



**Federation of European Accountants
Fédération des Experts comptables Européens**

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Standing for trust and integrity



ISA Implementation Challenges for the Profession

- Need for considerable human and financial investment in first years:
 - ↳ **Translation** of ISAs into local language
 - ↳ New or updated audit approach **policy manuals and methodology**
 - ↳ New or updated **audit software**
 - ↳ New or updated **training material** and training **efforts**
 - ↳ Coordination with and **buy-in from stakeholders**
(preparers, regulators, inspection bodies, software providers, training consortia, professional media, etc.)
 - ↳ Involvement of professional bodies



Big Audit Firms

- Will implement clarified ISAs by IAASB effective date (2010 year-ends)
- Are already largely ISA compliant
- Can look after themselves for implementation
- Issues:
 - ↪ Globally consistent approach
 - ↪ Local pluses and potential minuses (local laws and regulations)



Smaller Audit Firms (1)

- Smaller firms need more help as it is a greater challenge for them
- 56% of countries are on national auditing standards which are based on “old” ISAs
- Issues:
 - ↳ Considerable time required to implement
 - ↳ Need help from professional accountancy bodies (FEE Member Bodies)
 - ↳ FEE Member Bodies seek help from IAASB, FEE, etc.
 - ↳ IAASB produced implementation or support material (video modules and slides for certain ISAs) – (general focus, not SMEs focus)



Smaller Audit Firms (2)

- APB Revised Practice note 26: “Guidance on smaller entity audit documentation” (December 2009) – Need for a European version?
- IAASB Staff Q & A: “Applying ISAs proportionately with the size and complexity of an entity” (August 2009) – Will regulators and inspection bodies buy-in to it?
- IFAC SMP Committee Guide on Using ISAs in the audit of SMEs (expected Summer 2010) – Will it help SMPs?



ISA Implementation (1)

- FEE has set up ISA Implementation Task Force:
 - ↪ Includes SMPs, representatives small countries, IFAC SMP Committee, EGIAN, World Bank, etc.
 - ↪ Survey on ISA Implementation to FEE Member Bodies
 - ↪ Focus on:
 - Communications on implementation roadmap
 - Audit software
 - Training material and efforts
 - Proportionality of ISAs/documentation
 - ↪ Ultimate goal is to share ISA implementation material



ISA Implementation (2)

➤ FEE Survey ISA Implementation:

↪ Audit software: potential issues

- Use of IT facilitates audit quality but does not ensure it
- Is the software truly ISA compliant?
- Will it withstand scrutiny of inspection bodies?
- Impact on practitioners if not compliant
- Is there a need for the software to be in official national language(s)?
- Increased involvement with audit software providers?
- Level of FEE Member Body involvement?



Possible FEE Event on ISA Implementation

- 1 day to raise awareness on:
 - ↳ Background to Clarity Project and IAASB objectives
 - ↳ Details of revised ISAs
 - ↳ Sharing IAASB ISA implementation material
 - ↳ Audit inspection process
- Audience:
 - ↳ Developers of audit software
 - ↳ Developers of audit manuals/methodologies
 - ↳ Trainers on clarified ISAs
- Speakers: EU, IAASB Board members and EU inspection bodies
- Focus on SME audits

- Duisburg-Essen University study: expected benefits EU ISA implementation > costs
- FEE supports this conclusion
- Considerable internal costs for audit firms
- Increased focus on risk and internal controls should result in more value for audit clients – will they pay?
- Significant burden on oversight bodies for upfront transparency regarding their expectations on:
 - ↪ Level and language of audit documentation and software
 - ↪ Proportionate application of ISAs in SME context
 - ↪ Use of professional judgment

Discussion and Questions



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