The implementation of the clarified International Standards on Auditing

The impact on the audit process in Sweden

Civilekonom Thesis in Business Administration

Authors: Amanda Eglund
          Anna Gidlund

Supervisor: Assoc. Professor Dr. Dr. Petra Inwinkl

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_________________  ________________
Amanda Eglund       Anna Gidlund
Abstract

On all Swedish audits on fiscal years starting 1st of January 2011 or later, the clarified ISAs should be applied. Before that, the Swedish auditing standards were called RS, which were a direct translation of the elder version of the ISAs but with considerations of Swedish law and Swedish traditions. The EC states that there will be no fundamental changes for the Swedish audits when the clarified ISAs is implemented, and IFAC states that all audits will realize significant changes when the clarified ISAs is implemented. The purpose of this study is therefore to explain how the audit process has been affected by the implementation of the clarified ISAs and what effects it has given rise to. The study also aims at explaining the relationship between audit firm size and impact on the audit process.

This study was conducted using qualitative methods for both collecting and analyzing data. The data have been collected using both primary and secondary data. The primary data was collected through questionnaires in order to get as many opinions as possible but interviews were conducted as well in order to get a deep insight about the subject and to make sure that the questions in the questionnaire was relevant.

What emerged in this study is that both the EC and IFAC were right about the implementation of the clarified ISAs in Sweden. The auditors that participated in this study explained that the way they are doing an audit has not changed, which means that no fundamental changes have occurred in the audits. However, the auditors have experienced some changes in the audit process, for example an increased amount of requirements on documentation and a more complicated and time consuming auditor’s report. How much the audit process has changed differs depending on the size of the audit firm. Generally, the impact
on the audit process at the “big four” are less than it is on small audit firms due to the fact that many of the “big four” have worked with ISA before. Overall, the auditors have experienced that the implementation of the clarified ISAs have meant an increased cost for doing audits, in the form of updates in audit methodologies, educations and more procedures to perform. However, the auditors have not experienced that the audit quality has increased due to this. This means that the costs for an audit have increased while the quality remains the same.
Abbreviations

EC – European Commission

EU – European Union

FAR - Föreningen Auktoriserade Revisorer

IAASB – International Auditing and Assurance Standards Board

IFAC – International Federation of Accountants

ISA – International Standards on Auditing

RS – Revisionsstandard i Sverige
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1 Introduction

1.1 Background

Because of a dramatically changing environment in the form of globalization, increased complexity of business, improvements in the IT, corporate scandals etc., audits and standards have evolved to be able to keep up with these changes (Fraser, 2010; Hayes, Dassen, Schilder, & Wallage, 2005; Smith, Sagafi-Nejad, & Wang, 2008). Hayes et al. (2005) talks about how the corporate scandals are part of the reason for why much attention has been paid to auditing regulation throughout the world. This is the case even in those parts of the world that have not suffered from such a large and serious scandal (Hayes et al., 2005).

Due to the globalization and since more and more countries have opened their doors to foreign investments and business, “both public and private sectors are increasingly recognizing the benefits of having a commonly understood financial reporting framework supported by strong globally accepted auditing standards” (Wong, 2004, p. 1). By having consistency in preparing financial statements and how to do an audit throughout the world, there will be a greater comparability of financial information, greater willingness to invest across countries and lower cost of capital, to mention a few advantages of the many (Wong, 2004).

That national accounting and auditing standards differ across countries is not that strange since there are a lot of reasons for why they could. The most common reasons are the differences in business, legal, political and cultural environments (Tucker, 1998; Smith et al., 2008). Having differences in the accounting and auditing standards will complicate both the internal and external auditors’ role in lending credibility to the financial statements. Several international standard setting boards have tried to reduce these differences by harmonizing their standards (Tucker, 1998). There has been paid much attention to the convergence of accounting standards while there also have existed a much quieter revolution for the harmonization of the auditing standards (Morris & Thomas, 2011).

The International Auditing and Assurance Standards Board (IAASB) is a standard-setting board with the aim of facilitating the convergence of national and international standards. IAASB issues International Standards on Auditing (ISA) and there are more than 100 countries which are either using ISA, are in the process to adopt them or use them as a ba-
sis for their national auditing standards (Vanstraelen, A., Meuwissen, R., Knechel, W. R., vander Bauwheide, H., Deumes, R., Schelleman, C., et al., 2009). Smith et al. (2008) means that despite that the ISAs are not as widely accepted as the International Financial Reporting Standards, there are indications of that the standards are increasingly accepted world-wide. In 2004, IAASB started a project called the Clarity Project. The goal with this project was to encourage more countries to use ISA by improving the clarity and consistency of the standards (Vanstraelen et al., 2009). They did this by redrafting all the standards using one consistent format and language and the result is that the standards have been totally re-structured (Köhler, 2009; Morris, 2007). Among other structural and drafting changes, there is now a clearer distinction between requirements and guidelines and each standard is written to avoid ambiguities (Vanstraelen et al., 2009).

The structural changes resulted in that every standard now includes the following parts; an introduction, objectives, definitions, requirements, application and other explanatory material, and appendices (Köhler, 2009; Vanstraelen et al., 2009). The objectives and requirements are parts that the auditor should fulfill, and the application material is a helpful tool for the auditor to get a better understanding of the ISAs (European Commission, 2009). The result is that the standards have an increased understandability, a greater comparability throughout the world and a more consistent application of the standards on a global basis (Lindberg & Seifert, 2011; Morris & Thomas, 2011; Morris, 2007). The outcome of the Clarity Project is 36 clarified ISAs and one standard on quality control (ISQ1) that is replacing the elder version of the ISAs and should be followed for audits of the financial statements were the period started from or on the day 15 December 2009 (Vanstraelen et al., 2009).

The European Commission (EC) is considering adopting these clarified ISAs for statutory audits in the European Union (EU) (European Commission, 2009). Since 1995, Sweden has been a member state of the EU and this means that they have to follow the 8th Company Law Directive (2006/43/EC) about statutory audits. This directive contains general requirements about statutory audits and especially requirements about the auditors’ qualifications (Europeiska Kommissionen, 2011a; Europeiska Kommissionen, 2011b; Directive 2006/43/EC). According to Article 26 of Directive 2006/43/EC, the EC is allowed to make the international standards a binding legal instrument. Since all audits that are required under Community law should be in accordance with the auditing standards that are
adopted by the EC (European Commission, 2011), these audits will be affected if EC decides to adopt ISA as auditing standards.

In Sweden, the general auditing legislation is found in the Accountants Act (SFS 2001:883) and the Auditing Act (SFS 1999:1079). According to §5 Auditing Act, the auditor’s task is to review companies’ annual reports, accounting records and the management’s stewardship. “The audit should be as deep and extensive as generally accepted accounting principles requires” (§5 Auditing Act). FAR (2006) defines the concept generally accepted accounting principles as how an audit should be performed. This concept is not further explained in the legislation but it is developed on many levels in the regulation that will affect the Swedish audits; internationally, within Föreningen Auktoriserade Revisorer (FAR), Revisornsämnden’s regulation and other auditing praxis (FAR, 2006; Nilsson, 2005; 3§ Accountants Act). The reason for why the concept still only is treated in regulation and not in legislation is that if certain regulations would become legislation, a risk for restriction in auditors’ review could appear since legislation could result in e contrario1 (Prop. 1997/98:99). Because of this problem, this system still exists in Sweden where it is up to the different audit organizations to give recommendations and guidelines on how generally accepted accounting principles is obtained. However, it will always depend on the court’s judgment to determine whether the audit and auditors are following generally accepted accounting principles and code of ethics (Prop. 1997/98:99).

Since 2004, FAR’s auditing standards about the concept generally accepted accounting principles have been called Revisionsstandard i Sverige (RS). These auditing standards replaced the elder auditing standards Revisionsprocessen (Danielsson & Larsson, 2004; FAR, 2006). The goal with the replacement was to make Swedish translations of the elder version of ISA2 but with the consideration of Swedish law and Swedish traditions (FAR, 2000; Danielsson & Larsson, 2004; FAR b, 2011). Since the EC is considering adopting the clarified ISAs, FAR decided to take the development of auditing standards one step further (Lennartsson, 2011). They abolished the old RS and implemented direct translations of the clarified ISAs instead (FAR b, 2011). These standards should be applied on all Swedish audits on fiscal years starting 1st of January 2011 or later (Iredahl, 2009; FAR b, 2011).

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1 You interpret the law as when something is not prohibited by law, it is allowed (Martinger, 2008).

2 I.e. the ISAs before the Clarity Project.
Compared to RS, the clarified ISAs have a complete different structure. In ISA, there is a clearer distinction between guidelines and requirements and the application material is also far more extensive than it is in RS (see for example ISA 200; RS 200; ISA 240; RS 240; ISA 500; RS 500). Besides the structural differences, some standards have been changed to a greater extent, for example ISA 230, ISA 315 and ISA 600 (ISA 230; RS 230; ISA 315; RS 310; RS 400; ISA 600; RS 600). ISA 230 places considerably higher demands on what needs to be documented compared to RS 230 (ISA 230; RS 230). ISA 315 has a different approach to assessing the risk of material statement compared to RS 400. ISA 315 is replacing both RS 400, which is about risk assessment and internal control, and RS 310, which is about knowledge about the entity. Due to this, the approach to assessing the risk of material misstatement has changed from focusing on the audit risk itself to understanding the entity and its environment (ISA 315; RS 310; RS 400). ISA 600 places much higher demands on the group engagement partner compared to RS 600 (ISA 600; RS 600).

1.2 Problem discussion

The International Federation of Accountants (IFAC) claims that implementing the clarified ISAs will mean significant changes to audits. According to them, both jurisdictions that used the elder version of ISA and the jurisdictions that had national standards based on the elder version of ISA will be affected (IFAC, 2011). This means that despite that Sweden already had standards that were based on ISA before they were clarified, the audits will still experience significant changes.

In 2009, the EC stated that there would not be any fundamental changes for the Swedish audits if the international standards would become legislation throughout the EU (European Commission, 2009). One can question what the EC really means when they say “fundamental changes”. Looking at Austria for example, the EC states that there will be fundamental changes since its current auditing standards do not cover all areas that ISA do, which means that they will have additional standards (European Commission, 2009). Considering these two statements, one can argue that the Swedish audits will experience significant but not fundamental changes.

Due to staff shortcomings and lack of global reach, smaller audit firms are less likely to have multinational clients (General Accounting Office, 2003). If smaller audit firms are less likely to have multinational clients, have they been in touch with ISA before it became le-
gally binding in Sweden? Because of this, we would argue that the impact on the audit process will differ between small audit firms and the “big four”

1.3 Purpose

The purpose with this study is to explain how the audit process has been affected by the implementation of the clarified ISAs in Sweden and what effects this have given rise to. The study also aims at explaining the relationship between audit firm size and impact on the audit process. This study addresses two research questions:

- How does the implementation of the clarified ISAs affect the audit process for Swedish auditors and what are the effects from this?
- How is the audit process at a small audit firm affected by the implementation of the clarified ISAs compared to the audit process at the “big four” audit firms?

1.4 Thesis outline

The first chapter of this thesis aims at giving the reader an introduction to the study. A background to the topic is presented, culminating in a problem discussion. The introduction chapter ends with a specification of the purpose of the study and the research questions the study aims a answering.

The second chapter presents the literature review. The main differences between ISA and RS are presented together with findings from previous studies as well as relevant theories and models.

In chapter three, the research approach and chosen methods are discussed. This chapter describes how the study in practice was carried out, containing details about how the interviews were conducted and how the questionnaire was constructed.

Chapter four presents the empirical findings. Summaries from the interviews as well as data from the questionnaires are presented.

In chapter five, the empirical findings are analyzed. This chapter connects the empirical findings to the frame of reference.

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3 The “big four” audit firms are PwC, KPMG, Ernst&Young and Deloitte. “Small audit firms” are all audit firms that are not one of the “big four”.

Chapter six contains the conclusions of the study.

The last and seventh chapter contains a discussion about the weaknesses with the chosen methods, other thoughts about the study, as well as suggestions for further studies.
2 Frame of reference

2.1 The need for auditing

Even though it is the shareholders of a company’s stakeholders that benefit the most from an audit it is also benefiting for other stakeholders, such as lenders, creditors, employees etc. In companies where the owners have limited responsibilities there are certain requirements on how the company shall show their financial position to its shareholders and other stakeholders. This is where the auditors’ role comes in (FAR, 2006).

According to ISA 200.11 the overall objectives with an audit are:

(a) to obtain reasonable assurance\(^4\) about whether the financial statements as a whole are free from material misstatements\(^5\), whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and

(b) to report on the financial statements and communicate in accordance with the auditor's findings

Through the audit process, the auditor will increase the usefulness of the financial statements for the stakeholders since the stakeholders will be able to rely on these statements and use them as a basis for decision making (Hayes et al., 2005). This in turn indicates that the auditors are needed to be able to get a well-functioning business world and society. Without auditors, the stakeholders would have to perform their own controls of the financial statements in order to trust the company (FAR, 2006).

