



Lessons learnt from 2005 and current UK ISA Implementation.

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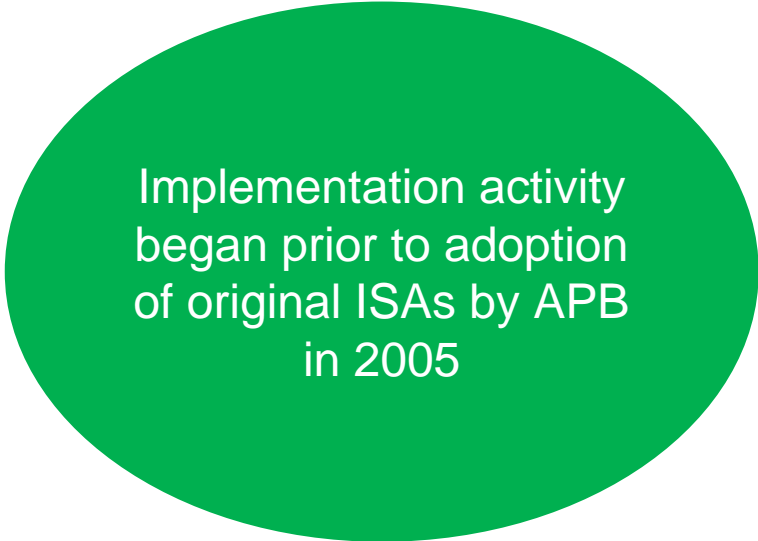
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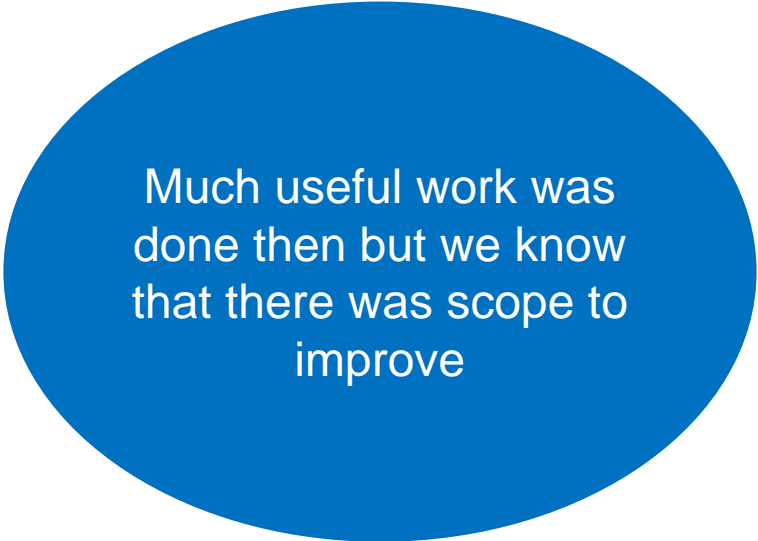
Key points

- Issuing or adopting standards is only the start
- The profession working together with national standard setters and audit inspectors will have a major implementation role
- There is a need to get clear and consistent messaging for those involved in training
- Much of what is required is behavioural change
- Software, methodology and training activities need a realistic timescale

Background



Implementation activity
began prior to adoption
of original ISAs by APB
in 2005



Much useful work was
done then but we know
that there was scope to
improve

Activities included roadshow events, website material, letters, articles and other publications

Key concerns across many firms in the UK

Documentation and cost generally

Documentation of understanding the business and controls work in particular

Inspectors' approaches and the time available needed to implement the new standards

