

Clarified ISAs in Slovenia – value added or lost?

***Meeting of European Auditing
Standard Setters***

Brussels, 30 March 2010



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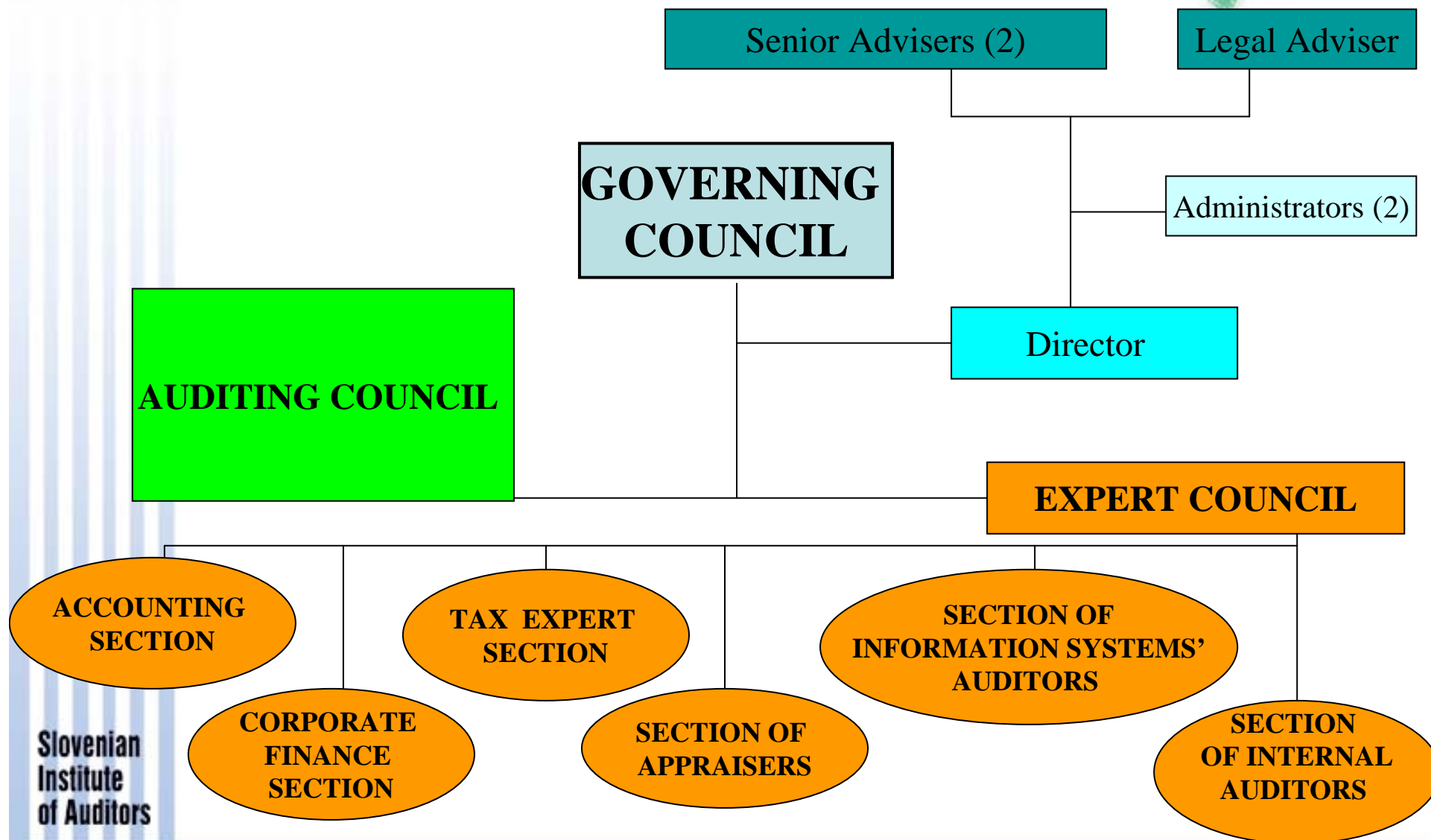


