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**Intergovernmental Working Group of Experts on  
International  
Standards of Accounting and Reporting  
(ISAR)**

**32nd SESSION**  
4 - 6 November 2015  
Room XVIII, Palais des Nations, Geneva

Wednesday, 4 November 2015  
Afternoon Session

**Key foundations of high-quality reporting: International  
audit and assurance requirements and good practices in their  
implementation**

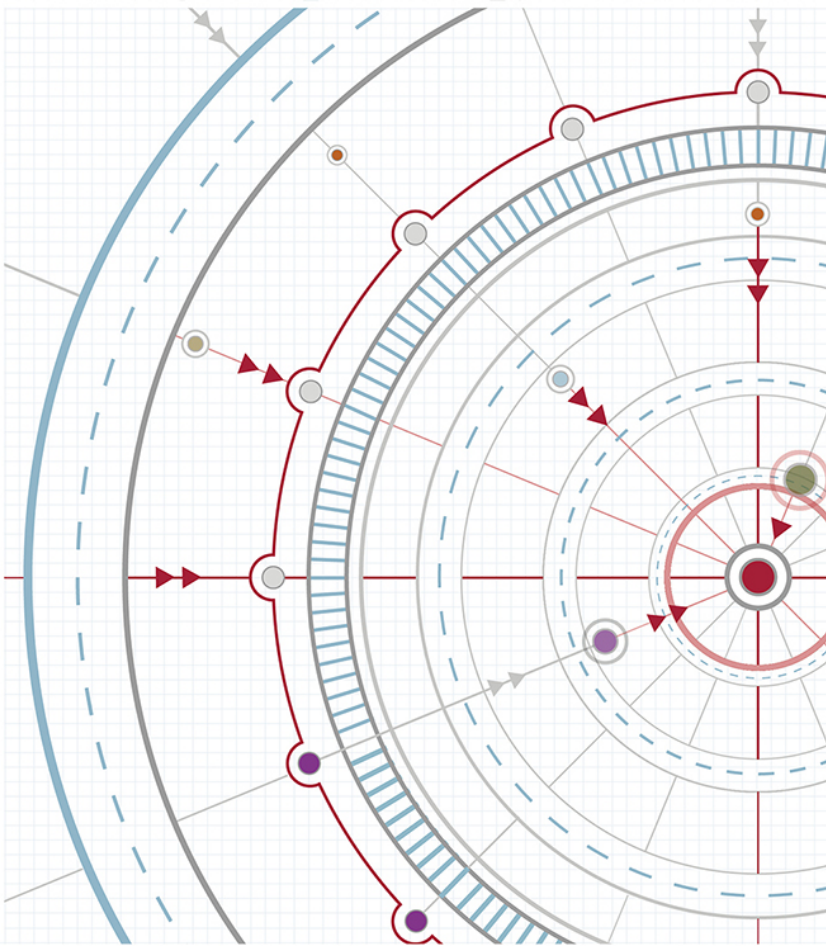
Presented by

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# International audit and assurance requirements and good practices in their implementation: **IFRS judgement capacity-building**

Michael Stewart

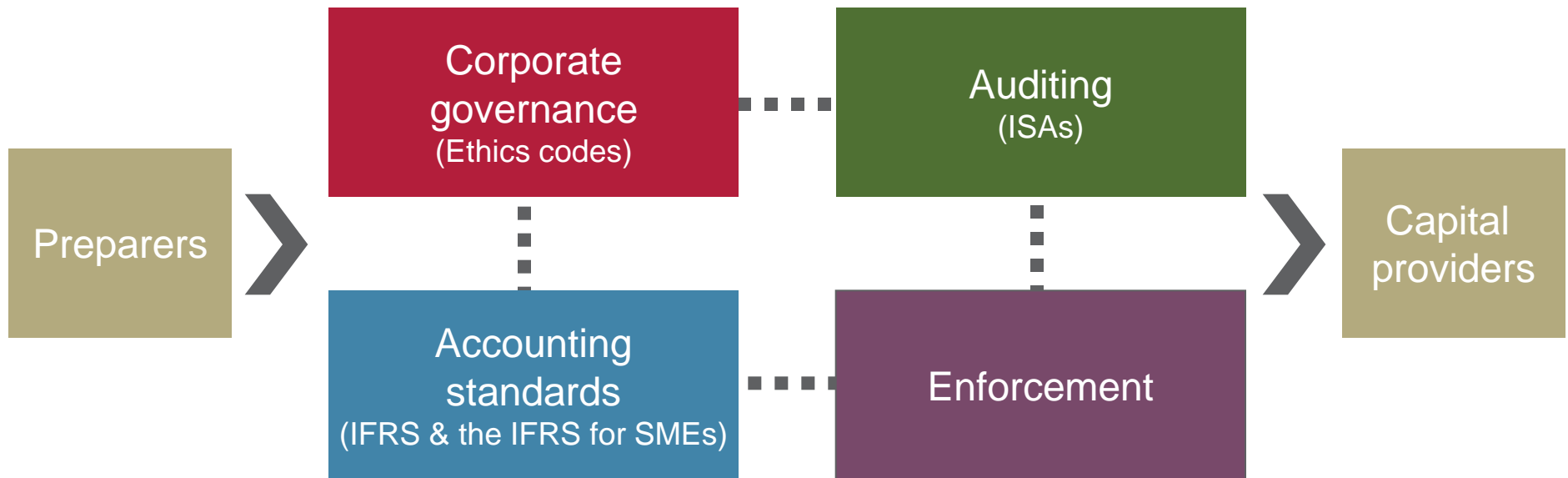
IASB Director of Implementation  
Activities