Time spent documenting rather than auditing

Methodology, software and learning providers unclear about what is needed

Issues that became apparent after 2005

Many firms
were struggling with
the risk ISAs

Quality of software is key

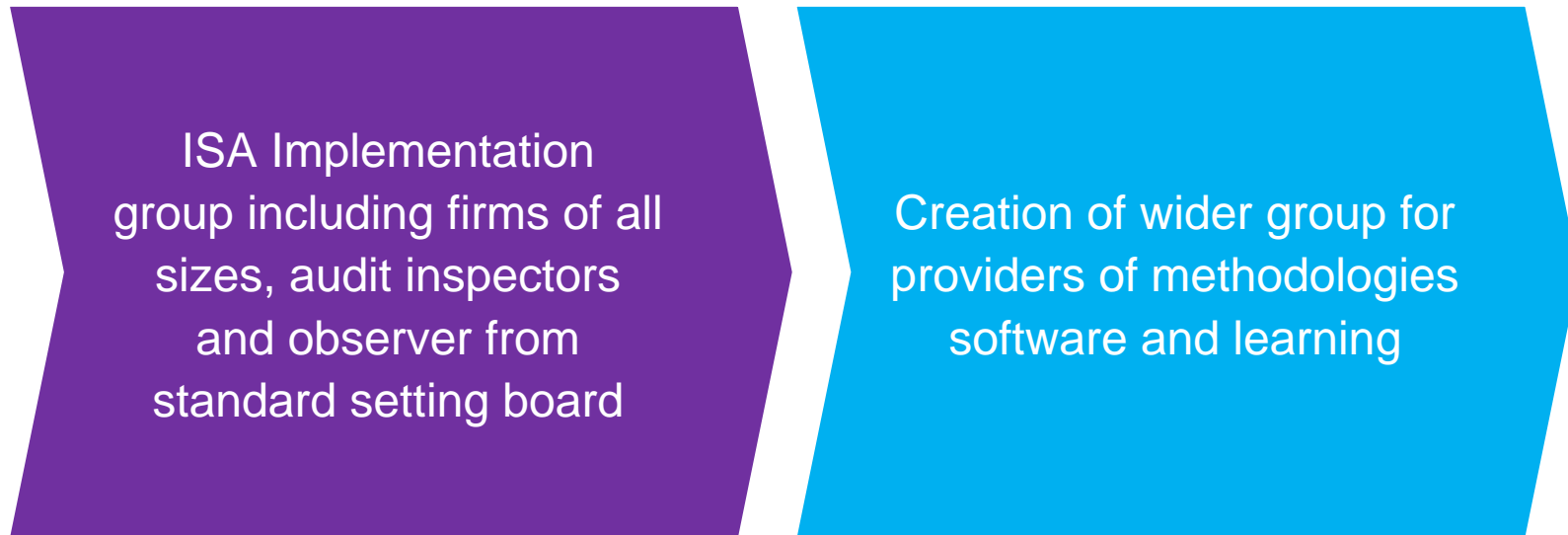
Smaller firms
need special support and
can be very vocal

Successful implementation
takes several years

Support software
with learning
is important

Partner engagement is
critical

Structure that ICAEW put in place



Stakeholders must be involved

Continuing activities

Provision of comment to APB, ICAEW and other bodies on draft clarified ISAs

Educational activities on ongoing IAASB developments

Liaison with groups/committees representing smaller firms

Website

Roadshows, presentations, articles, letters and newsletters

Other activities

Linkage with
APB International
Committee

Discussion with UK small firm
regulators on need for a
proportional approach and
messaging to practitioners

Provided input into EC consultation
on adoption of ISAs by the EU for
which there was support for ISAs
including application material for all
statutory audits

Input into impact
analysis debate

Discussions about how to resolve implementation issues

Smaller firms have embraced the new ISAs and are not fearful of them

They do not want
to be seen to be using
out of date standards

Their methodology, software and
learning providers say
that they cannot cope with
a dual track for standards

