

IAASB

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

International Auditing and Assurance Standards: Implementation Challenges and Success Factors

Prof. Arnold Schilder, IAASB Chairman

CReCER Open Event

Buenos Aires, 30 June 2011

Agenda

- Adoption of ISAs: Globally Supported
- Implementation Challenges:
 - Translations
 - SME Audits, Reviews and Compilations
- Enhancing Relevance

Adoption of ISAs: Globally Supported

Where Are We Now?

Expressed support for Clarified ISAs:

- Intern'l Organization of Securities Commissions (IOSCO)
- Basel Committee on Banking Supervision
- Financial Stability Board
- UN Conference on Trade and Development (UNCTAD)
- World Bank
- World Federation of Exchanges

Other uses of Clarified ISAs globally:

- INTOSAI Congress (INCOSAI) through International Standards of Supreme Audit Institutions (ISSAIs)
- Top 22 global auditing networks' methodologies align

Adoption of ISAs: Globally Supported

Where Are We Now?

Countries Using Clarified ISAs already, or Committed to Using them in the near future:

Americas: Brazil, Bahamas, Barbados, Canada, Cayman Islands, Costa Rica, Guyana, Jamaica, Mexico, Nicaragua, Panama, Trinidad and Tobago, Uruguay, USA (private companies), Puerto Rico (private companies)

Europe: Albania, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Georgia, Greece, Hungary, Iceland, Ireland, Kosovo, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Serbia, Slovakia, Slovenia, Sweden, Switzerland, Turkey, United Kingdom

Asia/ Pacific: Australia, Bangladesh, China, Hong Kong, India, Japan, Kazakhstan, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka

Africa/ Middle East: Botswana, Kenya, Lebanon, Lesotho, Malawi, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Tunisia, Uganda, United Arab Emirates (Abu Dhabi and Dubai), Zambia, Zimbabwe

Clarified ISAs

- Principles-based and emphasize the use of professional judgment and professional skepticism
- More robust featuring strengthened requirements:
 - Risk assessment (e.g., estimates; related parties)
 - Materiality and its use in evaluating misstatements
 - Audit evidence (e.g., confirmations; representations)
 - Using the work of others (e.g., group audits; experts)
 - Auditor reporting and communications (including with those charged with governance)

Key Success Factors

- Effective implementation key to realizing full benefits
- Important to fully adopt ISAs including relevant pronouncements, ISQC 1, Code of Ethics for Professional Accountants
- Practical implementation challenges not underestimated
 - Education/training; audit methodologies; monitoring and enforcement
- Focus areas:
 - Translations
 - Small & Medium Entities/Small & Medium Practitioners

Translations

- Importance of Clarity ISA translation process
- Spanish translation of the IAASB Handbook
 - Unprecedented co-operation between Spanish profession, the Latin American profession and IFAC
- Portuguese translation of the IAASB Handbook
 - Brazil – 2010 audits of listed companies, financial institutions and large entities conducted in accordance with clarified ISAs. For small and medium-sized entities, clarified ISAs will be required for 2012 year-end

Proportionality of ISAs for SME/SMPs

- Q&A, *Applying ISAs Proportionately with the Size and Complexity of the Entity*—Clarity ISAs recognize specificity of SME audits
 - Audit approaches may vary with circumstances
- How do ISAs demonstrate proportionality?
 - Through the requirements e.g.:
 - Importance of professional judgment e.g., in determining nature and extent of work effort
 - No disproportionate documentation burdens
 - Through application material
 - Considerations specific to smaller entities

Implementation of Clarified ISAs

- IAASB clarity center: www.iaasb.org/claritycenter
- IFAC SMP Committee's Guides to Quality Control for Small- and Medium-Sized Practices
- IFAC's translation and permissions function
- Collaboration to support effective implementation (e.g., IAASB–National Standard Setters meeting)
- Supporting staff publications, FAQs, Questions and Answers (e.g., external confirmations, going concern)

Assurance (Other than Audit) and Related Services with particular SME relevance

- **Compilation of Financial Information (ISRS 4410)**
 - Key Issues: Scope; distinguishing from assurance engagements; practitioner's work effort, communications and reporting; linkage with ISQC1 (Comments closed March 2011)
- **Reviews of Financial Statements (ISRE 2400)**
 - Key Challenges: Distinguishing from audits; stand-alone engagement standard; objectives; approach to risk; procedures and evidence; communications and reporting (Comments closed May 2011)

Audit Quality: IAASB's Perspective

- Thought piece
(Issued January 2011)
- Highlights where ISAs
fit in AQ debate
- Importance of user
perspectives
- Aims to stimulate
thoughts and discussions
- International AQ
Framework to be
developed



Auditor Reporting

- Exploring ways to enhance auditor reporting and communicative value of the standard auditor's report
- Consultation Paper: *Enhancing the Value of Auditor Reporting: Exploring Options for Change* (Comments due September 2011)
 - Issues: “Information gap”; auditor's report not viewed as informative other than for the opinion expressed; meeting diverse range of users' needs; international consistency
- Comments by Latin American respondents needed

The Future of the Auditing Profession

Delivery of key projects will enhance relevance of auditing, particularly to SMEs, and assist in the effective implementation of ISAs across the world – leading to greater confidence in the future of the Auditing profession

IAASB

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

Prof. Arnold Schilder, IAASB Chairman

<http://www.iaasb.org>