November 2015

# Information supply chain

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High quality at each stage reinforces confidence across the information chain



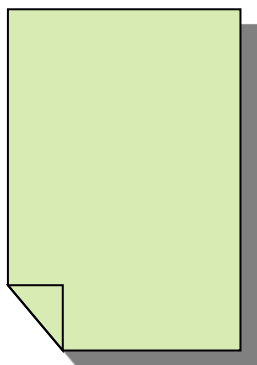
Education underpins competence across the information chain

# Qualitative characteristics

- If financial information is to be useful, it **must** be **relevant** and **faithfully represent** what it purports to represent (ie fundamental qualities).
  - Financial information without both relevance and faithful representation is not useful, and it cannot be made useful by being more comparable, verifiable, timely or understandable.
- The usefulness of financial information is enhanced if it is **comparable, verifiable, timely and understandable** (ie enhancing qualities—less critical but still highly desirable)
  - Financial information that is relevant and faithfully represented may still be useful even if it does not have any of the enhancing qualitative characteristics.

# Principle-based standards

- Principle-based standards:
  - Support the consistent application of those standards across diverse facts and circumstances
  - Require application of judgement
- Ability to make judgements is key, for preparers, auditors, enforcers



**Concepts**



**Principles**



**Rules**

# Responding to the challenges of judgement

- Requirement to make judgement brings challenges both in making those judgements and in auditing them
- Transparency, and critical assessment, of judgements can support better judgements and better audit of judgements
  - Management’s explanation of significant judgements made in applying accounting policies (IAS 1, para 122)
  - Auditor’s description of Key Audit Matters in Auditor’s Report, i.e. a description of matters that were of most significance in the audit (ISA 700 & ISA 701)
  - Appropriate auditor scepticism of management’s judgements (current IAASB project)

# IASB Education Initiative project: IFRS judgement capacity-building

- Aim: support rigorous and consistent IFRS application—by developing **cohesive IFRS understanding** and capacity to make/audit/regulate/analyse **IFRS judgements**
- How:
  - comprehensive teaching material for CA/CPA (or equivalent) stream and MBA stream IFRS teachers
  - development agencies and others fund translation into all widely spoken languages
  - facilitate regional in-person training workshops for teachers, adopting jurisdiction preparers and auditors, regulators, etc
- Who:
  - Teachers of IFRS, regulators, auditors and preparers

- What is the **economics** of the phenomenon (eg transaction, event)?
- **What information** about that economic phenomenon would primary users—existing and potential investors, lenders and other creditors that cannot demand information from the entity—find useful in making decisions about providing resources to the entity?
- Then identify the **relevant IFRS requirement/s** and evaluate the requirement/s against the objective
  - is the requirement a principle rooted in the *Conceptual Framework*?
  - if not, understand why the rule does not maximise concepts (eg application of the cost constraint, reason often in Basis for Conclusions)
- **Focus on making/auditing/regulating/analysing IFRS judgements and estimates**