Students are being
taught ISAs at
Universities

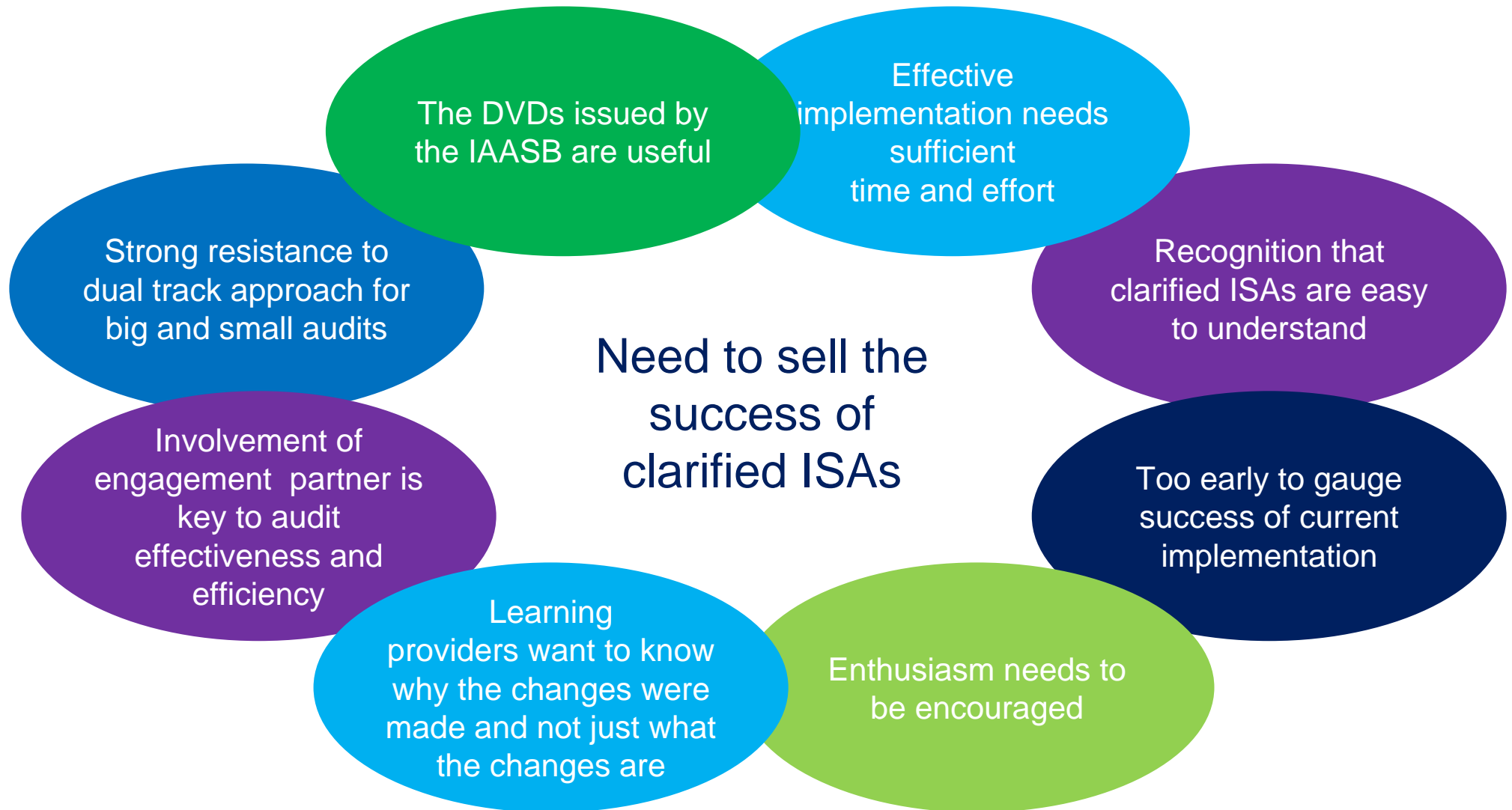
PN26 on illustrative
documentation for audit
of smaller entities has been very
useful

Other activities



Strong support from firms for APB requiring implementation for periods ending on or after 2010 (not short periods commencing on or after 15 December 2009)

Some key messages that have emerged



There is an opportunity to promote the benefits of the clarified ISAs

More rigorous approach to the audit of groups

Put related party transactions nearer the heart of the audit

More robust approach to management override

More principles based approach through use of objectives

Greater clarity as to what is expected of auditors

Relevant to responding to the financial crisis including ISA 450 on evaluation of misstatements

Conclusions

- ISA Implementation needs to be an ongoing activity
- The “why” messaging is very important
- A wide group of stakeholders needs to be involved
- The needs of all sizes of firms require attention
- This is an area where we all need to work together

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