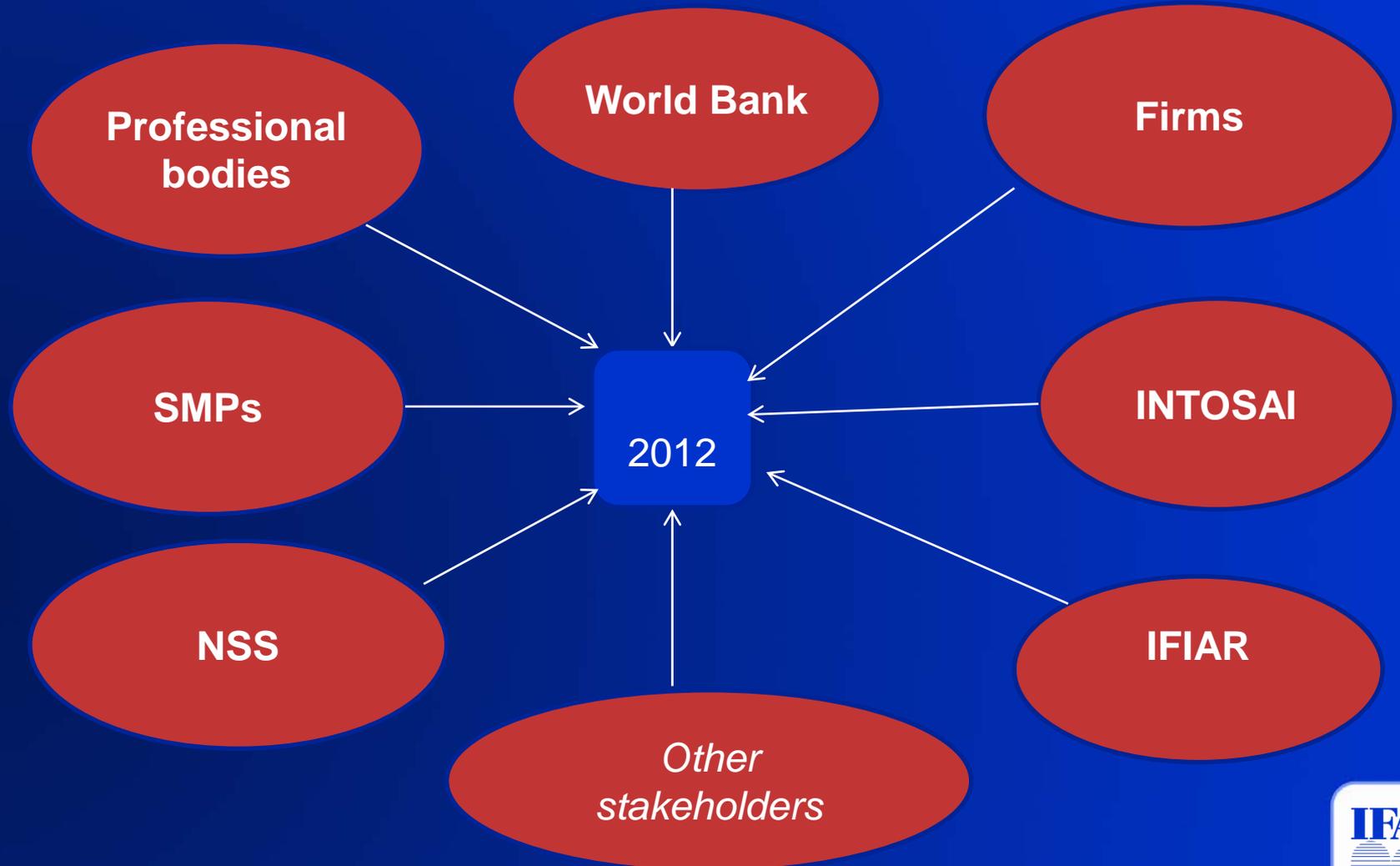
Develop report for
IAASB to be tabled in
June 2013

Qs1-2 2013

Communication with Stakeholders

- Publish approved plan for Phase 2 with objectives and timetable - IAASB clarity website
- All interested stakeholders should be able to contribute information on areas of interest to the objectives of Phase 2
- Task Force to actively engage with a number of stakeholders to obtain information relevant to the objectives of Phase 2 (e.g. through liaison activity in 2012 or other initiatives such as the SMP survey already commenced)

Focus on the Following Stakeholders ...



