

-Meeting: IAASB
Meeting Location: Beijing
Meeting Date: September 19-23, 2011

Agenda Item

6

ISA Implementation Monitoring

Objective of Agenda Item

1. To consider and approve the proposed plan for the post-implementation review of the clarified ISAs.

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 this Paper.
4. The IAASB discussed the draft plan at its meeting in June 2011, and the Task Force subsequently amended the plan to reflect the IAASB's comments from that discussion.
5. The proposed plan is set out in Agenda Item 6-A.

Activities to Date

6. The Task Force made amendments to the draft plan discussed at the June IAASB meeting to address the following matters as requested by the IAASB:
 - Include in the scope of the review: ISA 210¹ (in respect of the changes made consequent to the revision of ISA 580²); ISA 500³ (in respect of the changes made

¹ ISA 210, *Agreeing the Terms of Audit Engagements*

² ISA 580, *Written Representations*

³ ISA 500, *Audit Evidence*

consequent to the revision of ISA 620⁴) and also the reporting ISAs (700⁵ - except as it relates to the need to change the form, content and structure of the standard auditor's report, 705⁶ and 706⁷) which will be considered as a group.

- Expand the key attributes of interest to the IAASB in undertaking the review to also address whether the new structure of the clarified ISAs is helpful in promoting understanding of the requirements contained in the ISAs.
 - Use of the word “goals” rather than “objectives” consistently through the document to promote clarity when referring to the IAASB's goals in revising the ISAs covered by the review, in contrast with the objectives of the post-implementation review.
 - Include, as appendix material to the plan, a list of the IAASB's main goals in revising the ISAs covered by the review.
7. In line with the IAASB's request, the Task Force Chair will present the background to development of the plan and its main features to the IAASB Consultative Advisory Group (CAG) at its meeting in September 2011.

Matters for the IAASB Consideration

The IAASB's Goals in Revising the Clarified ISAs

8. It was agreed that it would be helpful information, for those who are providing feedback to the IAASB, for the review if there is an available summary of the IAASB's main goals in revising the ISAs covered by the review.

Staff, in conjunction with a number of Board members, have prepared a list of the main goals as shown in Appendix 2 of Agenda Item 6-A. The list reflects only the IAASB's main goals in revising the ISAs covered by the review, and is not intended to be an exhaustive list of all the IAASB's goals in undertaking those revisions.

Matters for IAASB Consideration

1. Does the IAASB agree that, taken together:
- (a) The key attributes in Table 1 in Agenda Item 6-A; and
 - (b) The IAASB's goals listed in Appendix 2 in Agenda Item 6-A
- provide adequate background information for stakeholders in providing their feedback to the IAASB about the clarified ISAs for the post-implementation review?

⁴ ISA 620, *Using the Work of an Auditor's Expert*

⁵ ISA 700, *Forming an Opinion and Reporting on Financial Statements*

⁶ ISA 705, *Modifications to the Opinion in the Independent Auditor's Report*

⁷ ISA 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

Proposed Approach for Stakeholder Consultation

9. At its June 2011 meeting the IAASB expressed support for the intended approach that would accommodate the ability to receive wide stakeholder feedback, and encourage and welcome feedback from all stakeholders for the purpose of the review.
10. The IAASB acknowledged, however, that the focus of the plan would be on seeking specific feedback from stakeholder groups that have direct involvement with the audit process (i.e., audit firms (large and small), public sector auditing bodies, professional bodies, national auditing standard setters and national audit inspection groups, and audit committees (in respect of auditor communications)). The IAASB also suggested that the CAG Representatives should be asked for their views on whether more needed to be done to achieve a balanced range of information and stakeholder feedback.
11. The Task Force Chair will therefore also seek the views of the CAG Representatives on this matter at the September 2011 CAG meeting.

Matter for IAASB Consideration

2. Does the IAASB believe the intended approach outlined in the proposed plan in Agenda Item 6-A will be adequate for obtaining a balanced range of information and stakeholder feedback?

Material Presented

Agenda Item 6-A [Proposed] IAASB Plan for the Post-Implementation Review of the Clarified International Standards on Auditing

Action Requested

The IAASB is asked to consider and approve the proposed plan for the post-implementation review presented in **Agenda Item 6-A**.

