

ISA Implementation Monitoring Update

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Agenda

- Overview of respondents and their comments
- Summary of general comments
- Preliminary main findings on individual ISAs
- Does not include comments on SMP's or SME Audits
- More work on 'pluses and minuses'

Responses Received

Profession		External	
Firms	12	Inspection bodies*	6
Public sector	4	Other regulators	1
Professional bodies	7		
Total	23	Total	7

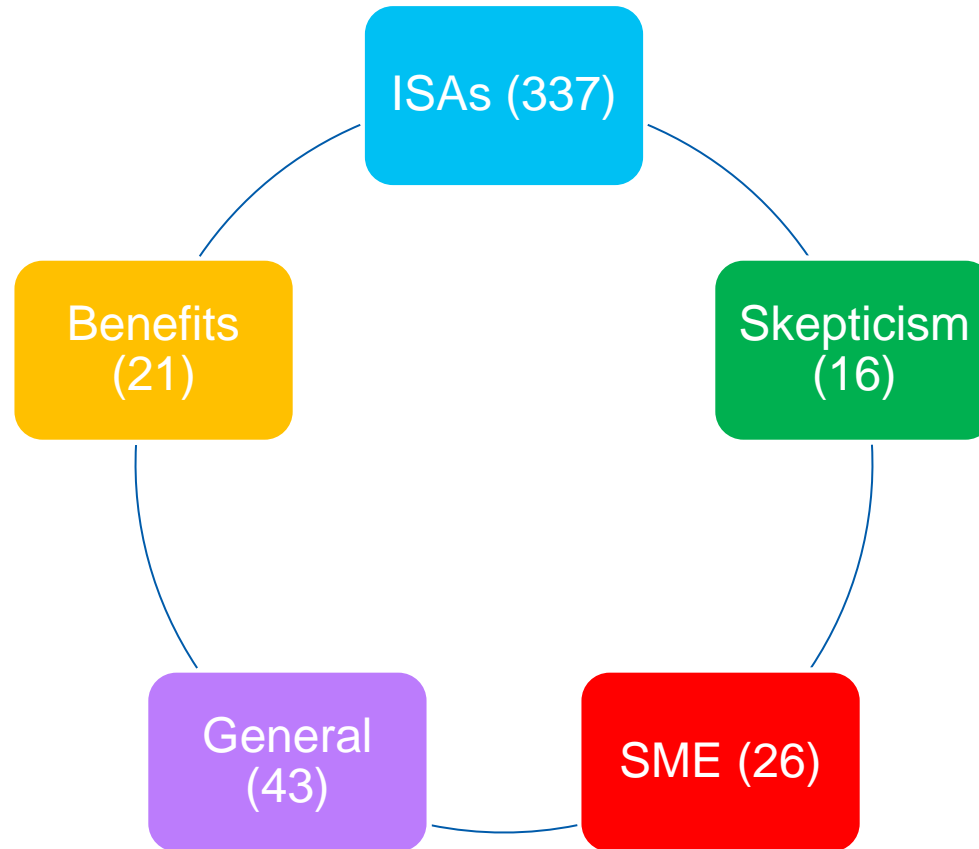
*Two letters included here are joint inspection body / national auditing standard setter submissions.

Number of comments

Profession			External		
	<i>No</i>	<i>Ave per respondent</i>		<i>No</i>	<i>Ave per respondent</i>
Firms	139	12	Inspection bodies*	145	24
Public sector	39	10	Other regulators	7	7
Professional bodies	113	16			
Total	291	13	Total	152	22