\(^4\) ISA 200.13 (m): Reasonable assurance - In the context of an audit of financial statements, a high, but not absolute, level of assurance.

\(^5\) ISA 200.13 (i): Misstatement - A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud. Where the auditor expresses an opinion on whether the financial statements are presented fairly, in all material respects, or give a true and fair view, misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the auditor's judgment, are necessary for the financial statements to be presented fairly, in all material respects, or to give a true and fair view.
### 2.2 The audit process

The audit actually starts when the client prepares the financial statements and makes certain assertions\(^6\) of the numbers. This can for example be that the management asserts that a certain amount of sales exists or that the expenses in the financial statements are complete (Hayes et al., 2009).

While the management’s responsibility is the financial statements, the responsibility for the auditor is to lend credibility to the financial statements. The auditor’s job is to check whether the assertions made by the management are valid. The professional auditor audits in compliance with policies, laws, regulations, and codes of best practice. The audit process is a well-defined audit methodology that is a useful tool when gathering sufficient\(^7\) appropriate\(^8\) evidence (Hayes et al., 2009).

There are several parties that have identified and described the different phases in the audit process. The different parties present the phases similarly; a planning phase, a reviewing phase and a reporting phase (Hayes et al., 2009; FAR 2006; Flint, 1988). What distinguishes them is that Hayes et al., (2009) have one additional phase in the audit process; client acceptance. Below, a deeper explanation of the different phases identified by Hayes et al. (2009) is described.

The objective with the first phase, client acceptance, is to determine both acceptance of a client and acceptance by a client. For existing clients, the decision to accept a client is easy since the auditor has much information and experience about the client. For new clients, this phase is a little more comprehensive. The firm has to convince the client to accept them and they also have to get relevant information about the client in order to make a reasonable decision about whether or not to accept the client (Hayes et al, 2009). Hayes et al. (2009) mention that audit firms have strict procedures for accepting clients with high business risks, for example if the client is a fraudster or acts illegally.

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\(^{6}\) ISA 315.4: Assertions – Representations by management, explicit or otherwise, that are embodied in the financial statements, as used by the auditor to consider the different types of potential misstatements that may occur.

\(^{7}\) ISA 500.5 (c): Sufficiency (of audit evidence) – The measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor’s assessment of the risks of material misstatement and also by the quality of such audit evidence.

\(^{8}\) ISA 500.5 (b): Appropriateness (of audit evidence) – The measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor’s opinion is based.
The objective of the planning phase is to determine the amount and type of evidence and review required to give the auditor assurance that there are no material misstatements in the financial statements. These plans should be based on the knowledge about the client’s business. The auditor should go through four procedures in the planning phase; gaining an understanding about the entity and its environment, assess risks, determine materiality and prepare an audit program (Hayes et al., 2009).

In the reviewing phase, the objective is to test for evidence supporting internal controls and the fairness of the financial statements. The auditor has to perform tests of controls to see how much of the internal control that can be relied upon. Then the auditor has to decide on additional, substantive tests. The understanding of controls is needed in order to determine what kind of tests to perform (nature), when they should be performed (timing), and what number of tests that should be performed (extent). The auditor should obtain sufficient appropriate audit evidence through the performance of control and substantive procedures in order to be able to draw reasonable conclusions on which to base the audit opinion. Examples of procedures to obtain this evidence are physical examination, inspection, inquiries and analytical procedures (Hayes et al., 2009).

The last procedures are evaluating and reporting, and the objective is to complete the audit and issue an opinion about the client’s financial statements. Before writing the auditor’s report, which contains the opinion, the auditor should perform additional audit procedures. Examples of these procedures are identifying subsequent events and report to the board of directors. The last procedure in the audit process is to give an audit opinion. This opinion can be of four types; unqualified, qualified, adverse and disclaimer (Hayes et al., 2009).

According to Hayes et al. (2009), the audit is a systematic approach which follows a structured and documented plan. This plan is called the audit methodology (Douglas, 1995). Cushing and Loebbecke (as cited in Douglas, 1995 p. 445) defines the structured audit methodology as: “A systematic approach to auditing characterized by a prescribed, logical sequence of procedures, decisions, and documentation steps, and by a comprehensive and integrated set of audit policies and tools designed to assist the auditor in conducting the audit”. The audit methodology has to be structured in such way that the auditors can review and analyze all the relevant and important evidence (Hayes et al., 2009). Bamber, Snowball and Tubbs (1989) state that audit firms are using audit methodologies in order to improve the quality and efficiency of the audit. Even though firms and professional institutes have designed programmes to standardize the audit process, the audit methodology
tends to be different between different audit firms (Power, 2003). Dirsmith and McAllister (as cited in Power, 2003) state that the explanation to these differences is that the audit firms differ in how highly the audit methodology is structured or how much space it provides for individual judgment.

2.3 The change of auditing standards

All Swedish audits on fiscal years starting 1st of January 2011 should be based on the clarified ISAs. Before this date, all Swedish audits were based on RS (FAR a, 2011). RS was a translation of the elder version of ISA but with considerations of Swedish law and Swedish traditions (FAR, 2000; Danielsson & Larsson, 2004). Since then, the ISAs have been going through a Clarity Project with the aim of improving the clarity and consistency of the standards (Vanstraelen et al., 2009). The result from this project is that the ISAs have a completely new structure and, hence, have a completely different structure compared to RS (Köhler, 2009; see for example ISA 200; RS 200; ISA 240; RS 240; ISA 500; RS 500).

The clarified ISAs include an introduction, objectives, definitions, requirements, application and other explanatory material, and appendices (Köhler, 2009; Vanstraelen et al., 2009). While the objectives and requirements are parts that the auditor should fulfill, the application material is aimed at increasing the auditor's understanding of the ISAs (European Commission, 2009). The application material may describe a requirement deeper or contain examples of procedures suitable for certain situations (IFAC, 2011). In RS, principles and important approaches are mixed with guiding explanations and comments. As an attempt to separate requirements from guidance, the requirements have been made bold (see for example RS 200; RS 240; RS 500).

As stated above, one of the goals with the Clarity Project was to improve the clarity of the standards (Vanstraelen et al., 2009). While the new structure was one way of making the standards clearer, it is visual in at least two more ways that the standards have been clarified. First, by rephrasing the standards using shall when a requirement is intended, it has become clearer what the auditor actually is expected to do. In RS it is generally expressed rather vague what is expected from the auditor. For example, in RS 230 it is stated that when deciding the scope of the audit documentation, it may be useful to consider what documentation another auditor with no experience of that particular audit would need in order to understand what has been done (RS 230.7). In RS 300 it is stated that when preparing the audit plan, the auditor is considering the risk assessment that has been made (RS 300.9).
Neither of these paragraphs is bold, and therefore they are not requirements according to RS. Both of these rather vague expressions have been rephrased, making them requirements according to ISA. In ISA 230 it is now stated that the audit documentation shall be exhaustive enough for an experienced auditor with no previous connection to that particular audit to understand what has been done (ISA 230.8). In ISA 300 it is stated what the audit plan shall contain. Certain details about planned risk assessment procedures are one of these things and a clear reference is made to ISA 315 (ISA 300.9).

Secondly, the increased scope of the application material has also made it clearer what the auditor shall do. ISA 315 is an example of where both the rephrasing and the application material have made the requirements clearer. In RS 400, which has now been replaced by ISA 315, it is stated that the auditor shall gain sufficient knowledge about accounting systems, the control environment and control procedures. Together with this, there are a few sentences of guiding comments (RS 400.18-400.20). In ISA 315 it is clearly stated what the auditor shall gain an understanding about. In addition to the requirements, references are made to nearly 100 paragraphs of application where it is described how this understanding can be gained, through for example recommending which questions to ask (ISA 315.11-315.24, 315.A17-315.A104). ISA 240 is another standard where the application material has made the requirements clearer. In a one page long appendix to RS 240, some situations and events are mentioned as increasing the risk of fraud (RS 240). In ISA 240, the application material together with three appendices are fifteen pages long. Both the application material and the appendices describes in detail what might characterize a fraud, how a fraud might be committed, who might commit a fraud, which questions that can be appropriate to ask and who should be asked these questions etc. (ISA 240).

As a result of the Clarity Project, all ISAs have a new structure and a clearer language (Vanstraelen et al., 2009). Because of this, all clarified ISAs will look different compared to RS but some standards have been changed to a greater extent. A sample of standards that have been changed to a greater extent are described in more detail below.

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9 ISA 230.6 (c): Experienced auditor – An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:
(i) Audit processes;
(ii) ISAs and applicable legal and regulatory requirements;
(iii) The business environment in which the entity operates; and
(iv) Auditing and financial reporting issues relevant to the entity’s industry.
2.3.1 ISA 230 and RS 230 – Audit documentation

The standard on audit documentation is called ISA 230 and is replacing RS 230. ISA 230 regulates what the auditor is required to document when conducting an audit on financial statements (ISA 230.1). Some examples of the differences between RS 230 and ISA 230 are stated below.

What information that needs to be documented is similar in ISA 230 and RS 230. What differs between these two standards is the required scope of this documentation. As mentioned above, ISA 230 clearly states that the documentation shall be exhaustive enough for an experienced auditor with no previous involvement in the audit to understand it. In the application material to ISA 230, it is emphasized that the audit documentation must be understood by an experienced auditor even when audits on smaller entities are made (ISA 230.A16). In RS 230, it is only stated that the working papers shall give an overall understanding of the audit (RS 230.5). It is further stated that the scope of the working papers is a matter of professional judgment and that it may be useful to consider what information an auditor without any experience about the specific engagement would need in order to understand what audit procedures that have been performed and the basis for important decisions. It is, however, stated that no details about the audit is needed (RS 230.7).

Paragraph 2 and 3 in ISA 230 states what the purpose with audit documentation is. First, it is stated that documentation serves as evidence for the conclusion of whether the auditor has achieved the overall objective of the audit and evidence for that the audit has been planned and performed in accordance with ISA and other applicable laws and requirements. Some other purposes are to make the planning and the performance of the audit easier, to make it easier to supervise and direct the audit work, to make future audits easier and to enable quality controls and external inspections to be conducted (ISA 230.2-230.3). No clear purpose with audit documentation is expressed in RS 230 (RS 230).

In the application material to ISA 230 it is further clarified that the requirements on documentation have increased. It is, for example, stated that an oral explanation from the auditor is not enough support for the work that has been performed. It can, however, be used together with the audit documentation in order to clarify it (ISA 230.A5). No such clarification can be found in RS 230 (RS 230).
Besides the requirements in ISA 230, other standards contain special requirements and guidelines regarding audit documentation (ISA 230.1). In an appendix to ISA 230, other standards containing requirements on documentation are listed (ISA 230). Many of these standards did not contain requirements on documentation in RS, for example ISA 210, ISA 220, ISA 315 and ISA 550 (ISA 210; RS 210; ISA 220; RS 220; ISA 315; RS 400; ISA 550; RS 550).

2.3.2 ISA 240 and RS 240 – Fraud

ISA 240 describes what responsibilities an auditor has when it comes to fraud\(^\text{10}\) in an audit of financial statements. This standard is replacing RS 240 (ISA 240; RS 240).

ISA 240 makes it clear that identifying the risk of fraud is a part of the risk assessment. In the purpose of ISA 240, it is stated that this standard describes in detail how ISA 315 and ISA 330 shall be applied in relation to fraud (ISA 240.1). Eight paragraphs in ISA 240 describe what specific procedures the auditor shall do in the risk assessment to make sure that the risk of material misstatement due to fraud is identified (ISA 240.16).

Compared to ISA 240, RS 240 does not make as clear connection between identifying the risk of fraud and the risks assessment and it is not as clear what the auditor actually shall do in order to identify these risks. RS 240 only states that the auditor shall assess the risk of fraud leading to material misstatements when planning the audit and a number of examples of conditions that increases the risk of fraud are mentioned (RS 240.7-240.8). These examples are further described in an appendix to RS 240. It is, however, not described how the auditor in practice actually shall do in order to make sure that these risks are identified (RS 240). The auditor therefore has more requirements to fulfill according to ISA 240 compared to RS 240 (ISA 240; RS 240). As mentioned above, the extensive application material in ISA 240 has also made the requirements clearer. Here it is described where the risk of fraud may be higher, who may commit fraud, what questions may be asked on order to discover a fraud etc. (ISA 240).

\(^\text{10}\) ISA 240.11 (a): Fraud – An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
2.3.3 **ISA 315, RS 310 and RS 400 – Risk assessment**

With the transition from RS to ISA, the content of RS 310 and RS 400 have been merged into the same standard: ISA 315 *Identifying and assessing the risk of material misstatement through understanding the entity and its environment*. RS 310 deals with knowledge about the entity and RS 400 is about risk assessment and internal control (ISA 315; RS 310; RS 400).