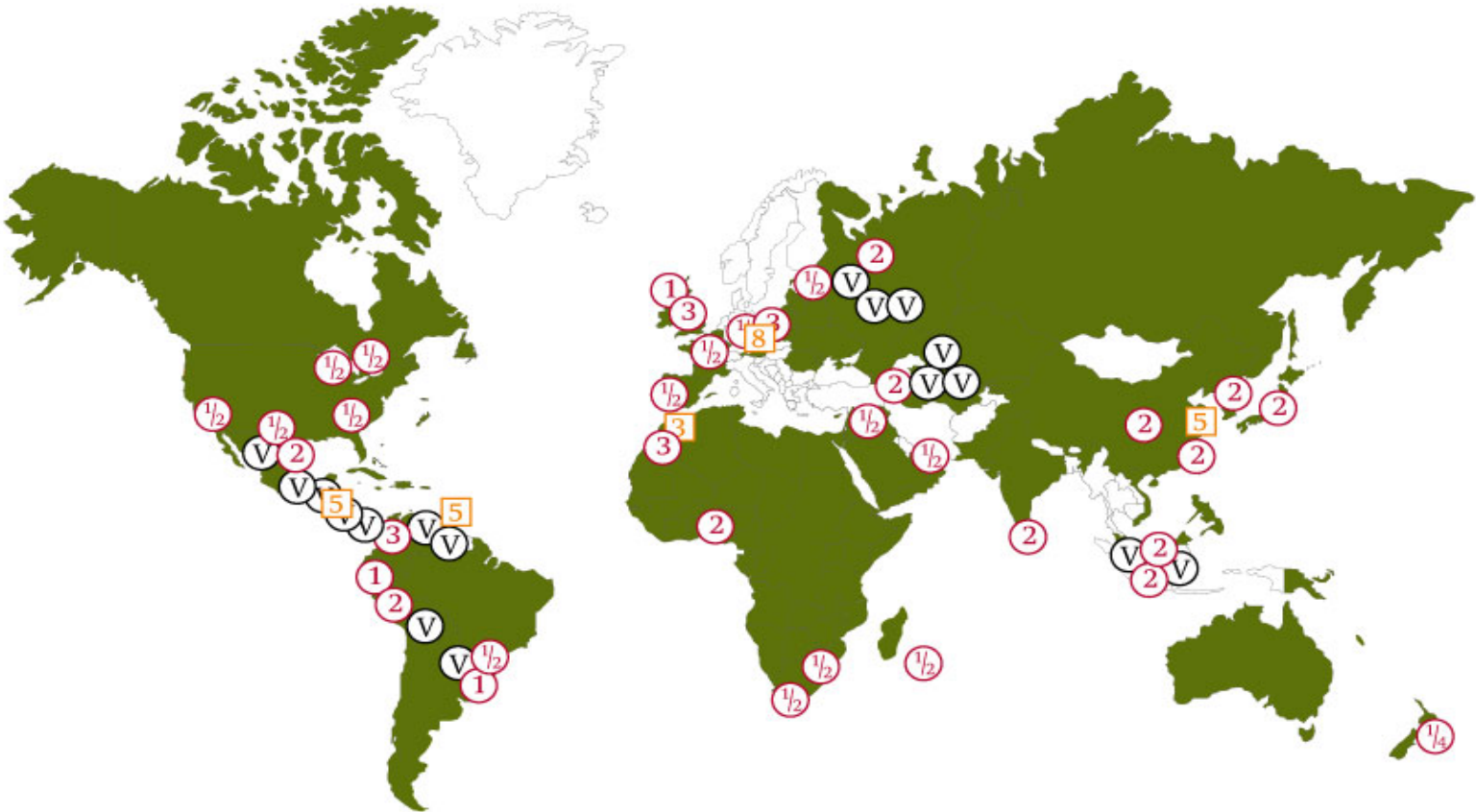


# Framework-based approach provides...

- a **cohesive understanding** of IFRS
  - *Framework* facilitates **consistent and logical formulation** of IFRS
- a basis for **judgement** in applying IFRS
  - *Framework* established the concepts that underlie the estimates, judgements and models on which IFRS financial statements are based
- a basis for **continuously updating** IFRS knowledge and IFRS competencies

As important for those auditing IFRS judgements as those making IFRS judgements

# Framework-based approach IFRS material language map and workshops



- Comprehensive teaching material: Languages—Arabic, Chinese, English, French (stage 3 only), Korean (in 2015), Japanese, Polish (stage 3 only), Portuguese, Russian and Spanish.
- ‘Train the teacher’ workshop; number indicates duration in days.
- Ⓟ Half-day video conference
- Regional IFRS regulatory capacity building workshops; number indicates duration in days.

- We work with others to support *Framework*-based approach
  - create awareness
  - develop material (for examples see <http://www.ifrs.org/Use-around-the-world/Education/Pages/Framework-based-teaching-material.aspx>)
  - hold workshops (eg 2015: Abu Dhabi, Cartagena, Chicago, Dar es Salaam, Glasgow, Harare, Hong Kong, Jakarta, Jordan, Kiev, Kuala Lumpur, Lima, London, Paris, Quito, Seoul, Tokyo, Xi'an...)
  - encourage those certifying accountants to examine their students' ability to make the **judgements** that are necessary to apply IFRS

Thank you

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