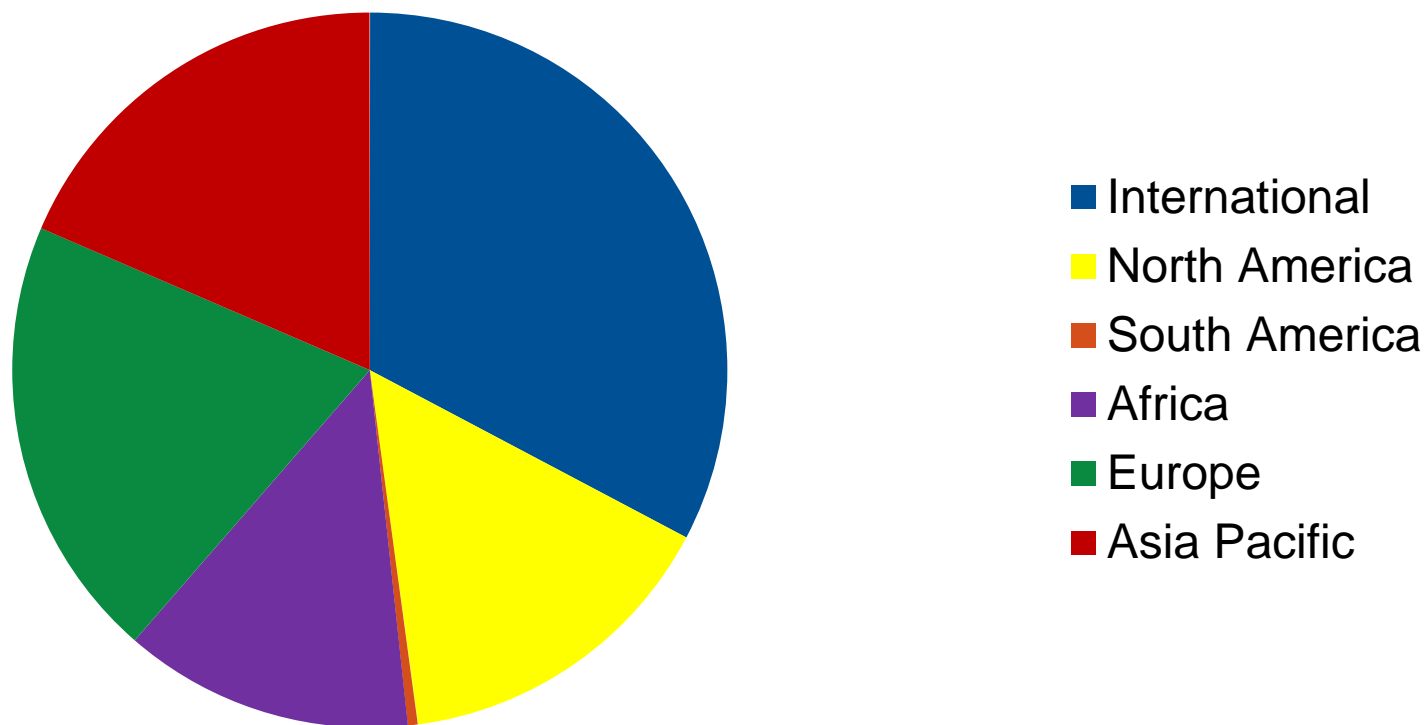
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Breakdown of Comments



Comments Received by Region

Region



Geographical Breakdown

	No of Letters	No of comments	Average
International	12	145	12
North America	3	67	22
South America	1	2	2
Africa	2	58	29
Europe	5	89	18
Asia Pacific	7	82	12
	30	443	15

General Comments – Initial View

- IAASB had generally achieved goals in revising the ISAs
- Many thought the clarified ISAs were clear and understandable
 - Improvement on ISAs that preceded them
- Some had the view that clarified ISAs helped auditors better focus on risk areas
- General consistency within audit firms
 - Consistency within countries influenced by national implementation efforts
 - Consistency between countries influenced by stage of development / translation
- Implementation support needed (not necessarily from IAASB)

General Comments – Initial View

- Differing views on principles versus rules
- Mixed views on separation of requirements from application material
- Support for concept of adding in an objective for each standard but some question their value in practice
- Some emphasized the importance of a stable platform – continuing use will improve AQ over time
- Updates needed to standards not recently revised for evolving changes in business environment

Skepticism – Initial View

- Comments across all stakeholders – pervasive issue
- Application of professional skepticism needs to be reinforced
- Specific standards highlighted
 - ISA 200
 - ISA 220/ISQC 1
 - ISA 315
 - ISA 240
 - ISA 540
 - ISA 600