**The starting point of the audit practice:
January 1st, 1993 – privatisation of social
capital**

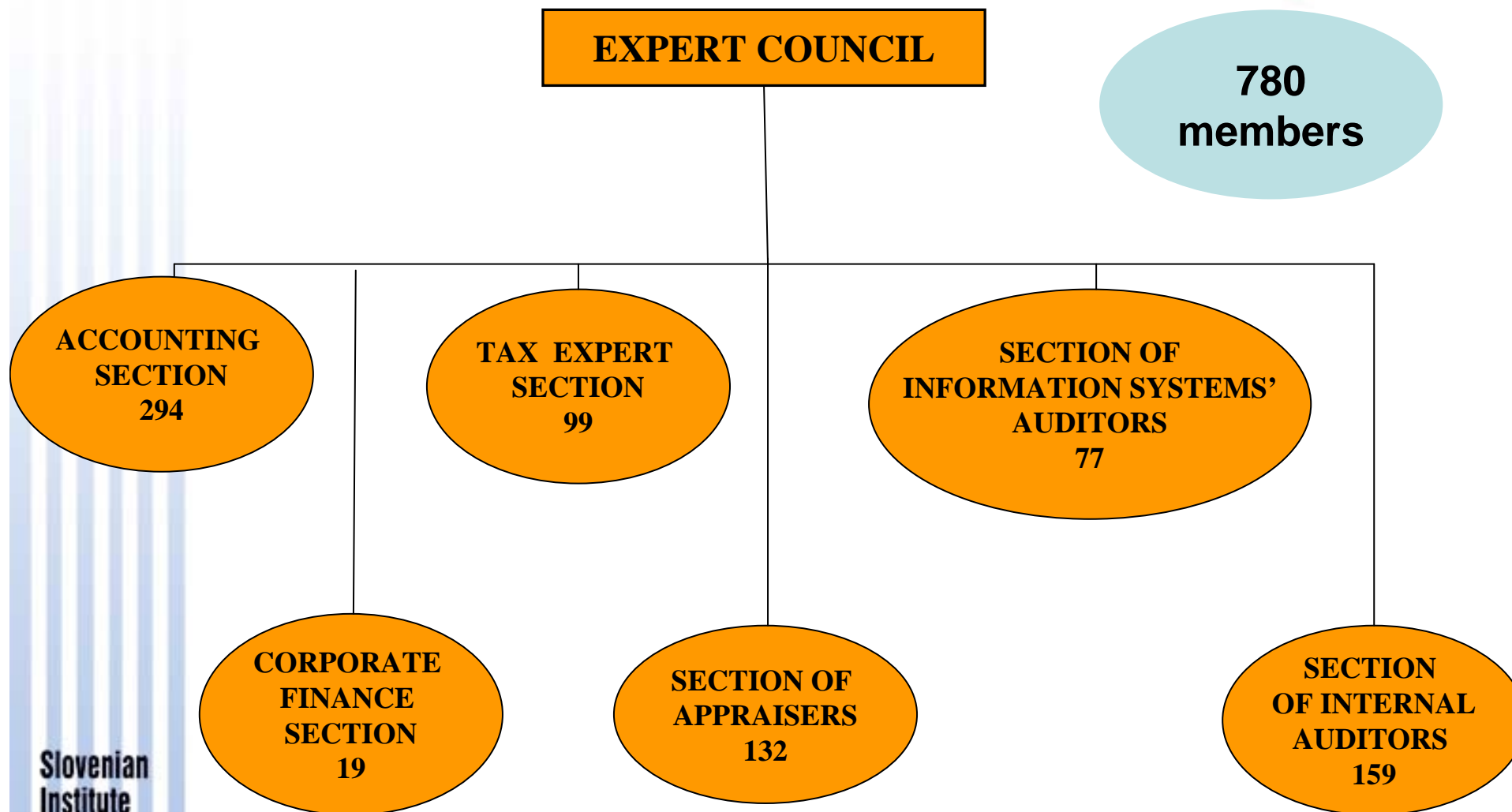
**Establishment of the Institute:
September 9th, 1993**