Appendix

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

2008	
Dec	IAASB – Discussed objectives for an effectiveness review of the clarified ISAs.
2009	
March	IAASB CAG – Briefed on the project by the IAASB Technical Director. Representatives advised on obtaining an understanding the International Accounting Standards Board’s thinking on undertaking post-implementation reviews.
April	<p>National Auditing Standard Setters (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 the IAASB’s goals, for those ISAs that were revised):</p> <ul style="list-style-type: none"> Participants noted that different user groups would have different views on what the objectives of post-implementation review should be
June	<p>IAASB – Discussed scope and directional matters, and agreed to:</p> <ul style="list-style-type: none"> Proceed with Phase 1 Tentative support for carrying out Phase 2 in 2012/2013 although noted that not all countries will be using the clarified ISAs at that time Favored focussing on consistency but noted the need for more consultation with stakeholders about objectives and design of Phase 2 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	<p>IAASB CAG – Discussed and provided views for consideration.</p> <ul style="list-style-type: none"> Views on Phase 2 were influenced by uncertainties about future events and questions asked about the value of developing an overly structured approach Several CAG representatives thought more emphasis was needed on evaluating effectiveness Several representatives thought the IAASB needed to evaluate whether ISAs

ISA Implementation Monitoring
IAASB Main Agenda (September 2011)

	<p>are sufficiently “scalable” for small audits</p> <ul style="list-style-type: none"> The importance of the link with the International Forum of Independent Audit Regulators (IFIAR) was emphasized
October	Presentation to the IFAC Small and Medium Practices (SMP) Committee on the broad project plan and approach, including regarding the participation of SMPs in the review.
	Presentation to the International Organisation of Supreme Audit Institutions (INTOSAI)
2010	
March	Presentation to the Forum of Firms and the IFAC SMP Committee on the preliminary findings of Phase 1
June	NSS – Discussed status report on Phase 1
	<p>IAASB – Received a report on the results obtained from Phase 1, and agreed to:</p> <ul style="list-style-type: none"> Publish a report highlighting the key findings from Phase 1; Plan the design of and the process for Phase 2 of the project in the second half of 2010 and first half of 2011; and Undertake a separate survey of small and medium-sized practices (SMPs)
September	Presentation to the IFIAR and discussion about how IFIAR might contribute to the IAASB’s review. Extent of IAASB review of inspection reports discussed.
October	<ul style="list-style-type: none"> Published project progress report, Implementation of the Clarified International Standards on Auditing (ISAs), highlighting key findings from Phase 1 SMP survey commenced with 14 countries invited to participate (13 countries are confirmed participants)
2011	
March	<p>IAASB – Discussed the preliminary plan for Phase 2:</p> <ul style="list-style-type: none"> Supported the overall direction of the plan and suggested further discussion with NSS and the Forum of Firms Concluded that it would not be necessary to consult formally on the details of the plan Asked for consideration to be given to obtaining information directly from users – especially audit committees Suggested consideration of the legal status of ISAs Recognized that analysis of the results would be judgmental, and that it will

	be difficult to establish benchmarks in advance to evaluate information that will be obtained from the review.
April	Presentation to the Forum of Firms
	Discussion with IFIAR's Standards Co-ordination Working Group (SCWG)
	<p>NSS – Considered the draft plan for Phase 2:</p> <ul style="list-style-type: none"> • Suggested that NSS can play a role in obtaining feedback from national market regulators, including the national audit regulators. • Recognized that the objectives of the review need to be narrowly defined, or else the project's purpose would not be distinguishable from the IAASB's consultation on its future strategy. • Asked that the review cover as many of the revised ISAs as possible, including those that were recently revised ahead of the Clarity Project.
May	Discussion with the World Bank
June	Presentation to the European Audit Inspection Group (EAIG)
	Discussion with the International Organization of Securities Commissions (IOSCO) Auditing Sub-Committee
	<p>IAASB – Considered, and provided feedback on the draft plan for Phase 2:</p> <ul style="list-style-type: none"> • Recognized need for consultation with the IAASB CAG to obtain the Representatives' views about whether more needs to be done to achieve a good balance of feedback for the review, from (a) the "target audience" of the review – i.e., those stakeholders who use the ISAs (practitioners and firms) and those most directly involved with the audit process (such as audit committees, in the case of ISAs 260⁸ and 265⁹) and (b) other stakeholders that might be interested in providing feedback to the IAASB for the review (e.g., regulators and other stakeholders beyond the primary target audience).

⁸ ISA 260, *Communication with Those Charged with Governance*

⁹ ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*