

Meeting: IAASB
Meeting Location: Paris
Meeting Date: March 14-18, 2011

Agenda Item

6

ISA Implementation Monitoring Project

Objective of Agenda Item

1. To receive a presentation from Mr. Grant about the IAASB Task Force's preliminary thinking for the planning of Phase 2 of the ISA Implementation Monitoring project, and to receive comments from the IAASB thereon.

IAASB Task Force

- Jon Grant, Chair, IAASB Member
- Phil Cowperthwaite, IAASB Member
- Dan Montgomery, IAASB Member
- Tomokazu Sekiguchi, IAASB Member (assisted by Sachiko Kai)
- Abdullah Yusuf, IAASB Member.

Background and Activities to Date

2. The IAASB's briefly discussed Phase 2 of the ISA Implementation Monitoring project at the commencement of the project in June 2009. For reference, the relevant extract from the minutes of the June 2009 IAASB meeting are included in the Appendix to this agenda item.
3. The Task Force held a physical meeting in November 2010 and a teleconference in March 2011 to further develop its thinking about what the detailed plan for Phase 2 should address.

Material Presented

Mr. Grant's presentation will be made available as a handout at the meeting.

Action Requested

The IAASB is asked to provide comment to the Task Force on its preliminary planning for Phase 2.

Appendix

Extract from the minutes of the IAASB's meeting held on 15-19th June, 2009

[Note: The annotations indicating **Phase 1** and **Phase 2** below have been added for ease of reference]

8. Clarity ISA Implementation Monitoring

Prof. Schilder welcomed Sir Bryan Nicholson, attending on behalf of the PIOB for the rest of the meeting. Mr. Grant introduced the topic, noting that the objectives of this project should be distinguished from the various other activities that are being undertaken to support and also oversee or enforce the implementation of the ISAs at international and national levels, including initiatives undertaken by national professional bodies or national regulators or oversight bodies.

Mr. Grant explained the Task Force's recommendation to apply a two-phase approach, the first stage of the project having a focus on monitoring the implementation process to gather information about the implementation of the ISAs while it's happening, and the second phase being consideration of the design and process for a post-implementation review of the ISAs.

The IAASB agreed the revised terms of reference for the Task Force set out in Appendix 2 of the agenda material for this item. Also, except as set out below, the IAASB agreed the recommendations of the Task Force as set out in the agenda material in relation to the overall approach for this project, and the two-phase approach.

IMPLEMENTATION MONITORING **[PHASE 1]**

Mr. Grant explained that the Task Force believes an iterative approach is needed, especially in view of the fact that countries will have different implementation timelines, and whereas some will be well progressed through the different phases of implementation in 2010 and 2011, other countries may only be in preliminary stages.

A number of IAASB members pointed to the need for implementation assistance and resources to help facilitate the design of quality into the adoption and implementation process while implementation is in progress. Mr. Sylph commented on the resources that IFAC is making available to support the implementation by IFAC member bodies of all the standards issued by IFAC's audit, ethics, education and public sector accounting Boards. He also noted that there are limits to what IFAC can achieve within its resources.

A few IAASB members commented on aspects of the draft questionnaires that were tabled as part of the agenda material. The Task Force agreed to look again at these before they are finalized.

POST-IMPLEMENTATION EFFECTIVENESS REVIEW **[PHASE 2]**

Mr. Grant described the challenges of designing a process for carrying out an effectiveness review of the ISAs, especially well in advance of the timeframe in which such a review can appropriately be carried out (i.e., post-implementation). Based on inputs to the Task Force's

thinking to date, the earliest timing for such a review in many countries would be 2012 and for many other countries 2013 or later.

Some IAASB members expressed the belief that answers to questions about the objectives and design of the review are not sufficiently clear at the present time, and that there should be consultation with the IAASB's key stakeholders on those. Mr. Sylph noted that some of the more detailed aspects of how a review might be performed can possibly be better answered when implementation has progressed further. Prof. Schilder noted that it is an important public interest consideration that the IAASB is consulting on and planning activities for a post-implementation review at an early stage, on a proactive basis, even if the objectives and the design and process of such a review can only be considered on a preliminary basis at this stage.

A number of IAASB members expressed the view that in doing the review the effectiveness of the implementation of the ISAs should be assessed looking at the ISAs as a totality, rather than by looking at the implementation of individual ISAs or groups of ISAs. On the other hand, other members suggested that the review might possibly be more appropriately designed as an ongoing process linked to continuous improvement of the ISAs, rather than as a once-off review.

Some IAASB members expressed concern that the Board's public communications concerning its intention to undertake a post-implementation review should not give rise to an impression that the IAASB expects to issue a public report on its assessment of the effectiveness of the ISAs and their implementation. Furthermore, a few IAASB members also highlighted the importance of avoiding creating unwarranted expectations among users of the ISAs about what the IAASB might do following completion of a post-implementation review. Mr. Gunn supported these cautions, noting that the Task Force's work in phase 2 of the project is to be understood in the context of future input to its strategy and work program reviews - that is, rather than trying to gather information about effectiveness on an ad hoc basis, it would be beneficial to develop a systematic process to obtain such inputs from relevant groups. This could then provide the Board with important input when it begins thinking about its next round of future strategy consultations.

Prof. Schilder thanked Mr. Grant and the Task Force for the work done to so far to assist the Board's strategic thinking on the question of how an effective and useful post-implementation review might be undertaken for the ISAs. Prof. Schilder asked the Task Force to report back on progress at the IAASB's December 2009 meeting.