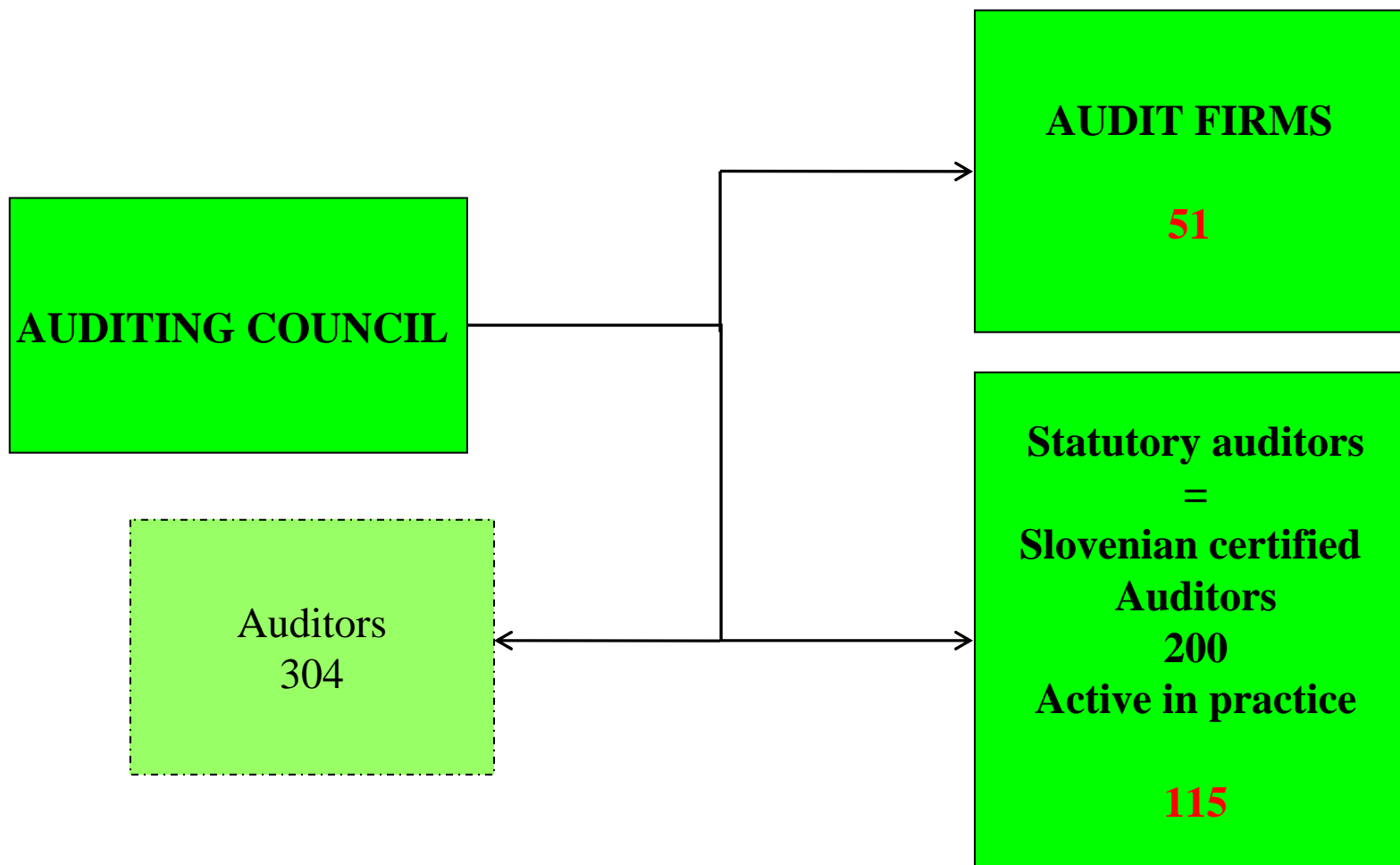
Legal form: Institution

**Auditing Act (current) - Zrev 2 (Official
Gazette RS, 65/08)**



Expert Council







- **On the basis of the first Auditing Act in 1993 the first codified core set of International Standards on Auditing (completed and released in 1994) became mandatory in Slovenia.**
- **From 1993 ISAs were subsequently translated into Slovenian.**