The purpose with the risk assessment has not changed with the transition from RS to ISA, i.e. that the auditor shall investigate if there are any risks of material misstatements (ISA 315.3; RS 400.1, 400.4-400.6). The difference is the approach. Risk assessment according to RS 400 focuses much on the audit risk as such. RS 400 is built around the terms inherent risk\(^{11}\), control risk\(^{12}\) and detection risk\(^{13}\). In order to assess the risk of material misstatements, the auditor shall gain a sufficient understanding about for example the entity’s accounting system\(^{14}\) and internal control (RS 400).

Since the content of RS 310 has been transferred into ISA 315 instead, the risk assessment is now more focused on understanding the entity and its environment (ISA 315). In RS 310, the focus is on knowledge about the entity and the connection to risk is not that obvious. It is mentioned that the auditor, for example, uses this knowledge to assess the inherent risk and the control risk and that it is an appropriate way to help the auditor assess risks (RS 310.2SE, 310.9). In ISA 315, it is clearly stated that understanding the entity and its environment is an important part of the risk assessment (ISA 315.3). Understanding the entity’s accounting system and internal control etc. is still a part of the risk assessment but it is expressed as being a part of understanding the entity and its environment (ISA 315).

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11 RS 400.4: Inherent risk – the tendency of a balance or type of transaction that contain misstatement which, alone or together with misstatements in other balances or types of transactions, could be material, in the absence of any associated internal controls.

12 RS 400.5: Control risk – the risk that a misstatement could occur in a balance or type of transaction and which, alone or together with other balances or types of transactions, could be material not prevented or detected and corrected in time through accounting- and internal control system.

13 RS 400.6: Detection risk – the risk that an auditor’s substantive testing measures do not detect a misstatement in a balance or type of transaction, and which, alone or together with misstatement in other balances or types of transactions, could be material.

14 RS 400.7: Accounting system – the series of activities and documents of an entity with which it deals with transactions that constitute a financial statement. Such systems identify, collect, analyze, calculate, classify, record, summarize and report transactions and other business events.
2.3.4  **ISA 600 and RS 600 – Audits of group financial statements**

ISA 600 deals with audits of group financial statements and is replacing RS 600. With the transition from RS 600 to ISA 600, the scope of this standard has increased considerably. RS 600 has 17 paragraphs while ISA 600 has 50 paragraphs and additional 66 paragraphs in the application material. While RS 600 more generally was about using the work of another auditor, ISA 600 has a clearer focus on audits of group financial statements (ISA 600; RS 600).

The big difference between RS 600 and ISA 600 is that the group engagement partner\(^\text{15}\) has a lot more responsibilities according to ISA. The change from *should* and *can* in RS to *shall* in ISA plays an important part here (ISA 600; RS 600). In RS, it is expressed that the principal auditor\(^\text{16}\) for example *can* discuss performed audit procedures with the other auditor\(^\text{17}\) and reviews the other auditor’s working papers. It is further stated that the principal auditor *may* want to do this during a visit at the other auditor (RS 600.10). However, if there already are sufficient appropriate audit evidence that the other auditor has acceptable procedures and measures for quality control, the principal auditor may conclude that it is unnecessary to take such measures as described in paragraph 10 (RS 600.11). In ISA 600, on the other hand, it is clearly stated that the group engagement partner is responsible for the “direction, supervision and performance of the group audit engagement”. The group engagement partner is also responsible for that the auditor’s report is correct considering the circumstances. It is further clarified that if a law or regulation would require the auditor’s report for the group financial statements to refer to the component auditor\(^\text{18}\), the group engagement partner’s responsibility for the group audit opinion is not decreased. This must be

\(^\text{15}\) ISA 600.9 (h): Group engagement partner – The partner or other person in the firm who is responsible for the group audit engagement and its performance, and for the auditor’s report on the group financial statements that is issued on behalf of the firm. Where joint auditors conduct the group audit, the joint engagement partners and their engagement teams collectively constitute the group engagement partner and the group engagement team. This ISA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor.

\(^\text{16}\) RS 600.3: Principal auditor - the auditor with responsibility for reporting on the financial statements of an entity when those financial statements include financial information of one or more components audited by another auditor.

\(^\text{17}\) RS 600.4: Other auditor - an auditor, other than the principal auditor, with responsibility for reporting on the financial information of a component which is included in the financial statements audited by the principal auditor. Other auditors include affiliated firms, whether using the same name or not, and correspondents, as well as unrelated auditors.

\(^\text{18}\) ISA 600.9 (b): Component auditor – An auditor who, at the request of the group engagement team, performs work on financial information related to a component for the group audit.
stated in the auditor’s report (ISA 600.11). A component auditor may be responsible for the findings, conclusions and opinions for that component\(^{19}\) but the group engagement partner is still responsible for the group audit opinion (ISA 600.A8).

If a component auditor is to be used to audit the financial information of a component, the group engagement team\(^{20}\) must verify certain things. For example, if the component auditor understands and will follow the ethical requirements relevant for the group audit, if he or she is independent and the component auditor’s professional competence (ISA 600.19).

Examples of how this can be verified can be found in the application material (ISA 600.A32-600.A38). Compared to ISA 600, where the group engagement team must verify certain things about the component auditor, RS 600 states that the principal auditor shall inform the other auditor about the requirements on independence and which requirements on accounting, auditing and reporting that applies (ISA 600.19; RS 600.9). The other auditor shall make a written statement confirming that these requirements are fulfilled (RS 600.9).

### 2.3.5 ISA 700, ISA 705 and RS 709 (RS 700) – The auditor’s report

RS 700 is a direct translation of the elder version of ISA 700 and regulates the auditor’s report in audits not regulated by law. RS 700 makes a reference to RS 709, where it is regulated how the auditor’s report shall be designed in audits regulated by law (RS 700). RS 709 is based on the elder version of ISA 700 but almost exclusively consists of SE-paragraphs, which means that the original ISA-paragraphs have been adjusted to comply with Swedish law (RS 709). With the transition from RS to ISA, the design of the auditor’s report is now regulated in ISA 700 and ISA 705 (ISA 700; ISA 705). The comparison here is made with RS 709.

The transition from RS to ISA has meant some structural changes of the auditor’s report. In RS 709, the content of the auditor’s report is expressed as requirements; it is stated what the auditor’s report shall contain. Many of these paragraphs make references to Swedish law (RS 709.6SE-709.9SE, 709.12SE-709.15SE, 709.17SE, 709.20SE, 709.23SE-709.26SE). The ordering of the content is not expressed as a shall-requirement but it is stated that the or-

\(^{19}\) ISA 600.9 (a): Component – An entity or business activity for which group or component management prepares financial information that should be included in the group financial statements

\(^{20}\) ISA 600.9 (i): Group engagement team – Partners, including the group engagement partner, and staff who establish the overall group audit strategy, communicate with component auditors, perform work on the consolidation process, and evaluate the conclusions drawn from the audit evidence as the basis for forming an opinion on the group financial statements.
dering and the content of the auditor’s report is standardized in order to enhance the readability (RS 709.5SE). RS 709 is also generous with examples of how to design each part in an auditor’s report as well as how to design the complete auditor’s report in different corporate forms (RS 709.11SE, 709.16SE, 709.21SE, 709.28SE, RS 709 appendix 2).

The required content of the auditor’s report according to ISA 700 is similar to the requirements in RS 709 (ISA 700; RS 709). What differs is the structure. According to ISA 700, certain headings shall be used; “Management’s responsibility for the financial statements”, “Auditor’s responsibility” and “Opinion” (ISA 700.25, 700.28, 700.34). In RS 709, the management’s and auditor’s responsibilities were only required to be described very briefly; the examples expressed this in two sentences (RS 709 appendix 2). The description of the management’s responsibilities according to ISA 700 shall still be quite brief, while the description of the auditor’s responsibilities has been extended (ISA 700.24-700.33).

An unmodified audit opinion shall be given when the auditor concludes that the financial statements in all material respects are in accordance with applicable financial reporting framework (ISA 700.16). If the auditor concludes that the financial reports as a whole contains material misstatements or if not sufficient appropriate audit evidence can be collected to conclude that the financial statements are free from material misstatements, the auditor shall give a modified opinion in accordance with ISA 705 (ISA 700.17, 705.6). A modified opinion may be of three types: a qualified opinion, an adverse opinion or a disclaimer of opinion (ISA 705.7-705.10; RS 709.37-709.39). If either of these modified opinions have to be given, the reason for why such an opinion must be given shall be placed under another heading called “Basis for qualified opinion”, “Basis for adverse opinion” or “Basis for disclaimer of opinion”. This section shall be placed above the section where the auditor expresses his or her opinion (ISA 705.16). The “Opinion” heading shall also be replaced with either “Qualified opinion”, “Adverse opinion” or “Disclaimer of opinion” (ISA 705.22). In an appendix to ISA 705, some examples of how a modified opinion might be designed are presented (ISA 705).

In RS 709 it is stated that having the same layout and content of all modified opinions will increase the readability of them. However, it is further stated that each situation must determine which layout is most suitable. A number of examples of how a modified opinion might be designed are provided but it is clearly stated that these are just examples. Some guidelines are provided to ensure some consistency of the modified opinions, for example
that the text that deviates from the unmodified opinion should be highlighted and that circumstances that do not affect the opinion should be placed at the end of the report. Descriptions of circumstances that do affect the opinion should be placed in connection to the opinion that it affects. For example, if some circumstances would affect the auditor’s opinion regarding the accounting, the description of these circumstances should be placed right above the opinion about this (RS 709 appendix 1).

2.4 Possible effects of changing standards

As a result of the changes in the auditing standards mentioned above, there are both positive and negative effects that can occur. Some of the possible effects are identified and presented in a study by Annette G. Köhler (Köhler, 2009). Some of the positive effects Köhler (2009) presents are audit quality, understandability, enforcement, lending credibility and the harmonization effect. The redesign effect and the regulation effect are examples of negative effects (Köhler, 2009). The effects that can have an impact on the audit process will be presented and discussed more in detail below.

2.4.1 Positive effects

Köhler (2009) identifies three core issues regarding the introduction of ISA in the EU, these being audit quality, understandability and enforcement of auditing standards. These three issues are all related to each other; in order to enhance audit quality, auditing standards need to be both understood and enforced (Köhler, 2009). Considering the audit process, audit quality and understandability can be possible positive effects from the implementation of ISA in Sweden. The harmonization effect is a third positive effect that may have an impact on the audit process.

While all these issues are important, the main goal with adopting ISA is to enhance audit quality (Köhler, 2009). To understand what audit quality means, a definition is needed. Throughout the years, many definitions of the concept have emerged but the one most used in empirical research is the two-dimensional definition that DeAngelo formulated in the beginning of the 1980s (Köhler, 2009). According to her, audit quality is the probability that material misstatements will be both detected and reported by the auditor (DeAngelo, 1981).
When asking experts, factors relating to both audit firm level and engagement team level have been found to be important determinants for audit quality. Many of these can be related to the occurrence of auditing standards (Wooten, 2003). According to DeAngelo (1981), one way of safeguarding a minimum level of audit quality is through the use of auditing standards. These standards constrain how audits should be performed and, hence, assure audit quality (DeAngelo, 1981). One important determinant at the firm level is the occurrence of proper control processes; it is supported by many studies that strong audit methodology and high quality are connected to each other. At the engagement team level, the individual auditor’s professionalism has been identified as being important for audit quality. Auditors possessing a high level of professionalism and integrity have a higher probability of performing their tasks correctly and detecting material misstatements (Wooten, 2003).

As mentioned above, the concept of audit quality consists of two parts; detecting and reporting material misstatements. The above mentioned determinants are related to the detecting part of audit quality. The probability that a material misstatement will be reported depends on the auditor’s independence. If an auditor is not able to be independent, there is a risk that material misstatements will not be reported and, hence, the audit quality decreases (Wooten, 2003).

Understandability is an important part in enhancing audit quality (Köhler, 2009). Köhler (2009) emphasize the importance of providing information in a form that suits the user’s level of knowledge in order for the user to understand the information. It is, however, assumed that the user interpret the information with reasonable diligence and a reasonable level of knowledge (Köhler, 2009). One important step towards increased understandability is by clarifying the ISAs (Köhler, 2009; Vanstraelen et al., 2009). As mentioned above, the clarity project resulted in a completely new structure of the standards with the aim of increasing the understandability of the standards (Vanstraelen et al., 2009).

Finally, the harmonization effect may occur with the adoption of ISA. It may mainly be auditors with multinational clients that experience this effect: with international standards, they do not need to apply different standards for different audits. Therefore, the audit process should be easier to perform since the auditors only will need to know one set of standards for all audits (Köhler, 2009).
2.4.2 Negative effects

As well as there are positive effects with the changes in auditing standards, there will also be negative effects, i.e. costs, with the implementation. The redesign effect is a negative effect that may have an impact on the audit process. This effect can give rise to recurring costs, i.e. costs that are not expected to change over time due to learning effects, and first-time costs (Köhler, 2009).