Objectives

- **IAASB Strategy and Work Program 2009 – 2011**

“... to explore how to assess the effectiveness of implementation of the new standards. ... The IAASB’s efforts will try to determine whether there is any need for further refinements to achieve the intended effect of the new standards.”

- **June 2009**

“To evaluate the consistency in the way that the clarity ISAs are being applied internationally and determine whether action needs to be taken to increase this. If, in the course of the review, issues come to the IAASB’s attention that would help to improve standards, the IAASB will analyze them and determine whether changes to the ISAs would be appropriate in promoting audit quality in the public interest.”

Objectives: IAASB Discussion June 2009

- IAASB's discussion of objectives in 2009 was in the context of IAASB's thinking about the post-implementation review of the clarity ISAs at commencement of the project
- Discussion of whether and how the objectives should address different areas of interest to the IAASB for the post-implementation review (e.g. effectiveness vs. efficiency vs. consistency)
- Since commencement of the project the Task Force's thinking about the objectives has developed further, including on the need to understand whether the clarity ISAs have achieved the IAASB's goals in relation to the revised clarity ISAs
- **Proposed objective (2011) /...**

Objectives (cont'd)

▪ **Proposed objective (2011)**

“To gather information about the use of the clarity ISAs to assist the IAASB to determine what, if any, changes to them may be needed:

- (i) To increase the consistency of practitioners’ understanding of the ISAs, and*
- (ii) For the ISAs to achieve the goals the IAASB set in revising them, in an efficient and effective manner.*

If, in the course of the review, issues come to the IAASB’s attention that would help to improve standards, the IAASB will analyze them and determine whether changes to the ISAs would be appropriate in promoting audit quality in the public interest.”

Effectiveness of Implementation ... what information is sought?

- Quality of Financial Reporting? NO
- Audit Quality? NO
- Scope of the Audit? NO
- Quality of ISAs? **YES**
 - Views on whether the new and revised clarity ISAs have influenced the behavior of auditors in practice as the IAASB intended
 - National “+’s”
 - Responses from SME audits
 - Input from audit inspection activities

Some Examples of Attributes of Interest would be... (preliminary)

- Consistency of understanding of the clarity ISAs:
 - Within a firm
 - Between firms in same country?
 - Between countries?
- Are the requirements clear and understandable? (clarity)
- Is the relationship between the requirements and application material clear

Some Examples of Attributes of Interest ... (cont'd) (preliminary)

Effectiveness of implementation

- Do the objectives assist in (a) determining whether additional procedures are needed, and (b) evaluating whether sufficient appropriate evidence has been obtained?
- Is work effort properly focused on areas of risk? (ISA 315)
- Is the audit of estimates rigorous?
- Is the group auditor appropriately involved in the audit of components?
- Is sufficient work done on related parties?

Some Examples of Attributes of interest ... (cont'd) (preliminary)

Efficiency

- Are there requirements that don't seem necessary to meet the objectives?
- Do the requirements concerning documentation result in an appropriate amount of documentation?

Firms & INTOSAI

Information on: **Effectiveness; Consistency; Efficiency**

Activity:

Gather information about experience of implementing Clarity ISAs

- *Develop questionnaires based on IAASBs objectives when revising recent ISAs*
- *Request feedback from firms about whether*
 - (a) the changes to the ISAs have achieved IAASB's broad objectives in practice;*
 - (b) there were particular difficulties in applying the Clarity ISAs / issues that require attention.*
- *Request Forum of Firm members & INTOSAI to coordinate*

When

- *Target 2011 audits*
- *Questionnaire responses by August 2012*
- *Forum of Firms discussion in April 2011 and October 2012*
- *INTOSAI liaison*

SMPs

Information: Effectiveness; Efficiency	
Activity:	<ul style="list-style-type: none">• Questionnaire surveys for audits undertaken in 2010 – 2011
SMP Surveys of ISAs and ISQC 1	<ul style="list-style-type: none">• Obtain and analyze results obtained - aggregate national summaries in Q4 2012
Who	<ul style="list-style-type: none">• Co-ordination by NSS and professional bodies in national setting• Participating countries (14): Australia; Brazil; Canada; Hong Kong; Hungary; Latvia; Malta; Norway; Netherlands; New Zealand; Singapore; Slovenia; South Africa; UK• Liaison with IFAC SMPC
When	<ul style="list-style-type: none">• Preliminary views Q3 2011• Final questionnaires in Q4 2012• Meeting with IFAC SMPC (Q1 2013?)

