# IAASB

## INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

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| | | **Agenda Item** |
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| **Meeting:** | IAASB | **5** |
| **Meeting Location:** | New York | |
| **Meeting Date:** | June 20-23, 2011 | |

## ISA Implementation Monitoring

### Objective of Agenda Item

1. To consider the draft IAASB plan for a post-implementation review of the clarified ISAs in the light of feedback obtained from key stakeholders.

### IAASB Task Force

2. Members:

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

### Background

3. The main discussions and meetings with stakeholder groups undertaken in the ISA Implementation Monitoring project to date are summarized in the Appendix to **Agenda Item 5-A.**

4. It was agreed at the March 2011 IAASB meeting that the Task Force would seek approval of the plan for a post-implementation review of the clarified ISAs at the September 2011 IAASB meeting. The draft plan is set out in Agenda Item 5-A.

5. It was also agreed at that meeting that it would not be necessary for the IAASB to formally consult on the plan although informal dialogue with stakeholders would continue.

### Activities to Date

6. Since the March 2011 IAASB meeting there has been discussion with:

- The National Auditing Standard Setters (NSS)
- The Forum of Firms
- The International Forum of Independent Audit Regulator's (IFIAR) Standards Co-ordination Working Group (SCWG).

- The World Bank

7. The Task Force met by teleconference in May to consider the draft plan and stakeholder feedback thereon.

**Matters for IAASB Consideration**

8. The draft plan for the post-implementation review of the clarity ISAs set out in Agenda Item 5-A has the following main features.

(a) **Section II: The objective** of the post-implementation review. Being clear as to the objective of the post-implementation review is fundamental as this will drive the process. It will also influence the nature and extent of comments received and hence the likely extent of the IAASB's future work in responding to those comments.

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**Matters for IAASB Consideration**

1. Does the IAASB agree with the proposed objective for the post-implementation review? Does the IAASB agree that the review should cover the clarified ISAs that were revised as well as other "recently revised" ISAs?

2. Does the IAASB agree with the attributes described in the draft plan? Is a greater level of detail or specificity needed for the attributes? Would additional detail, for example about main goals of the revised ISAs, be necessary (see Appendix 1 of Agenda Item 5-A where main goals are shown, for illustration, for selected ISAs)?

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(b) **Section II: The timing** of the review. In particular, it is suggested in paragraph 19 of the plan that implementation issues should be a standing agenda item for the annual meeting with the IAASB's annual meeting with the National Auditing Standard Setters (NSS). This will allow for consideration of issues identified by countries adopting the clarified ISAs after the effective date established by the IAASB.

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**Matter for IAASB Consideration**

3. Does the IAASB agree with the proposed timing of the review?

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(c) **Section IV: The approach** to be followed for the review and the analysis of information obtained.

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**Matter for IAASB Consideration**

4. Does the IAASB believe there would be value in further developing, at this stage, its likely process for dealing with information and comments received from the review?

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**Material Presented**

Agenda Item 5-A         Proposed ISA Post-Implementation Review Plan

**Action Requested**

The IAASB is asked to consider the draft proposed ISA Post-Implementation Review Plan presented in **Agenda Item 5-A,** and to provide input on the plan to the Task Force.

**Appendix**

## ISA Implementation Monitoring Project—Main Discussions and Meetings with Stakeholder Groups and Other Activities (2008– March 2011)

| 2008 | |
|---|---|
| **Dec** | **IAASB** – Discussed objectives for an effectiveness review of the clarified ISAs. |
| **2009** | |
| **April** | **NSS** – Discussion and support for Phase 1 (gathering information about the NSS countries' pre-implementation experiences) and Phase 2 (reviewing whether the clarified ISAs are achieving their intended objectives) <br><br> • Participants noted that different user groups would have different views on what the objectives of post-implementation monitoring should be |
| **June** | **IAASB** – Discussed scope and directional matters, and agreed to: <br><br> • Proceed with Phase 1 <br><br> • Tentative support for carrying out Phase 2 in 2012/2013 although noting that not all countries will be using the clarified ISAs at that time <br><br> • Favoured focussing on consistency but noted the need for more consultation with stakeholders about objectives and design of Phase 2 <br><br> • Concern about IAASB being seen as concluding on the "effectiveness" of the ISAs |
| **June** | IAASB Clarity website expanded to include an area devoted to communicating with IAASB stakeholders on matters relating to ISA Implementation Monitoring (web.ifac.org/clarity-center/isa-implementation-monitoring) |
| **September** | **IAASB CAG** – Discussed and provided views for consideration. <br><br> • Views on Phase 2 influenced by uncertainties about future events and questions asked about the value of developing an overly structured approach <br><br> • Several CAG representatives thought more emphasis was needed on evaluating effectiveness <br><br> • Several representatives thought we needed to evaluate whether ISAs are sufficiently "scalable" for small audits <br><br> • The importance of the link with IFIAR was emphasised |

| 2010 | |
|---|---|
| **June** | **NSS** – Discussed status report on Phase 1 |
| **June** | **IAASB** – Received a report on the results obtained from Phase 1, and agreed:<br><br>• To publish a report highlighting the key findings from Phase 1<br><br>• To plan the design of and the process for Phase 2 of the project in the second half of 2010 and first half of 2011<br><br>• To undertake a separate survey of SMEs |
| **October** | • Published project progress report, [Implementation of the Clarified International Standards on Auditing (ISAs)](), highlighting key findings from Phase 1<br><br>• SME survey commenced with 14 countries invited to participate |

| 2011 | |
|---|---|
| **March** | **IAASB** – Discussion of preliminary plan for Phase 2:<br><br>• Supported the overall direction of the plan and suggested further discussion with NSS and the Forum of Firms<br><br>• Concluded that it would not be necessary to consult formally on the details of the plan<br><br>• Asked for consideration to be given to obtaining information direct from users – especially audit committees<br><br>• Suggested consideration of the legal status of ISAs<br><br>• Recognised that analysis of the results would be judgemental, and that it will be difficult to establish benchmarks in advance to evaluate information that will be obtained from the review. |