The redesign effect is the effect of redesigning the audit methodology due to the adoption of the clarified ISAs. Since the degree to which national standards complied with the elder version of ISA differs, this effect will vary between different member states (Köhler, 2009). Köhler (2009) makes a difference between ISA compliance effect and clarity project effect. The ISA compliance effect will occur when the national standards not fully complied with the elder version of ISA and the clarity project effect will occur when the national standards complied with the elder version of ISA. This means that the redesign effect will be country-specific but also auditor-specific since some auditors with multinational clients already have adopted the elder version of ISA and maybe even prepared themselves for the clarified ISAs. If ISA would become mandatory in the EU, all member states will at least experience the clarity project effect since the standards have been clarified. For most of the member states, the changes in auditing standards due to adoption of clarified ISAs will be limited to the clarity project effect. The reason for this is that 80% of the respondents in a survey conducted by Köhler (2009) said that their national standards already had a high degree of compliance with the elder version of ISA.

In the study conducted by Köhler (2009), it was investigated how a sample of audit firms from a number of member states in the EU would be affected by mandatory adoption of ISA. When investigating the negative effects, i.e. the costs, differences were made between recurring and first-time costs. A difference was also made between effects at the audit engagement level and audit firm level. According to the responses from the audit firms in the study, the first-time costs were expected to be significantly higher than the recurring costs at the engagement level. How much the costs were expected to increase at the engagement level varied depending on the size of the audit firm and the size and nature of the audit client. Since the recurring costs are not expected to change over time due to learning effects, Köhler (2009) states that these costs will be of high importance, especially the costs incurring at the engagement level. The reason for this is that these costs will make it more ex-
pensive to perform audits and, therefore, are likely to be passed on to the clients (Köhler, 2009).

Some redesign effects were expected to incur at the audit firm level as well. Additional costs were expected due to the amendment of audit practices, such as changing audit methodology, audit manuals and audit programmes. Other costs expected to incur at the audit firm level are training of the audit staff and amendment of the audit tools used in performing audits. According to the responses in the study, these costs were expected to be significant (Köhler, 2009).

### 2.5 Agency theory

Theoretically, the need for auditing has existed due to the contract problems in the agency theory (Nilsson, 2005). Watts and Zimmerman (1983) found that the relating costs, such as bonding and monitoring costs, existed already in the 1200 so the agency problems and the way to solve these problems have a long history.

Jensen and Meckling (1976) define the agency relationship as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent” (Jensen & Meckling, 1976, p. 308). If it is assumed that both parties wants to maximize their utility, there is a risk that the agent acts in self-interest instead of doing what is in the best interest of the principal. There are certain actions that can be taken in order to minimize this risk. For example, the principal may establish some monitoring activities with the aim of making sure that the agent acts in the best interest of the principal. These activities might, for example, be auditing or formal control systems and are referred to as monitoring costs. These monitoring costs are a part of something called agency costs, which are the costs resulting from the agency relationship (Jensen & Meckling, 1976). As stated by Köhler (2009), recurring costs at the engagement level are costs of high importance since they will make it more expensive to perform an audit and therefore are likely to be passed on to the client. Since auditing is a type of monitoring cost, the agency costs are likely to increase if these recurring costs would increase. An audit is, however, performed for the public interest, i.e. it is the stakeholders of a company that benefits from an audit (FAR, 2006). This means that the audited entities will have to pay for something the stakeholders benefits from.
3 Method

The approach of this study is deductive. This means that the research project goes from theory to empirics (Jacobsen, 2002). The researcher reviews data that has already been collected, but for another purpose, to get his/her own expectations about the reviewed subject and then collects data from the reality to check whether the expectations and reality are consistent with each other (Saunders, Lewis, & Thornhill, 2009; Jacobsen, 2002). From the Swedish auditing standards and previous studies around the subject of implementing the international standards in the EU for example, we got expectations. Thereafter, we checked whether the expectations from the reviewed data were consistent with the data collected in our study.

The purpose of this study is of an explanatory nature. An explanatory purpose is used when the researcher wishes to explain the relationship between variables in a certain situation or problem (Saunders et al., 2009). Our purpose is to study the situation when ISA was implemented in Sweden in order to explain the relationship between the variable “changed auditing standards” and the variables: “impact on the audit process”, “audit quality” and “costs”.

The research strategy is the general plan for how the research question shall be answered. This means that the research question will guide which strategy to use (Yin, 2009). This study aims at answering the questions of how the implementation of the clarified ISAs has affected the audit process for Swedish auditors, the effects from this and also to compare the affect on the audit process at small versus large audit firms. Some different research strategies are experiments, survey and case study (Saunders et al., 2009). For this research, we found that the case study was the most appropriate strategy. A case study is used to investigate a contemporary phenomenon in its real life context. Using case study as research strategy means that many sources of evidence are used to investigate a phenomenon. This strategy is suitable if the researcher wants to get a deep understanding of the context, it is
particularly useful in answering the question “why” but also “what” and “how” to some degree. This makes case study appropriate when the purpose is of an explanatory and/or exploratory nature (Saunders et al., 2009).

To be able to differentiate both data collection techniques and data analysis procedures, the terms quantitative and qualitative are used (Saunders et al., 2009). A quantitative study provides data in numeric (numbers) forms while a qualitative study instead focuses on non-numeric (words) data (Saunders et al., 2009; Jacobsen, 2002). Since we are interested in getting data in the form of words rather than in numbers, a qualitative study is most appropriate.

It is common to combine a variety of different techniques when collecting data in a case study. Examples of different data collection techniques are interviews, observations and questionnaires. When using the case study as research strategy, it is common to triangulate the different sources of data used. Triangulation is a technique of making sure that the data collected is true and interpreted correctly by using multiple data collection techniques (Saunders et al., 2009). Since the data collected in this study is very subjective, we want to have as many opinions as possible to be able to draw reasonable conclusions. Therefore, questionnaires were constructed and sent out to auditors across the country. However, before sending out the questionnaires, interviews were conducted in order to make sure that the questions asked in the questionnaire were relevant and to get a deeper insight about the subject.

There are four types of method approaches; mono method, multi-method, mixed method and mixed-model (Saunders et al., 2009). The one used in this study is the multi-method. The multi-method means that the researcher has either a qualitative or quantitative study, but uses several data collection techniques and/or analytical procedures (Saunders et al., 2009). We have used two different qualitative data collection techniques; interviews and questionnaires and two qualitative analytical procedures; categorization and testing relationships.

According to Saunders et al. (2009), researchers can conduct either cross-sectional studies or longitudinal studies. Performing cross-sectional studies means that the researcher examines a situation or problem at several points in time and longitudinal studies means that the researcher only examines a situation at one point in time (Saunders et al., 2005). There is a special version of a cross-sectional study that will be most efficient for the purpose of this
study. This version of a cross-sectional study means that the researcher asks the respondents to remember the past to be able to compare a situation at one point in time to another without having to ask at several points in time (Jacobsen, 2002). This method will be used in this study since the change in auditing standards already has occurred. In order to be able to compare the situation before and after this change, we will have to ask the respondents to remember. This method will be used both in the interviews and in the questionnaires. Jacobsen (2002) addresses a problem with this method. He states that it can be difficult to get reliable answers from the respondents if they do not remember clearly. This problem will not be significant in this study. There are two reasons for this. The first is that the changes in the auditing standards occurred recently. The second reason is that the auditing standards is something really important for auditors to know by heart and is something that they work with every day. We will therefore assume that the auditors will remember the time before the auditing standards were changed in 2011 since the questions will be all about the important auditing standards.

3.1 Data collection

When conducting a research, both primary and secondary data can be used. These two ways of collecting data can often complement each other so the ideal thing is to use both (Jacobsen, 2002). In this study, both primary and secondary data have been used to be able to answer the research questions.

Primary data is collected by the researcher for the specific purpose of the study. This type of data is collected directly from the source (Jacobsen, 2002). In this study, primary data have been collected through semi-structured interviews and questionnaires. The reason for why both interviews and a questionnaire were used was to be able to fulfill the purpose of this study. The purpose with the questionnaire was to get as many opinions about the implementation about ISA as possible, and also to get opinions from auditors across the whole country. The purpose with the interviews was to test whether the questions in the questionnaire were relevant and also to get a deep insight about the subject. Because of this, the questionnaire was constructed as a start and thereafter the interviews were conducted before the questionnaire was sent out in order to be able to make adjustments in the formulations and adding new variables and alternative answers. Due to the importance of how to construct interviews and questionnaires, these are explained later in this section.
Secondary data is already existing data within the specific subject but that may have been collected for another purpose (Saunders et al., 2009). This type of data is not collected by the researcher directly from the source and can be both raw data and published summaries (Jacobsen, 2002; Saunders et al., 2009). For this study, we have used secondary data to gain a deeper understanding about the subject as well as finding relevant theories. Summaries and studies about different EC projects have been collected from the EC website. The main sources of secondary data are academic journals and other relevant literature. Due to lack of information about Swedish conditions in academic journals, different publications from FAR have been used for this matter. Legislative publications have been another important source in gaining an understanding about the audit process.

### 3.1.1 Sampling

When conducting a research, it must be considered whether or not sampling is needed. It is often impossible to collect data from the entire population due to time and money restrictions. Therefore, a sample is often necessary to draw (Saunders et al., 2009). Collecting data from all auditors in Sweden would be impossible in this study due to these restrictions and that is why sampling is used.

The sample can be either a probability sample or a non-probability sample. The type of sampling technique used depends on whether the researcher wants to make statistical generalizations or not. The probability sampling technique is used when the research question needs to be answered on statistical grounds and when the researcher wants to make generalizations. Using a non-probability sampling technique makes it possible to make generalizations but not on statistical grounds (Saunders et al., 2009). In this study, non-probability sampling techniques are used since the goal is not to make statistical generalizations. This means that the probability of each case being selected is not known (Saunders et al., 2009).

To be able to draw a sample, a sample frame is needed. A sample frame is a complete list of all cases in a population where the sample is going to be drawn from (Saunders et al., 2009). In this study, the sample frame was collected from a list of all qualified audit firms in Sweden found in an electronic phonebook called Eniro. This sample frame was used since the differentiations of auditors from small respectively large audit firms were needed to be able to answer the research questions. When the audit firms were drawn from the sample frame, qualified auditors at that firm were asked to be our respondents.
The only characteristic required of the respondents in this study was high experience of auditing. Therefore, only qualified auditors were asked to be our respondents for the interviews and questionnaires. This ensured that the respondents had been in the industry for at least three years.

The non-probability sampling technique convenience sampling has been used when drawing the sample for the interviews. This means that the cases chosen are the ones who are the easiest to obtain (Saunders et al., 2009). We have chosen to conduct interviews with auditors located in Jönköping since it would not be convenient to travel across the country to conduct interviews. With the convenience sampling technique, six different auditors in Jönköping have been chosen for the interviews; three working at the “big four” audit firms and three working at smaller audit firms. For the questionnaire, the non-probability sampling technique self-selection sampling has been used to select cases. According to Saunders et al. (2009) self-selection sampling means that the researcher publicizes the need for cases or asking them to take part and then collect data from those who respond. This has been done in this study where we have sent out the questionnaires to qualified auditors across Sweden and collected the data from those who chose to take part in our survey.

When using these two non-probability sampling techniques there are no rules regarding the sample size (Saunders et al., 2009). Patton (as cited in Saunders et al., 2009) states that the sample size should be dependent on your research questions and objectives, for example what the researcher needs to find out. In addition, Saunders et al. (2009) give the simple recommendation to collect qualitative data until saturation is reached. As mentioned above, the purpose with the interviews was to get a deeper understanding about the implementation of ISA in Sweden and to test the relevance of the questions in the questionnaire. Having six interviews gave the information needed and to conduct additional interviews would not have provided any new insights. The questionnaire has been sent out to 300 qualified auditors spread across Sweden; 150 working at the “big four” audit firms and 150 working at smaller audit firms. When using a questionnaire, the researcher has to consider the response rate. This is likely to depend on how interested the respondents are in the subject. If the respondents are interested in the subject, i.e. they are considered an “elite”, and if they realize the importance of responding, they are more likely to respond. Auditors are considered to be such an “elite” (Jacobsen, 2002). Therefore, the problem of lack of interest in the subject does not exist. However, before sending out the questionnaire we were aware that the auditors have a high workload during the spring. Because of this, the ques-
tionnaire was sent out to many auditors in order to get as many opinions about the implementation of ISA as possible. The response rate for the questionnaire was 18,3 % (55 out of 300). We got the problem of the high workload confirmed when many auditors answered that they did not have the time to help us fill in the questionnaire. This is one reason for why the response rate is relatively low, but this number of respondents and opinions about the implementation of ISA will be enough for us to be able to draw conclusions.

3.1.2 Interviews

There are different types of interviews; structured, semi-structured and unstructured interviews. The different types of interviews goes from standardized interviews with predetermined questions, i.e. structured interviews, to informal interviews with no predetermined questions and with the respondent guiding the interview, i.e. unstructured interviews. In between these two extremes we find the semi-structured interview (Saunders et al., 2009). This is the type of interview we have chosen for this study.