Comments by ISA (1) (preliminary view)

Profession				External			
<i>ISQC 1</i>	<i>ISA 200</i>	<i>ISA 210</i>	<i>ISA 220</i>	<i>ISA 230</i>	<i>ISA 240</i>	<i>ISA 250</i>	<i>ISA 260</i>
4	4	3	5	3	9	1	3
6	2	0	15	0	8	1	2
10	6	3	20	3	17	2	5
<i>ISA 265</i>	<i>ISA 300</i>	<i>ISA 315</i>	<i>ISA 320</i>	<i>ISA 330</i>	<i>ISA 402</i>	<i>ISA 450</i>	<i>ISA 500</i>
1	2	33	13	6	6	4	1
0	0	10	9	3	3	4	2
1	2	43	21	9	9	8	3

Comments by ISA (2) (preliminary view)

Profession				External			
<i>ISA 501</i>	<i>ISA 505</i>	<i>ISA 520</i>	<i>ISA 530</i>	<i>ISA 540</i>	<i>ISA 550</i>	<i>ISA 560</i>	<i>ISA 570</i>
2	3	3	0	9	6	1	4
0	0	3	4	9	0	0	1
2	3	6	4	18	6	1	5
<i>ISA 580</i>	<i>ISA 600</i>	<i>ISA 620</i>	<i>ISA 700</i>	<i>ISA 710</i>	<i>ISA 800</i>	<i>ISA 805</i>	<i>ISA 810</i>
3	51	5	5	6	1	4	2
1	37	15	0	0	1	0	0
4	88	20	5	6	1	4	2

Prioritization Using Preliminary Criteria

- 336 comments  99 themes

Themes Organized

Key	There is a body of evidence to suggest that the ISA is not being applied as IAASB might have expected and that changes to the requirements are likely to lead to improvements in audit quality.	6
Important	There is some evidence that changes to the requirements or guidance in an ISA may improve audit quality or the consistency in the way the ISA is applied.	10
Less Important	A small number of respondents suggest changes to the ISA that may have merit.	26
Isolated	Only one respondent making an observation	57

ISAs Identified with Key Issues (Preliminary views)

- Skepticism
- ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)
 - Adequate involvement of the group auditor
 - Component materiality
- ISA 315, Identifying and Assessing the Risks of Material Misstatements through Understanding the Entity and its Environment
 - Controls relevant to the audit
 - Identification of significant risks
- ISA 220, Quality Control for an Audit of Financial Statements
 - EQCR, including consequential amendments to ISQC 1

ISAs Identified with Important Issues (Preliminary Views) (1)

- ISA 600
 - Scope of ISA 600 (Equity investments, letterbox audits, ‘fund of funds’)
 - Work effort by the component auditors
 - Definitions
- ISA 315
 - Risk assessment
 - Risks arising from IT
 - Organization of the standard
- ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of financial Statements*
 - Presumed risks of material misstatement in revenue recognition

ISAs Identified with Important Issues (Preliminary Views) (2)

- *ISA 320, Materiality in Planning and Performing an Audit*
 - Determination of materiality and performance materiality, including specific materiality
- *ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
 - *Interaction between ISA 315 and ISA 540*
- *ISA 620, Using the Work of an Auditor's Expert*
 - Work performed by the auditor on the expert's work

Process to Finalization

- Summary paper
 - Expected level of detail?
- Steering Committee paper
 - Priority ISAs to revise?
 - Additional guidance – from whom?
 - Other implementation support activities?
 - Need for an improvements project?
- IAASB access to detailed responses?

Next Steps

- Task Force to meet Feb 2013
- Further outreach (IOSCO – Feb 2013)
- Preparation of preliminary report
 - Discussed with IAASB CAG in April 2103 (posting 19 March)
 - Discussed with IAASB in April 2013
 - Discussed with NSS in May 2013
- IAASB approval of final report at June 2013 IAASB meeting
- Recommendations to Steering Committee

IAASB

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