Professional Bodies & World Bank

Information on: **Effectiveness; Efficiency; Consistency**

Activity:	<ul style="list-style-type: none">• <i>For those countries where there is an SMP survey ask the PB to provide feedback on application of the clarity ISAs on small cases</i>• <i>Discussion with World Bank from ROSC reviews</i>
Who	<ul style="list-style-type: none">• <i>Professional accountancy bodies in national settings</i>• <i>World Bank</i>
When	<ul style="list-style-type: none">• <i>2012</i>

National Auditing Standard-Setters

Information on: Effectiveness

Activity: Dialogue with IAASB NSS Liaison Group	<i>Obtain information about national modifications (with a focus on ‘pluses’ to the ISAs that go to ‘audit quality’ issues)</i> <i>(a) Dialogue and communicate plan in April 2011 (1st draft of information about national ISA +’s as provided by the individual NSS)</i> <i>(b) Finalize summary of national ISA+’s by April 2012</i>
Who	<ul style="list-style-type: none">• <i>IAASB NSS-Liaison Group</i>
When	<ul style="list-style-type: none">• <i>2011/2012 – gather information; communication</i>

IFIAR – National Audit Inspection Bodies

Information on: Effectiveness

Activity:

Gather Information from audit inspection body reports/ analysis of findings

- *Liaison with Standards Co-ordination Working Group (SCWG)*
- *Input from certain national audit inspection units (e.g. UK; Canada; South Africa; others?) on whether significant failings identified in 2010 and 2011 inspections could have been avoided by changes in ISAs*
- *Obtain broader input at IFIAR plenary session (April 2013)*

When

- *Liaison with SCWG in 2011-2012*
- *Q4 2012 – Discussion and reporting (Task Force)*
- *Discussion in IFIAR plenary session (April 2013)*

Other Stakeholders

Including:

IOSCO; IAIS; Basle; the EC

Activity:

**Communication
about the project
more widely**

- *Discussion within IAASB CAG*
- *Invitation to any other stakeholders to submit comments: Clarity ISA website for ISA Implementation*

When

- *Gather views by Q4 2012.*

Phase 2: Assessing Impact of the Clarity ISAs

Different Information Sources

STAKEHOLDER	ATTRIBUTES OF IMPLEMENTATION OF THE ISAs			
	Effective- ness	Consistency		Efficiency
		Within firms	Between firms	
<i>Firms</i>	√	√		√
<i>INTOSAI</i>	√	√		√
<i>SMPs</i>	√			√
<i>Professional Bodies/World Bank</i>	√	√		√
<i>NSS</i>	√			
<i>IFIAR</i>	√			
<i>Other stakeholders</i>	√	?	?	?

Approach to Analysis of Information/Findings

- Analyze comments using a 3 point scale (critical, important, less important) against various categories in order of priority below:
 1. *effectiveness of implementation*
(incl. compatibility of the ISAs with national laws and regulations)
 2. *consistency of implementation*
 3. *efficiency*
- Expect diverse findings/views from different constituents and segments
- Judgmental approach needed for analysis

Possible Response/Actions – June 2013

- Identify possible response strategies/actions for IAASB to consider
 - Short term – Discussion of critical issues including what can be done to address them (e.g. through FAQs)
 - Medium term – ISA improvements project for less important issues
 - Longer term – Need for amendment of individual ISAs for larger issues (June 2013)
- Strategy implications for 2015-2017?

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



Views?

- Objective and approach, including coverage of the IAASB's goals for the clarity ISAs?
- Timing? 2012, but with annual reviews at the IAASB National Auditing Standard Setters Liaison Group meetings?
- Process for finalizing the plan – need for further consultation? incl. PIOB?