

ISA Implementation Monitoring

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IAASB Meeting, New York
18 September, 2012

Agenda

- Objectives
- Current Status of ISA Implementation Monitoring Project
- Results from Part One of the SMP Survey
- Preliminary Results from Audit Committees Survey
- Next Steps

Objectives of Project

- To determine whether there is any need for further refinement of clarified ISAs
 - In order to increase consistency of practitioners understanding of the ISAs
 - For revised ISAs covered by the review to achieve IAASB's goals in revising them
- Project undertaken in two phases:
 - Phase I : obtaining pre-implementation information on experiences in introducing the clarified ISAs (undertaken in 2009 and 2010)
 - Phase II: Post-implementation review (plan approved September 2011, information gathered in 2012, findings collated first half of 2013)

Current Status of ISA Implementation Monitoring Project

- Post-Implementation Plan released October 2011
 - Information in the process of being gathered in 2012
 - Deadline is **31 October 2012** (some responses may come later)
 - Information to be collated and preliminary findings expected to be presented to IAASB at April 2013 meeting
 - Final findings expected to be presented to IAASB at June 2013 and will feed into the IAASB Strategy and Work Program 2015—2017
- Targeted approach
 - Stakeholder groups with direct involvement in audit process
 - Firms – through Forum of Firms (all but 1 of 23 full members have agreed to provide input)
 - National Standard Setters (Audit Committees survey and “plusses and minuses”)
 - Audit Inspection Groups – IFIAR and EAIG
 - Other – Discussions with CAG representatives

ISA Implementation Monitoring – SMP Survey (Part One) Results

- Part One : Initial reactions for first year adoption of clarified ISAs on SME's
- Responses from : Australia, Canada, Hong Kong, Malta, Netherlands, New Zealand, Singapore, Slovenia, South Africa and UK
 - 82 SME's across broad range of industries participating;
 - Revenue:
 - Greater than \$200 million – 1
 - Between \$100 million and \$200 million – 8
 - Between \$20 million and \$100 million – 22
 - Between \$10 million and \$20 million – 21
 - Between \$1 million and \$10 million – 23
 - Below \$1 million – 7

ISA Implementation Monitoring – SMP Survey (Part Two)

- Part Two : More detailed responses
 - NSS to summarize before sending to IAASB to get jurisdiction view
 - Possibly may also include Hungary and Brazil

ISA Implementation Monitoring – SMP Survey (Part One) : Initial Reactions

- Within countries there were variations of views; majority supportive, some less supportive
- Positives:
 - Changes welcome by many
 - Format of clarified ISAs better and easier to understand
 - Better planning, helps focus audit, improved quality of audits
 - Better communication with those charged with governance
- Negatives
 - High “year one” costs in terms of training and changes to methodologies / audit working papers
 - More time to complete an audit (some noted additional fees)
 - Increased documentation adding to costs
 - Still not enough emphasis on audit of SME’s, more guidance needed

Audit Committee (AC) Survey

- To specifically address ISA 260 and ISA 265
- Sent to IAASB-NSS:
 - Full implementation of ISAs for a longer period
 - Australia, Brazil, The Netherlands, and South Africa agreed to assist
- Example questions provided
- Total of (43) companies participated
 - Listed (31) (Turnover \$31.6 million - \$73.2 billion; Assets \$2.1 million - \$132 billion)
 - Large private entities (2) (Turnover \$60 million - \$511 million)
 - Public sector entities (4) (Turnover \$440 million - \$10.5 billion; Assets \$2.094 million - \$17.5 billion)
 - Public non-listed (3) (Turnover \$94 million - \$243 million; Assets \$2.4 billion - \$3.7 billion)
 - Not-for-profit entities (3) (Turnover \$0.632 million - \$1.73 billion; Assets \$3.3 million and \$21 million)

Audit Committee Survey- Findings

- No significant findings which would require changes to ISA 260 or ISA 265
 - Survey findings only: may still have changes arising from other input to the project, or from other standard setters changes (e.g., UK)
- Most AC meet 4-6 times per year, a few meet 3 times, a few 8-10 times
- Auditors' responsibilities adequately communicated (consistent across all categories of respondent)
- Communication about planned scope and timing sufficient; information useful (consistent across all categories of participants)

Audit Committee Survey- Findings

- Information about significant findings communicated in all cases where relevant, comments (where made) ranged from adequate to useful, a few said not useful as they already knew the information; all noted communication was on a timely basis
- A few (3 listed, 2 public sector) were not satisfied with the level that weaknesses in internal control were reported
 - Minor matters ‘over-reported’ (public sector entities)
 - Level reported at was too high (i.e. not enough reported) (listed entities)

Audit Committee Survey- Findings

- Other comments regarding communications from external auditor
 - Potential for prior year adjustments not reported in a timely manner (listed)
 - Distinction between significant and less significant matters not made, with the result that significant matters not reported urgently enough (listed)

Next Steps

- Deadline is 31 October
- TF Chair and Staff to collate findings in Nov and Dec 2012
- Task Force meetings Jan and Feb 2013 to discuss main issues identified and prioritization
- Preliminary findings presented to:
 - IAASB-CAG at April 2013 meeting
 - IAASB at April 2013 meeting
 - IAASB-NSS at May 2013 meeting