Both semi-structured and unstructured interviews are often used in qualitative research. The semi-structured interview is suitable for both exploratory and explanatory purposes. This type of interview will be helpful when the researcher wants to know the reason behind the respondent’s decisions or attitudes but also when relationships between different variables are interesting. Themes and questions will guide a semi-structured interview. The structure may, however, vary from interview to interview. Which questions that will be asked in each interview and in which order they will be asked will be determined as the conversation goes on (Saunders et al., 2009). When conducting the interviews for this study, guidelines were used for collecting the data (Appendix 1 and 2). These were only guidelines and the order of the questions was not followed precisely during the interview. However, every interview started with insensitive and general questions in order to get the information the respondents wanted to tell and not what we wanted to hear. However, we realized a pattern quickly about how the respondents felt about the implementation of ISA. At first, they said that they had not realized any differences from the implementation but when we asked about details and discussed the changes in the standards they said that there were some changes.

Before the interviews, we had reviewed the literature and were well prepared on the subject. To enable the interviewees to be prepared and to be able to give us all relevant information, the guidelines for the interviews were sent out to the interviewees before the inter-
view. In addition to the guidelines, a short explanation about our study, a guarantee for anonymity and a question about their permission for us to record our interview was sent. The only purpose with the recording was to avoid noting everything they said and thereby being able to be active during the interview. We could listen carefully to what they said, get a good understanding and therefore also got the possibility to ask follow-up questions. After the interviews, the transcription of the audio recording was sent to the interviewees to enable them to correct misunderstandings.

The length of the interviews varied where the first interviews were longer than the last. In the beginning, the interviews were almost an hour long, and in the end they were only around 30 minutes. The reason for this is that during the first interviews, there were a lot more discussion around the subject. As our understanding and knowledge increased, there were more opinions and experiences that were discussed rather than the subject of the study.

The reliability in a research refers to the extent to which another researcher would yield similar results using the same techniques for collecting or analyzing data. Two different types of biases that will affect the reliability of a research may occur when conducting interviews; interviewer bias and interviewee bias. Interviewer bias may occur due to the fact people ask questions in different ways, i.e. they express themselves differently. Interviewers may also, intentionally or unintentionally, direct the respondents towards an answer that the interviewers wish to receive. Finally, interviewer bias may occur because of peoples’ different ways of interpreting the responses. Interviewee bias on the other hand may occur if the respondent does not feel comfortable to give the true and whole picture. The respondent may not have the power or the desire to reveal certain information or he/she may only answer what they think is expected. The risk of interviewer bias can be reduced by making sure that the interviews are well-structured and the risk of interviewee bias can be reduced by ensuring the respondents anonymity (Saunders et al., 2009).

To prevent interviewer bias we only used guidelines for the interviews. This enabled the interviewees to guide the interviews themselves. As mentioned above, insensitive and general questions were asked in the beginning and there were mostly follow-up questions beyond these. However, some questions about certain standards needed to be asked in addition to the general questions due to the problem that most of the respondents initially said that there were no changes but after asking more about details, they said that some things had
changed. These questions were asked to increase the reliability of the responses. As far as possible, no leading questions were asked to prevent affecting the respondents’ answer.

To prevent the interviewee bias, an important aspect to consider when conducting interviews is to make sure that the respondents feel comfortable. If they feel comfortable they are more likely to be honest and express their real opinions. One thing that may impact how comfortable the respondent feels is the place where the interview is conducted. The respondent may feel more comfortable if the interview is conducted at a familiar place, for example the respondent’s office. A drawback with conducting the interview at such a place is that there is a risk that the interview may be interrupted by, for example phone calls or colleagues entering the office. Another important thing to consider in making the respondent feel comfortable is anonymity. Guaranteeing that the respondent’s answers will be anonymous is especially important if the subject of discussion is sensitive (Jacobsen, 2002). With these aspects in mind, we chose to conduct the interviews at the respondents’ offices as well as ensuring the respondents anonymity. We hope that this made the respondents feel comfortable enough to express their real opinions.

3.1.3 Questionnaire

Compared to interviews, questionnaires generally require more preparation. When constructing a questionnaire, the researcher must concretize vague concepts and formulate the questions in a way that minimizes the risk of misunderstandings (Jacobsen, 2002).

The researcher must decide how the data in practice shall be collected. The different techniques of collecting the data can be divided into self-administered questionnaires and interviewer-administered questionnaires. The self-administered questionnaires are filled in by the respondent, for example through an internet-based questionnaire where the answers are filled in electronically or by mailing the questionnaire to the respondent who fills it in and returns it to the researcher. The interviewer-administered questionnaires are filled in by the interviewer based on the respondents’ answers. These interviewer-administered questionnaires may be of two types; telephone questionnaires and structured interviews (Saunders et al., 2009). These different techniques have their advantages and disadvantages (Jacobsen, 2002). The risk of misunderstandings would decrease if we were to conduct structured interviews, i.e. visit the respondents, but since we want to include auditors from across the whole country, this would not be feasible. Calling the respondents would give a high response rate but would be time consuming and costly (Jacobsen, 2002). We chose to use
self-administered questionnaires, which is the least costly option. We do, however, need to take into consideration that receiving the responses may take some time.

Reliability in a questionnaire refers to how well the questionnaire has been constructed. If a questionnaire is reliable, another researcher should yield similar results using the same questionnaire at another time and under different conditions (Saunders et al., 2009). Foddy (as cited in Saunders et al., 2009) discuss that the validity and reliability of a questionnaire is whether the questions and answers make any sense or not. This means that the questions asked must be constructed so that they are understood as intended and also so that the answers given by the respondents are understood as intended (Foddy, as cited in Saunders et al., 2009). The preparation and construction of our questionnaire is of very high importance since we will not have any physical contact with the respondents. This means that there is no possibility to explain eventual vague concepts and formulations as the respondent fills in the questionnaire. A questionnaire also needs to be well-structured and the questions well-formulated in order for it to be valid. To get accurate data, the questions need to be clear and easy to understand in order to avoid misunderstandings that may cause the respondents to not answer what the researcher asked for (Saunders et al., 2009). Validity can be divided into three different types; content validity, criterion-related validity and construct validity. The first type is concerned with whether the questionnaire covers everything that needs to be measured. The second type refers to the extent to which the questions contain accurate predictions. Finally, construct validity refers to if the questionnaire really measures what it intends to measure (Saunders et al., 2009). In this study, both the literature study and the interviews are used to ensure high validity of the questionnaires.

In order to prevent the interviewee bias mentioned above, all responses to the questionnaire are anonymous. Interviewer bias will not occur since we will not have any contact with the respondents.

Before starting the construction of the questionnaire, the theories that are to be tested as relationships have to be defined when the study has an explanatory purpose (Saunders et al., 2009). The secondary data in this study has therefore been reviewed carefully to be able to define the relevant and important theories and characteristics in this subject.

The questionnaire has been constructed electronically with help from a tool developed by Google. It mainly consists of questions about attitudes and opinions around the implementation about ISA, but also about certain attributes (e.g. the size of the firm and whether
they have been to education about ISA or not) and knowledge about ISA (Appendix 3 and 4). The questions and the alternative answers were constructed with help from relevant literature and thereafter, adjustments were made based on the findings from the interviews. There are certain aspects to have in mind when constructing a questionnaire. For example, the questionnaire should not be too long. Saunders et al. (2009) recommend the questionnaire to be between four and eight pages. When constructing a questionnaire in paper form you should also avoid filter questions in order to keep the questionnaire simple for the respondent (Saunders et al., 2009; Jacobsen, 2002). When the questionnaire was constructed we found that it would be more efficient to use some filter questions. Since it was constructed electronically, the problem of a too complicated questionnaire did not arise. With an electronic questionnaire, the respondents will not notice that there exists filter questions exist. Whether the alternative answer “No opinion/Do not know” should be included or not has also been considered for every question. Jacobsen (2002) means that this alternative answer is often included in questions when the question is about opinions, attitudes or feelings. It is argued that you get more reliable answers when the respondents have the opportunity to answer “No opinion/Do not know” since the researcher is not forcing them to have an opinion if they do not have one (Jacobsen, 2002). In order to not have a completely closed questionnaire and to give all respondents the possibility to add or comment something about the implementation of ISA, the questionnaire ended with two open questions.

As far as it was possible, the questionnaires were sent to the qualified auditors’ own e-mail addresses. Witmer (as cited in Saunders et al., 2009) states that sending the questionnaires directly to the respondent increases the possibility for the intended respondent to respond since most users read and respond to their own e-mail. In order to increase the response rate, the questionnaire has been sent out to the auditors at three times at weekly intervals. Together with the questionnaire, a covering letter was attached (Appendix 5 and 6). For the first and second reminder, an additional covering letter was attached (Appendix 7 and 8 respectively 9 and 10).

### 3.2 Data analysis

The data analysis in this study consists of three steps; transcribing, categorization and unitizing. Since the interviews were audio-recorded, the data collected from the interviews had to be transcribed. This means that the data have been transcribed in written account using actual words. After the transcribing, the data collected from the interviews have been “data
cleaned”. This means that the researcher makes sure that the data is accurate (Saunders et al., 2009). This has been done by sending a copy of the transcript to the interviewees for final checking. In order to get sufficient time for transcribing, writing notes and analyzing the data collected from the interviews, we arranged the interviews with enough time between them. This increased the usefulness from each interview since we could realize patterns, themes and relationships at an early stage.

The next step in the data analysis is to develop categories (Jacobsen, 2002). To develop categories and attaching these to meaningful chunks of data are the two activities Saunders et al. (2009) describes when categorizing data. The categories can be derived either from the theoretical framework or the data collected (Saunders et al., 2009). For the interviews, the categories have been derived from the data collected and the categories for the questionnaire have been derived from the theoretical framework and from the data collected by the interviews. This has been done in order to simplify the complex data but also in order to compare the answers from different respondents.

Finally, the data have been unitized. This means that “bits” or “chunks” of the data have been placed in appropriate categories (Saunders et al., 2009). Words, sentences and sometimes whole paragraphs from the interviews have been placed in different categories in order to see similarities and differences in the answers. The responses from the questionnaires have been collected in tables in order to easier see patterns, themes and relationships between the different responses.
4 Empirical findings

4.1 Interviews

Interviews were conducted with three auditors working at the “big four” respectively three auditors working at small audit firms. Since the respondents were ensured anonymity, we refer to them as “Large Alpha”, “Large Beta” and “Large Gamma” for the auditors working at one of the “big four” and “Small Alpha”, “Small Beta” and “Small Gamma” for those who work at a smaller audit firm.

4.1.1 Large audit firms

These interviews revealed that neither of the auditors working at the “big four” had experienced any big changes when ISA was implemented. All of them mentioned that the firms they are working at have their own audit methodology, which already before the implementation of ISA was very well aligned with ISA. Therefore, they were quite familiar with ISA before it was implemented in Sweden and, hence, did not experience the implementation as being “such a big thing”. Large Beta said that the implementation of ISA has not changed the way they are working; they did most of it before as well. The difference is that it has to be more structured; you are forced to reflect over what you are doing. “We experience it, as users of the auditing program, that it has become more comprehensive and in some cases maybe a bit time consuming” (Large Beta).

Large Gamma explained that even if they were familiar with ISA before it was implemented in Sweden, they had not applied it on small audits before. Large Gamma continued by saying that an audit of a smaller entity is less complex, “in particular perhaps less risky and therefore less work. But otherwise it is generally the same procedure that should be done”. Since an audit on a small entity is not as comprehensive as an audit on a listed entity, Large Gamma feels that some procedures are unnecessary. They may also face a challenge in explaining for small entities why they have to do certain things. Large Beta also thinks that some procedures feel unnecessary when auditing small entities, the added value for the client can be questioned. However, Large Beta continues by saying that if you have an auditor, the auditor must follow the laws and requirements applicable.

Large Alpha also discussed the challenge of adjusting ISA to audits on small entities based on the increased requirements on documentation: “when we are working with large entities, there
is really nothing strange but it is when it is to be adjusted to very small entities that you feel that the documentation requirements are unrealistic in relation to the size of the entity and the risk I am taking when I am signing”. They have been trying to find methods to gain some efficiency when auditing small entities and still ensure that ISA is followed. Large Alpha also mentioned that the fact that the law no longer requires audits on really small entities might have solved some of these problems.

The increased requirements on documentation are something that all three respondents discussed. Large Alpha did, however, point out that the requirements on documentation are something that has increased progressively during the last 20 years. It was not something that happened suddenly when ISA was implemented. A development that Large Alpha has noticed is what shall be documented: “first there was a focus on documenting what you had done but now you could say that there is an equal focus on documenting what you have not done and why you have not done it”. Both Large Alpha and Large Beta state that the increased requirements on documentation does not change the way they are doing an audit. The difference is that what they have in their head does not count but it has to be documented. Large Beta mentioned the contact with the management as an example: “we have had the contact before but now it has to be put down on paper as well”.

Large Gamma talked about the change from should to shall and how that has challenged some things. It has become clearer what should be done and what is expected from the auditor, it is harder to take shortcuts. Large Gamma especially mentioned formalities as being challenged: “the way of doing an audit, to work with materiality and risk, we have done that a long time, that is no difference. But rather it is the formalities, to get it in place”. Large Beta and Large Gamma thinks that ISA has a clearer risk based approach but both of them states that they focused a lot on risk at their respective firms even before ISA was implemented. Large Beta even stated that since it has become clearer what to do, some things have been simplified.

