

IAASB

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

# International Auditing and Assurance Standards: Implementation Challenges and Success Factors

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*CReCER Open Event*

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## **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](http://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*

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