- Clarified ISAs and ISQC 1 (hereinafter ISAs) are mandatory on the basis of the Auditing Act



- Translation is a legal obligation of the Ministry of Finance

- Ministry of Finance authorised the Slovenian Institute of Auditors (member of IFAC) to translate ISAs

Translation process - completed



- **In line with the IFAC Policy Statements:**

- Principal translator
- Translators – 2
- Lecturer
- Review committee
 - Representative of the Agency for the Public Oversight of Auditing – certified auditor
 - Representative of the user – certified auditor
 - Representative of the user – certified auditor, CPA
 - Representative of the audit profession – certified auditor
 - Representative of the regulators – certified auditor, certified business appraiser from Insurance Supervision Agency

– **Total costs** **90.000 EUR**
– **Covered by the Financial Reporting Technical Assistance Project** **76 %**



- **Differentiation between English speaking countries and non-English speaking countries.**
- **The relative translation costs are the higher the smaller the country.**

Solution

- **International institutions intended to support financial reporting development should be in favour of financing the translation projects.**

Users of translated ISAs



- **Audit firms**
- **Certified auditors**
- **Court of Auditors**
- **Agency of the Public Oversight of Auditing**
- **Slovenian High Court of Justice deciding about the sanctions against auditing firms and certified auditors**
- **Audit committees in listed companies;**
- **Users of the financial statements who are interested in the auditing procedures**
- **Universities**
- **Students**

- **ISAs are published free of charge on the Institute's web page**



- **Education:**
 - Autumn 2009
 - Presentation of ISAs
 - Redrafted
 - Revised and redrafted
 - New
 - Spring 2010
 - ISAs in details
- **Audit methodology**
- **Audit software**

- **Manual from 1995 originally financed by the PHARE project.**
- **Updated.**

Problems

- **The update seems to be insufficient especially with regard to risk management and other clarified ISAs.**



- **There are no audit software providers in Slovenia.**

Problems

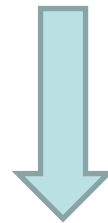
- **Slovenian small audit firms try to develop their own technical tools which (on average) are not very sophisticated.**



- **Cooperation of small countries through professional institutions on the international level in seeking**
 - Audit manual applicable for small audit firms
 - One or more software providers offering ISAs compliant software
 - Involvement in the evaluation and later on in the distribution of the audit software already in use and proved to be a good support for the quality of the audits of small audit clients.

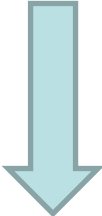
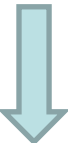


- **More active involvement of professionals from small countries in the international institutions**



- **The solutions prepared by developed countries are not always useful for small countries (with different risks and inactive markets) even if prepared for them.**

Possible solutions (3)

- **Better support by the educational systems in the countries.**

- **The university programs in the field of auditing should move to a higher level to prepare the students how to use different mathematical and statistical methods for audit purposes.**

- **Combined study of auditing and mathematical/statistical methods.**

How to realise the solutions? Suggestions



- **By the stimulation of more developed countries in the field of auditing to transfer their ISAs compliant knowledge to the countries with less resources through international institutions like FEE and IFAC:**
 - Consultation on the international level.
- **By the appropriate financial help of international institutions.**
- **By looking for improvements in the educational systems.**

- **Improved ISAs on the basis of the anticipated endorsement within the EU – in comparison with the previous versions**
- **With a worldwide use of ISAs more solutions for small countries with less resources will become available**
 - Audit methodology
 - Audit software

What about cost efficiency ?

- **The users of methodology and/or audit software will never be as many as the users of ISAs**
 - Audit firms (except "big 4")
 - Certified auditors (approximately 80)

BUT

- **Professional institutions could help small audit firms to find one or few methodologies or software applicable in the circumstances.**
- **International financial institutions should help to finance the translation if necessary.**
- **With a good organisation and productive use of financial help even in small countries the process of ISAs' implementation could be effective.**