ISA 600 is mentioned as a standard that has changed to a great extent. Large Gamma even stated that “if there is something that has been a big change between RS and ISA, it is ISA 600”. Large Beta and Large Gamma explained that before, it was enough to obtain a written confirmation or an inter-office opinion that the other auditor has the required knowledge and that a correct audit has been performed. Large Gamma said that: “ISA 600 places completely different demands on the group engagement partner. You have a responsibility to not only buy an inter-office
opinion between different countries but actually take part of the audit”. Large Gamma continued by saying that you should at least visit the most significant components fairly regularly. Both Large Beta and Large Gamma think that this change has meant that ISA 600 is very time consuming and costly, which might be hard to justify against the client since they may not experience any added value. Large Alpha had not experienced such problems with ISA 600 concerning group audits. As long as their firm is managing the audit for both the parent entity and subsidiaries, there is no problem: “we have our routines for how to ensure these parts, that you can trust the statements”. Large Alpha rather experiences that there is a local concern with regard to acquisitions and mergers. You can get a little more doubtful when another auditor has performed the audit. In substance it has not change, but it has become clear how it works and you have to document all positions.

All three agreed that the auditor’s report looks very different now. Large Alpha did, however, point out even though it looks different, they are still expressing their opinion about the same event. The difference is that it is less standardized how you shall write now; you shall be little more freely in your formulation. You shall especially express yourself differently in a modified opinion. What might be challenging is that since it is new, there is not much to benchmark against. Large Alpha also stated that even though it is completely different, it is such a small part of the audit. Large Gamma also mentioned that the modified opinion might be a challenge: “in RS there were a number of examples of modified opinions as one could get guidance from. I do not know if it does here, but there will probably be practice in that to”. Large Beta stated that it is an advantage being a big firm since they have predesigned templates with the body text. Then you can just fill in comments and information for the specific entity.

Both Large Alpha and Large Gamma said that having international standards facilitates when you are working at a large audit firm. With international standards, everybody talks the same language and the comparability of the financial statements increases. Large Alpha highlighted that auditors are working for the owners and readers of financial statements. For readers to be able to compare different investment objects, it is crucial that the financial statements are developed and audited on the same basis. Large Alpha would, however, not say that the audit quality has increased with the transition from RS to ISA: “we think that we have had good quality before as well”. Large Beta thinks that ISA help you focus on some things and Large Gamma said that perhaps you are a bit clearer in your documentation. Large Gamma did, however, question whether it will be better audits just because you get
an engagement letter directly from the bank and if you get a statement from the management.

The discussion regarding the new structure, especially the application material, and the understandability of the standards revealed different opinions. Large Gamma thinks that some things have been clarified and Large Alpha thinks that the ISAs are more thought out. Large Alpha did, however, explain that “even if it is written in another way in order to understand it better, when we are looking in our methodology, it is much, much more decomposed. It is tools for how you practically shall do”.

Large Alpha also pointed out that it is important that the work on clarifying the standards is not overdone, making the ISAs too complex. Large Alpha discussed the fact that ISA is based on principles rather than details and that the application material may lead to the ISAs being too regulated in detail: “as soon as they start with application it gets regulated in detail and then it becomes regulation and regulations become law”. Large Alpha continued by stating that since every situation is unique, they cannot regulate every single situation. If you have a situation which is not exactly as one described in the standard, you have to feel free to do what makes sense in that particular situation. If they would start to give too many examples, the ISAs would be too regulated in detail. Both Large Beta and Large Gamma think that the application material is very clear. Large Beta stated that “we have been working with this for a long time and have the experience of how we have been working so it is just a confirmation that we are doing it right”. Large Gamma pointed out that the application material is a good guidance for how to think and as long as it is not a shall-requirement, Large Gamma does not feel obliged to do exactly like it is stated in ISA, “it is stated very clear in ISA that that you have to use your professional judgment”. Large Alpha also considers ISA as being guidance to how to think, a framework. The auditors must use their professional judgment.

Since all three firms that the respondents work at had audit methodologies that were well aligned with ISA before ISA became mandatory to follow in Sweden, neither of them experienced that their workload have increased dramatically. Large Beta said that “when ISA was made legally binding you might have picked out some more details from ISA, which we may have thought before that ‘we do not need that in Sweden’”. Therefore, their manual has become more comprehensive. Large Beta continued by saying that they use different programs for large and small entities. The one suited for small entities is more manageable and in Swedish so they try to use that as far as possible. However, for some entities you are forced to use the other
program, which is more comprehensive. Moreover, if the parent entity is in another country, you have to ask for permission to use the Swedish-based program.

Large Alpha explained that “I would like to say that we always have been following ISA, as long as I can remember it has always been a concept”. Therefore, the fact that it is now called ISA does not make such a big difference in their methodology. Large Alpha further explained that they have a methodology center where hundreds of people work with making sure that their methodology is in line with ISA. Any costs resulting from this are therefore something that has incurred centrally. The firm Large Alpha works at has also adjusted their methodology to suit small audits while still making sure that it has good compliance with ISA.

Both Large Beta and Large Gamma said that they have been to education about ISA and that their firms have been managing the education of ISA internally; Large Gamma’s firm did a concrete education drive connected to ISA. Large Beta further explained that FAR performs random tests to make sure that their quality system is enough. Large Alpha did point out that since their firm has a very good educational system, where each auditor must take some courses each year, they have not been to any extra education to learn about ISA. These yearly educations are designed to include what is topical so the year ISA was implemented, the educations was about ISA. Because of this, the education about ISA probably did not mean so much extra costs.

Large Alpha do not think that each audit takes more time to perform and, therefore, has not experienced that audits are more costly to perform after the implementation of ISA. Large Alpha pointed out again that the requirements on documentation have increased, making the audits more time consuming but this increase have happened progressively and not when ISA became legally binding. Large Beta also explained that an audit takes more time to perform and is more costly now but this increase occurred when they started working with their manual and not with the implementation of ISA. The increased costs may have been a shock to their clients for about 10 years ago. The clients may have had a hard time understanding the increased costs since they did not experience any added value. Large Gamma mentioned that getting the formalities in place might be an added cost, “it is after all an additional document that has to be developed”. Otherwise, both Large Beta and Large Gamma mentioned ISA 600 as something causing the audit process to be more time consuming and costly.
4.1.2 Small audit firms

The firms that were represented by Small Alpha and Small Gamma had no experience of ISA before the implementation. Small Beta said that the their firm maybe “followed an ISA light’ approach”, but the respondent had not been in touch with ISA before since the respondent had not worked with multinational clients.

All three respondents have been to education about the implementation of ISA. These educations were held internally and by FAR Akademi. Something important to have in mind is that Small Gamma had not been to all parts of the education about the new ISAs, and therefore do not have a complete experience about them.

All three respondents had experienced significant changes between RS and ISA. Both Small Alpha and Small Beta felt that the largest changes in the auditing standards are ISA 600 about group audits. Small Beta thinks that ISA 600 is very comprehensive and clear about what should be done in a group audit and that the standard does not leave anything for the imagination. Even though that this standard has been changed the most, Small Alpha further stated that this is not something that will affect their work since they do not work with multinational clients.

That ISA has a clearer risk based approach than RS is something that all three respondents agreed to. Small Alpha said that “there are clearer requirements on how to do the risk assessments, especially the communication with the owners and management. Because before you may have been sitting by yourself and did parts of the risk analysis, but now it has to be communicated”. Small Beta and Small Gamma have also realized changes in this area, where Small Beta said that RS also had a focus on risks but not to the same extent as ISA has.

The increased requirements on documentation are also something that all three respondents have experienced. Small Alpha argued that you have done the same procedures before, but it was only in your head and now you have to put it on paper. Small Alpha further stated that it is good with the increased documentation because then you have to motivate your choices when performing the audit. It is good since every situation is unique and subjective.

Small Beta had also experienced changes in the standard about fraud. Small Beta talked about how the focus on frauds by the management had increased. “There are many major
changes, but everything is not changed so it is not a radical change, and we are still working in a similar way it is just that some forms are different and the book is a little thicker” (Small Beta).

“The auditor’s report, very large change, it is much more complicated to do modified auditor’s reports, very large threshold for us now when the first one comes. It takes a lot more time. A modified auditor’s report takes very long time according RS and I can imagine twice as long time now” (Small Beta). Small Alpha also thinks that the auditor’s report has changed very much. Small Alpha talked about how the auditor’s report has become more complicated and that it should not be the auditor’s report that is the difficulty in the auditors work.

All respondents have experienced that, in general, the requirements have increased in the standards. Both Small Alpha and Small Gamma think that it is better with the increased amount of requirements. Small Alpha stated that auditors who have been in the industry for a long time may have been taking shortcuts because they have always done it that way. With increased requirements it is more difficult to take shortcuts, which Small Alpha think is good. Furthermore, Small Alpha thought that it was more difficult when doing an audit in line with RS since RS contained more room for interpretation than ISA does. Small Gamma agreed that it is easier to do an audit with more guidance.

Both Small Alpha and Small Beta discussed the length of the standards and believe that it is much information to read and take in, Small Alpha especially refers to the application material to be comprehensive. Small Beta thinks that ISA is more pedagogic than RS was and that ISA is clearer on how to perform the audit. As long as the text in the standards is fulfilling its purpose to facilitate and clarify what to do, Small Alpha thinks that you should accept and read the standards. Small Alpha also distinguishes the benefit from a clear standard between an experienced auditor and an auditor with less experience. “As an experienced auditor you have done this before so it is so natural. But for a new auditor it may facilitate more due to clearer and more text”. However, Small Alpha said “It is the materiality that is difficult, and you may get little more guidance on that. But still not, because everything is so subjective. That is what is hard, not the exercises to fill in papers”. Small Beta argued that even though it is difficult with all new things in the beginning, it will be easier in the future when you have learned all the steps.

Small Beta thinks that it is good to have the same standards throughout the EU when you work with multinational clients since you then know what to expect from the subsidiary’s auditor. In general, Small Gamma thinks that it will increase the understandability across the countries. Small Alpha thinks that it is good to have the opportunity to expand
throughout the EU. However, Small Alpha further stated that having the same standards throughout the EU is not something that will affect their audit firm since they only do audits on smaller firms. Therefore, Small Alpha discussed more about the negative impact when working with smaller entities since ISA is very internationally adjusted. Small Alpha talked about how ISA only focuses on entities with owners as inactive shareholders, and that owner-managed entities do not exist in ISA. Since the firm that Small Alpha represents only audit owner-managed entities this will affect them. Small Alpha thinks that ISA is much adjusted for large entities and therefore feels that some procedures are unnecessary to do for a smaller audit: “If an owner runs an entity with about five employees, it is almost silly for us to sit and have the same approach that we have in a billion dollar entity”. Small Alpha especially refers to the increased amount of documentation and believes that it probably will become a paper product for them since they have to do the documentation anyway. Small Alpha further discussed that ISA states that you do not have to do an as complex audit for small entities as for large entities, “it is room for interpretation there as well. How detailed do we have to do then?” However, since the law no longer requires audit for small entities, Small Alpha believes that some degree of the problem of suiting ISA to smaller entities will disappear.

There are different opinions of whether the audit quality has increase or not between the three respondents. All three respondents said that they basically work like they did before the implementation of ISA. However, both Small Beta and Small Gamma said that the quality has increased to some degree due to the larger focus on risk assessment. Small Beta added “ISA press a bit more on risk but then you fall back a little on what you have done all years, it is a pity”. Since the auditor has a personal responsibility for the audit, Small Alpha said that you do not take unnecessary risks. Due to this, Small Alpha argued that the audit did not increase in scope when ISA was implemented: “Therefore, I feel that you have done an equally good job before. But now it may be clearer for someone to go in and examine it and it becomes clear to anyone, yes but the quality increases in the sense that the quality of documentation increases. But not the end product”. However, Small Alpha said that the quality can increase in those cases where unknown situations occur. Then you can get help from the standards, but otherwise, the quality of the audit will not increase.

Both the audit firms that Small Alpha and Small Beta represented uses Hogia as a base for their audit methodology, and in addition to this they have an audit methodology developed internally. Both Small Alpha and Small Beta said that these audit methodologies have been forced to an update and are changed due to the implementation of ISA.
Besides the changes in the audit process due to the changes in the audit methodologies, Small Alpha also thinks that it takes longer time to perform an audit when following ISA instead of RS. The respondent mentioned the increased amount of procedures before the actual review, for example the increased amount of documentation. Small Beta started by saying that only first-time costs would occur when ISA was implemented. Small Beta also took the example of the documentation, but with the argument that it will be a “first-time thing” and that the information will be in the system until something changes thereafter. However, after a while Small Beta said that there were more procedures for each audit but that the efficiency will increase as you learn the new procedures in the audit methodology. Also, Small Beta said that the audit methodology helps a lot with the procedures with different templates, for example the documentation and the design of the auditor’s report. Small Gamma only thinks that the implementation has led to first-time costs and that the increased costs for their clients will be minimal. Small Alpha said that due to the increased costs for the audits, the firm either has to lower its margins or increase the audit fees. When discussing this, Small Alpha talked about that it was difficult to increase the audit fees when the benefit for the clients did not increase. For example, Small Alpha mentioned the greater extent of procedures before the actual review, which is something that the clients do not notice. For them, the audit will be the same as before. Both Small Alpha and Small Beta thought that the party who would benefit from these changes in the auditing standards is the clients’ stakeholders.

