

International Federation of Accountants

## IAASB Update

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European Group of Auditors' Oversight  
Bodies

Brussels, Belgium

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## Agenda

- Acceptance and Implementation of Clarified ISAs
- Update on IAASB Work Program
- Proportionality of the ISAs

## Acceptance and Implementation of Clarified ISAs

- Clarity project completed March 2009
  - Effective date
  - Moratorium
- Key principles for successful adoption and implementation
  - Acceptance
  - Availability
  - Accessibility
  - Awareness

## Acceptance and Implementation (cont'd)

- Focus on strategic priority of ISA endorsement
  - Monitor and assist EC activities towards adoption
  - IFAC translation support for the EU Clarified ISAs
  - IOSCO endorsement
  - World Bank and Basel Committee support
  - Maintain strong relationships with stakeholders

# IAASB Support for Implementation

- Implementation challenges
  - Significant changes to audits from clarified ISAs
  - Impact on training, education, and audit systems and methodologies
- How is IAASB helping to deal with the challenges?
  - Working in partnership with national standard setters
  - Outreach to practitioners and others
  - New Clarity Center on IAASB website
  - ISA modules



## ISA Modules

- Purpose
- Target audience
- Nature of ISA module
- Focused on revised ISAs
- Six modules expected for release in 2009
  - Possible additional modules in 2010
- Modules particularly helpful for SMPs
- Free of charge

## Other Initiatives and Resources

- National implementation guidance
- IFAC SMP Committee's initiatives
  - Guide to ISAs
  - QC Guide
- IFAC policy position on single set of auditing standards
- IFAC adoption and implementation support
  - Feature of IFAC Strategic Plan 2009-2012
  - Work program for this initiative under development



## IAASB 2009-2011 Strategy

- IAASB's post-Clarity agenda
- Focus on:
  - Capital markets
  - Implementation support for ISAs
  - Addressing needs of SMEs
- Work program acknowledges need for flexibility

## Review and Compilation Standards

- Project approved March 2009
- Objective
- Increasing thresholds for exemption from statutory audit
- National developments
- September 2008 NSS Consultation Paper
- Overall considerations
- Proposed direction of work
- Project timing

## **XBRL**

- **Project approved March 2009**
  - Public interest need for project
- **Principal objective**
  - Develop a new pronouncement
- **First phase: consultation with stakeholders**
  - Vital to determining direction to be taken
- **Goals of Consultation Phase**
- **IAASB discussion scheduled for September 2009**



## Pro Forma Financial Information

- Project proposal approved March 2008
- Primary consideration
  - Is it feasible to develop a meaningful global standard?
- International project Task Force
- Significant issues
- Project timing

# Clarity ISAs Implementation Monitoring

- Purpose
- Will involve consultation with:
  - Audit oversight bodies and regulators
  - National standard setters
  - Firms
- Planned approach
  - Questionnaire format
  - Iterative approach to reflect different national timetables



## Other Items on IAASB Agenda

- Greenhouse gas emissions
- Umbrella standard for assurance engagements
- Using the work of internal auditors
- Fair values
- External confirmations
- Impact assessments
- Auditor's report
- Rapid response mechanism

## Proportionality of the ISAs

- Concern in some quarters about:
  - Applicability of ISAs to smaller audits
  - Audit documentation burden
- Matter considered by IAASB
  - Demonstrate proportionality of ISAs in SME context
  - Emphasize importance of judgment in determining:
    - Nature and extent of work effort
    - Audit documentation

## Proportionality of the ISAs (cont'd)

- Meaning of proportionality
- Proportionality  $\neq$  modification of requirements
- How do ISAs demonstrate proportionality?
  - Through the requirements
  - Through the application material
    - Considerations specific to smaller entities
    - Other guidance

## Proportionality of the ISAs (cont'd)

- Proportionality mirrored in documentation requirements
  - ISA 230 and role of professional judgment
  - Proportionality of documentation also in other standards
  - Avoidance of disproportionate documentation burdens
- Professional judgment
  - Importance explicitly recognized by IAASB
  - Significant professional judgments to be evidenced
- IAASB Staff Q&A expected by end of July 2009

## Working with EGAOB

- Communications
- Monitoring
- Effectiveness assessments

## Thank You

- Questions?
- Comments?