### 4.2 Questionnaire

The questionnaire was sent out to 300 different auditors across Sweden; 150 to auditors working at the “big four” and 150 working at smaller audit firms. Of these, 29 small auditors and 26 large auditors responded.

When the questions are presented, the responses from auditors working at small audit firms are referred to “small auditor” and auditors that are working at the “big four” are referred to “large auditor”. The responses are presented below.
Q1. How much has the audit methodology at your audit firm changed due to the implementation of ISA? (%)

![Bar chart showing distribution of responses for Q1.](chart1)

<table>
<thead>
<tr>
<th>Nothing at all</th>
<th>Very little</th>
<th>Little</th>
<th>Much</th>
<th>Very much</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>0</td>
<td>38</td>
<td>54</td>
<td>8</td>
</tr>
<tr>
<td>Small auditors</td>
<td>0</td>
<td>0</td>
<td>59</td>
<td>41</td>
</tr>
</tbody>
</table>

Figure 1 - Questionnaire, question 1

Q2. How is your audit methodology developed? (On this question, it is possible to select multiple answers why the percentage can exceed 100 %) (%)

![Bar chart showing distribution of responses for Q2.](chart2)

<table>
<thead>
<tr>
<th>Other</th>
<th>With help from external companies (e.g. Hogia)</th>
<th>Internally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Small auditors</td>
<td>7</td>
<td>83</td>
</tr>
</tbody>
</table>

Figure 2 - Questionnaire, question 2

Q2: The small auditor that selected “other” said that their audit methodology is developed with help from Norstedt.
Q3. Do you have a model in your audit methodology for how to adapt it to smaller companies? (%)

<table>
<thead>
<tr>
<th></th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>8</td>
<td>92</td>
</tr>
<tr>
<td>Small auditors</td>
<td>31</td>
<td>69</td>
</tr>
</tbody>
</table>

Figure 3 - Questionnaire, question 3

Q4. Have you or any of your coworkers been to education about the implementation of ISA? (%)

<table>
<thead>
<tr>
<th></th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>19</td>
<td>81</td>
</tr>
<tr>
<td>Small auditors</td>
<td>7</td>
<td>93</td>
</tr>
</tbody>
</table>

Figure 4 - Questionnaire, question 4
Q5. There were three (out of the total 9 “other” answers) small auditors who responded that the education has been held by Hogia. Other actors that have been mentioned in the responses are, Nordstedt Akademi, Civilekonom Informations AB, Sverev Intresseorganisation.

Figure 5 - Questionnaire, question 5

<table>
<thead>
<tr>
<th></th>
<th>Other</th>
<th>By FAR Akademi</th>
<th>Internally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>0</td>
<td>14</td>
<td>100</td>
</tr>
<tr>
<td>Small auditors</td>
<td>36</td>
<td>80</td>
<td>32</td>
</tr>
</tbody>
</table>
Q6. There were some other thoughts around ISA, especially for the smaller auditors. These were that ISA is not adjusted to the special situation Sweden has, that the standard are written in a difficult way since everything is written two times, that it is clumsy on one-man enterprises and that ISA is not adjusted to entities with less than 80 to 100 employees. The only large auditor who answered “other” responded that ISA is clearer than RS.
Q7. What is your opinion about the following statement: “The application material in ISA makes the standards more regulated in detail, which means that they easily can be seen as rules rather than principles.” (%)

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>0</td>
<td>4</td>
<td>85</td>
<td>8</td>
</tr>
<tr>
<td>Small auditors</td>
<td>0</td>
<td>3</td>
<td>79</td>
<td>14</td>
</tr>
</tbody>
</table>

Figure 7 - Questionnaire, question 7

Q8. What is your opinion about the following statement: “The application material in ISA means that there is a risk that you do not act optimally in all situations.” (Since this is a result of a filter question, the percentage can be less than 100%) (%)

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large audit firms</td>
<td>0</td>
<td>38</td>
<td>50</td>
<td>4</td>
</tr>
<tr>
<td>Small audit firms</td>
<td>3</td>
<td>28</td>
<td>55</td>
<td>10</td>
</tr>
</tbody>
</table>

Figure 8 - Questionnaire, question 8
Q9. One of the small auditors thinks that ISA is too regulated since ISA says that you shall perform certain procedures regardless of whether they are needed or not. This auditor thinks that should often are better suited for the audit industry, where the auditor uses its professional judgment.

Other opinions by small auditors is that the auditor’s report will take longer time to formulate in the beginning, that the standards are not adjusted for smaller entities and that it has led to first-time costs due to the educations and the adjustments of the audit methodology.

The opinions from the large auditors were that ISA is a clearer framework for all in the audit industry respectively that in some cases, some unnecessary bureaucracy has been added.
Q10. What is your opinion about the following statement: “I have to perform more procedures, i.e. perform more work, when I audit a company according to ISA compared to RS.” (%)

Strongly agree
Agree
Disagree
Strongly disagree

<table>
<thead>
<tr>
<th></th>
<th>Large auditors</th>
<th>Small auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>31</td>
<td>21</td>
</tr>
<tr>
<td>Agree</td>
<td>58</td>
<td>59</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>12</td>
<td>21</td>
</tr>
</tbody>
</table>

Figure 10 - Questionnaire, question 10

Q11. Do you think that the increased amount of procedures will continue in the future? (Since this is a result of a filter question, the percentage can be less than 100%) (%)

<table>
<thead>
<tr>
<th></th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>8</td>
<td>62</td>
</tr>
<tr>
<td>Small auditors</td>
<td>10</td>
<td>69</td>
</tr>
</tbody>
</table>

Figure 11 - Questionnaire, question 11
Q12. Who/whom do you think can benefit from the increased amount of procedures? (On this question, it is possible to select multiple answers why the percentage can exceed 100 %, also, since this is a result of a filter question, the percentage can be less)

<table>
<thead>
<tr>
<th></th>
<th>Other</th>
<th>Nobody</th>
<th>Auditors</th>
<th>The audited company</th>
<th>The audited company's management</th>
<th>The audited company's stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>6</td>
<td>50</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td>Small auditors</td>
<td>9</td>
<td>65</td>
<td>4</td>
<td>13</td>
<td>17</td>
<td>35</td>
</tr>
</tbody>
</table>

Figure 12 - Questionnaire, question 12

Q12. The small auditor who responded “other” does not see why it has to be regulated as requirements since it cannot suit every entity. The large auditor responded that those who have an interest in that audits are performed in a similar way will benefit from the increased procedures.
Q13. How much more do you focus on risks when you follow ISA compared to RS? (%)

- Much more
- More
- No difference
- Less
- Much less

<table>
<thead>
<tr>
<th></th>
<th>Much less</th>
<th>Less</th>
<th>No difference</th>
<th>More</th>
<th>Much more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>0</td>
<td>0</td>
<td>69</td>
<td>31</td>
<td>0</td>
</tr>
<tr>
<td>Small auditors</td>
<td>0</td>
<td>0</td>
<td>28</td>
<td>69</td>
<td>3</td>
</tr>
</tbody>
</table>

Figure 13 - Questionnaire, question 13

Q14. How do you think that the probability to detect and report a material misstatement has been affected by the use of ISA instead of RS? (%)

- It is much higher
- It is higher
- No difference
- It is lower
- It is much lower

<table>
<thead>
<tr>
<th></th>
<th>It is much lower</th>
<th>It is lower</th>
<th>No difference</th>
<th>It is higher</th>
<th>It is much higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>0</td>
<td>23</td>
<td>77</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Small auditors</td>
<td>0</td>
<td>3</td>
<td>86</td>
<td>10</td>
<td>0</td>
</tr>
</tbody>
</table>

Figure 14 - Questionnaire, question 14
Q15. What is your opinion about the following statement: “The new design of the auditor’s report is more complicated.” (%)

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>12</td>
<td>23</td>
<td>38</td>
<td>27</td>
</tr>
<tr>
<td>Small auditors</td>
<td>0</td>
<td>10</td>
<td>24</td>
<td>66</td>
</tr>
</tbody>
</table>

Figure 15 - Questionnaire, question 15

Q16. ISA place considerably higher demands on the group engagement partner when it comes to group audits and the work of component auditors compared to RS. Has this affected your firm? (%)

<table>
<thead>
<tr>
<th></th>
<th>No, we have always had these requirements</th>
<th>No, we do not perform group audits</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>27</td>
<td>0</td>
<td>69</td>
</tr>
<tr>
<td>Small auditors</td>
<td>14</td>
<td>34</td>
<td>48</td>
</tr>
</tbody>
</table>

Figure 16 - Questionnaire, question 16
**Figure 17 - Questionnaire, question 17**

**Q17.** What is your opinion about the following statement: “The new auditor’s report takes longer time to formulate.” (%)  

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>15</td>
<td>19</td>
<td>44</td>
<td>22</td>
</tr>
<tr>
<td>Small auditors</td>
<td>0</td>
<td>10</td>
<td>34</td>
<td>55</td>
</tr>
</tbody>
</table>

**Figure 18 - Questionnaire, question 18**

**Q18.** How do you think that the probability to identify risks in your audit process has been affected by the use of ISA instead of RS? (%)  

<table>
<thead>
<tr>
<th></th>
<th>It is much lower</th>
<th>It is lower</th>
<th>No difference</th>
<th>It is higher</th>
<th>It is much higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>0</td>
<td>30</td>
<td>70</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Small auditors</td>
<td>0</td>
<td>21</td>
<td>76</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
**Q19.** Do you experience that the requirements on documentation have increased with the transition from RS to ISA? (%)

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>81</td>
<td>19</td>
</tr>
<tr>
<td>79</td>
<td>21</td>
</tr>
</tbody>
</table>

Large auditors: Yes = 81, No = 19
Small auditors: Yes = 79, No = 21

Figure 19 - Questionnaire, question 19

---

**Q20.** How do you think that the increased requirements on documentation will affect you? (Since this is a result of a filter question, the percentage can be less than 100%) (%)

- Only an increased amount of documentation for first time audits according to ISA and/or new client: Large auditors = 11, Small auditors = 14
- An increased amount of documentation for each audit also in the future: Large auditors = 70, Small auditors = 66

Figure 20 - Questionnaire, question 20
Figure 21 - Questionnaire, question 21

Q21. Is there a developed template on your firm that you use when formulating the auditor’s report? (%)

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large auditors</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Small auditors</td>
<td>10</td>
<td>90</td>
</tr>
</tbody>
</table>

Figure 22 - Questionnaire, question 22

Q22. What do you think about having the same standards throughout the EU? (On this question, it is possible to select multiple answers why the percentage can exceed 100 %)

<table>
<thead>
<tr>
<th>Category</th>
<th>Large auditors</th>
<th>Small auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Do not know/no opinion</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>It helps that everybody &quot;speak the same language&quot;</td>
<td>63</td>
<td>24</td>
</tr>
<tr>
<td>The standards are too internationally adjusted and not optimal for Swedish conditions</td>
<td>26</td>
<td>52</td>
</tr>
<tr>
<td>It becomes harder to perform audits on smaller companies</td>
<td>37</td>
<td>31</td>
</tr>
<tr>
<td>It is essential in a globalized world</td>
<td>37</td>
<td>66</td>
</tr>
</tbody>
</table>

54
In the end of the questionnaire, there were two open-ended questions. The responses from these are presented below.

**Q23: Is there any particular standard or area that you experience has changed much with the transition from RS to ISA? (Optional)**

Standards that were mentioned by the small auditors are ISA 315, ISA 600, ISA 240, ISA 700, and ISA 705. One small auditor thinks that the fundamental principles are the same but that the risk assessment has been developed and has a larger focus. Another small auditor agreed that the planning phase has been changed. The small auditor that mentioned ISA 700 and 705 about the auditor’s report thinks that it is difficult to write and read it, and that it has to be two pages long is not positive. Another small auditor that mentioned the auditor’s report thinks that it is the modified auditor’s report that is complicated. The large auditor mentioned that the first-time audits have changed.

**Q24: Here we leave you the opportunity to make comments or mention something you think has influenced your work that we have not addressed. (Optional)**

One small auditor thinks that the big problem with ISA and all the changes, for a smaller audit firm with seven employees, is that the pace of the changes and to learn the new things is very high. The audit firm has to charge for this and that are something that clients (smaller entities) not want to pay for. The auditor further stated that how you do the audit has not changed dramatically. However, the methodology they use, which is developed by Hogia, has been changed. In the methodology, there are a lot of templates and documents that have changed, but they are still doing the same things. The auditor thinks that this is very heavy.

Another small auditor thinks that by implementing ISA in Sweden, the costs for audits will increase in the long run since every audit should be done in the same way independently of the entity’s size. The auditor thinks that this will increase the number of entities that choose to not be audited, especially new operators who does not know what they miss.

One large auditor said that ISA is not the right standards for smaller entities in Sweden. Another large auditor thinks that it is obvious that certain procedures, like the design of the auditor’s report, will take longer time since RS have been used for several years in Sweden. That the Swedish law no longer requires audits for smaller entities is something that the large auditor think can be seen as a qualification to implement ISA in Sweden.
5 Analysis

In order to easier follow the analysis, the respondents that worked at a small audit firms are referred to as “small auditor” and those who worked at one of the “big four” are referred to as “large auditor”. Also, when talking about the audit firms, the small audit firms are referred to as “small audit firm” while the “big four” are referred to as “large audit firm”.

RS were a translation of the elder version of ISA (FAR, 2000; Danielsson & Larsson, 2004). This means that when the clarified ISAs were implemented in Sweden, only the clarity project effect occurred. Köhler (2009) states that the redesign effect also can be auditor-specific since some auditors have prepared themselves for the clarified ISAs. This was shown in this study since different audit firms had an audit methodology that were more or less in line with ISA before it became legally binding, and therefore have adjusted their methodologies to different extents when ISA was implemented. The fact that audit firms use internal methodologies can increase the differences between the methodologies. Having an internal methodology means that the audit firm will specify how the audit process shall look like at their firm. One audit firm can follow every requirement but nothing more, while another follows the requirements and does additional procedures to improve the quality of the audit. This means that when having internal methodologies, the amount of procedures done by the auditors may differ depending on what the audit process look like in their audit methodology. Furthermore, the result from this will be that depending on the audit methodology, the impact on the audit process by implementing ISA may differ across the audit firms.

According to this study, the majority of the large audit firms have an internal audit methodology while the majority of the small audit firms have an audit methodology developed with help from external companies. This means that the impact on the audit process due to the implementation of ISA may differ more between the large audit firms than between the small audit firms.

About three-fourths of both small and large auditors either agree or strongly agree that they have to perform more procedures when doing an audit according to ISA compared to RS. At the same time, nearly half of the large auditors said that the transition from RS to ISA has not affected their work significantly. This means that some auditors think that they perform more procedures at the same time as they do not think that the transition has meant any fundamental changes. An explanation to this may be that some auditors think that the
way they are doing an audit has not changed but they are doing more procedures in the audits.

About 80 percent of both the small and large auditors think that the requirements on documentation have increased. It is, however, emphasized during the interviews with both small and large auditors that even though they have to document more, it does not change how they work. They did most of the procedures before; the only difference is that they have to document everything that they do and everything that they do not do. Even though it does not change how they are doing an audit, it is still an additional task to perform. However, only a few of the respondents think that these increased requirements on documentation will have an impact on the audits in the future as well, the rest thinks that this is just something that will affect them initially. One of the interviewees explained that there is a lot to document initially but that these documents will be in the system for the following years.

ISA 600 about audits of group financial statements is something that all interviewees mentioned as being a big change. 69 percent of the large auditors said that they have been affected by this change and the remaining said that they always have had these requirements on their firm. About half of the small auditors said that they have been affected, while the other half either does not work with groups or have had these requirements on their firm before.

Among the large auditors, there are different opinions regarding whether the new design of the auditor’s report is more complicated and whether it takes more time to formulate. The majority of the large auditors do, however, think that it is both more complicated and takes more time to formulate. Nearly all (90 percent) of the small auditors either agree or strongly agree that the auditor’s report is both more complicated and takes more time to formulate. The interviews revealed that it is the modified opinion that is harder to formulate.

In this study, we found that all the audit firms that the respondents represented had updated and changed their audit methodology, the differences are to which extent. For the large audit firms, the majority responded that the methodology has changed little or very little. There were approximately as many auditors at smaller audit firms who responded that the audit methodology had changed little as there was who responded that it had changed much.
There are two types of costs that can occur when changing the audit methodology; costs for updating and changing the audit methodology and costs for performing the audit due to these updates and changes. Köhler (2009) makes a difference between costs at audit firm level and engagement level as well as first-time costs and recurring costs. According to her study, the first-time costs were expected to be significantly higher than the recurring costs at the engagement level (Köhler, 2009). However, neither of the interviewees could tell how high the costs would be and therefore, we cannot really draw any conclusions from this statement. We can, however, see that 27 percent of the large auditors and 72 percent of the small auditors felt that first-time costs have occurred when ISA was implemented in Sweden. For the recurring costs, 42 percent of the large auditors and 69 percent of the small auditors felt that those had increased. This means that among the large auditors, there are fewer who have experienced increased first-time costs than recurring costs. This does, however, not necessarily mean that the recurring costs are higher than the first-time costs.

As mentioned above, the majority (96 percent) of the large audit firms and only 45 percent of the small audit firms have an internal methodology. 12 percent of the large auditors and 83 percent of the small auditors responded that they have a methodology that is developed with help from external companies. This means that many of the small audit firms have a methodology that is developed both internally and with help from external companies. To have an internal methodology means that both costs at the audit firm level and engagement level will occur with the implementation of ISA. There will be increased costs for the audit firm since they have to adjust the methodology within the firm and the costs at the engagement level will also increase since more procedures need to be performed for each audit and therefore, the personnel costs will increase. Both costs at the audit firm level and the engagement level will occur when the audit methodology is developed with help from external companies as well. The difference is that the costs at the audit firm level will consist of the fees paid to the external company. Because of this, it is hard to say whether the costs for updating the methodology within the firm will result in more costs than having an external part doing it. You can argue that it probably will be cheaper for the audit firms who use a methodology developed by an external company. The reason for this is that there are a lot of audit firms that are using these methodologies and, therefore, will split the costs for the updates. An audit firm who has an internal methodology will bear the whole cost within that firm. This is probably one reason for why so many of the large audit firms have internal methodologies and why so many of the small audit firms have methodologies
developed with help from external companies. When a methodology is developed within a large audit firm there are many offices that will benefit from it and, therefore, the cost will be split between many offices. Compared to small audit firms that may not have many offices, only one or perhaps a few offices would benefit from it and, hence, bear the whole cost for it.

According to this study, several audit firms have a combination of an internal and external audit methodology. One auditor talked about this at the interview and explained that their audit firm used an audit methodology from the external company Hogia as basis and then had adjusted this internally to suit their firm. As mentioned above, it is impossible to know how high the costs will be. One can, however, argue that it will be most costly for the firms who have an internal methodology, less costly for those who have a combined and least costly for those who only have the external methodology. Looking at the responses, the conclusion would be that the costs for updating the methodology will generally be higher for the large audit firms than for the smaller audit firms. However, the large audit firms’ methodologies were well aligned with ISA before it became legally binding in Sweden so they have changed their methodologies to a smaller extent than the small audit firms. This may imply that the smaller audit firms have paid more for the changes in the methodology than the larger audit firms. This is, however, impossible for us to prove.

Due to the implementation of ISA, many auditors have been to education about the standards (81 percent of the large auditors and 93 percent of the small auditors). All of these large auditors have been to education internally, and 14 percent have been to additional educations held by FAR Akademi. For the small auditors, only 32 percent have been to educations held internally, 80 percent by FAR Akademi and 36 percent by other actors. Overall, the costs for education will be higher for the small audit firms than for the large audit firms since there are more small auditors that have been to educations about the implementation of ISA. One large auditor mentioned during the interview that at their audit firm, educations are held each year and the implementation only meant that the topic of the educations were about ISA. Therefore, the education about ISA did not mean any extra costs for them.

One can argue about the changes in the audit methodology, whether they will occur as first-time costs or recurring costs. For the costs at the audit firm level there are no question marks; it will only be a first-time cost. However, when it comes to the cost at the engage-
ment level there are different opinions between the respondents. Both large and small auditors responded very similar when it comes to the increased amount of procedures; around 60 percent felt that the implementation resulted in more procedures and nearly all of these thought that these also would continue in the future. All interviewees agreed that the largest change in the standards was ISA 600. One interviewee talked a lot about how ISA 600 is too complex and unnecessary, and this could be a reason for why many auditors have experienced that this area has changed a lot. This will be a recurring cost for the auditors since they have to have a regular contact with the component auditors. Other costs that can occur at the engagement level but that have shown to be first-time costs are the changes in the documentation and the auditor’s report. As mentioned above, around 80 percent of the auditors have experienced an increased amount of requirements on documentation but there are a few who think that it will continue in the future. This means that the documentation generally will be a first-time cost. The auditor’s report may also be seen as a first-time cost since almost every audit firm has a template for this. To have a template means that the auditors only have to fill in the special considerations for the specific engagement. If the firm has a template, the auditor’s report may not be as time consuming to formulate as if no template is present and, therefore, may not have such a big impact on the audit process. For the 10 percent of the small auditors that responded that they do not have a template for the auditor’s report, the more complex auditor’s report may, however, result in recurring costs since they have to do a complicated and long auditor’s report for every specific situation. Another reason for why the auditor’s report only may mean first-time cost is, like the majority of the interviewees mentioned, that you will learn the different steps and after several audits it will be as easy as the “old” auditor’s report.

Since there are many auditors that feel that the increased number of procedures in the audit process will continue even in the future, one can wonder which these procedures could be. ISA 600 is one standard that will give rise to an increased amount of procedures in the future. Another standard may be ISA 315; 72 percent of the small auditors felt that ISA has a larger focus on risk compared to RS. However, the large auditors did not feel the same change in the risk assessment so this can only be an explanation to some degree. The changes in the standards that have resulted in first-time costs are the “paperwork”, such as documentation and the auditor’s report. Therefore, changes that mean recurring costs are procedures that cannot be kept in the computer systems, such as increased risk assessment procedures or to monitor the component auditor.
One interviewee talked about how you after several audits learn the new steps and requirements, and that the efficiency will increase with time. This means that even though recurring costs exist, these may be higher in the beginning and will decrease as the auditors learn the new steps. It is argued by Köhler (2009) that the costs at the engagement level vary depending on the size of the audit firm. Since we only distinguish between large and small auditors, conclusions can only be drawn between large respectively small audit firms, and not between the different sizes of the audit firms within the small respectively large audit firms. One conclusion that can be drawn is that there are more small auditors that have experienced recurring costs than large auditors. One reason for this can be that the large audit firms have more multinational clients and work with group audit and that they already had the “new” requirements in their methodology before the implementation of ISA.

The Clarity Project aimed at increasing the understandability of the ISAs (Köhler, 2009; Vanstraelen et al., 2009). According to the responses from the large auditors, they seem to have succeeded. The reaction from the large interviewees was that the standards are clearer and that they are more thought through. The responses from the large auditors to the questionnaire revealed that ISA provides good guidance. The small auditors, on the other hand, generally think that ISA is too complex and that it contains too much text. So even though the understandability may have increased to some degree, the standards may be too complicated for auditors who only perform audits on small entities.

What is worth noticing is that none of the respondents, either large or small, thinks that the transition from RS to ISA has meant that it is easier to perform audits. This is especially interesting considering that the general opinion of the large auditors is that the clarified standards are clear and provides good guidance. One can draw the conclusion that the understandability has increased but the increased understandability has not meant that audits are easier to perform. A few respondents even think that the audits are harder to perform. So even if the standards are easier to understand, it is of limited benefit for the auditors if the audits are harder to perform.

Nearly all respondents either agree or strongly agree that the application material can make the standards be seen as rules rather than principles. There are, however, different opinions about whether this means that there is a risk that you do not act optimally in all situations. Slightly more than half of the respondents who think that the standards easily can be seen
as rules instead of principles also think that there is a risk that you do not act optimally in all situations. One reason for the differences of opinions regarding this question may be the differences in experiences between the respondents. An auditor with twenty years of experience may feel more secure about how to act in different situations compared to an auditor who has only worked for five years. Therefore, an auditor with many years of experience may feel secure enough to do what they think is most appropriate, even though it deviates from what is stated in the application material.

72 percent of the small auditors and 31 percent of the large auditors says that they focus more on risks when following ISA. One can argue that if more focus is put on identifying were the risk of material misstatements is higher, the probability of detecting material misstatements should be higher as well. However, only 10 percent of the small and none of the large auditors think that the probability to detect and report a material misstatement is higher. 23 percent of the large and 3 percent of the small even think that this probability is lower. If the increased focus on risks does not increase the probability of detecting and reporting material misstatements, what good does it do?

According to DeAngelo (1981), one way of safeguarding a minimum level of audit quality is by the use of auditing standards. Since Sweden has had standards before as well, the audits must have had a certain level of quality before ISA was implemented. Köhler (2009) further states that audit quality and understandability are related to each other; the standards must be understood in order for the audit quality to be enhanced. Since the ISAs have been going through the Clarity Project with the aim of enhancing the understandability, one could argue that the audit quality should increase as well. However, the small auditors’ responses revealed that they think that the standards are too complex and contains too much text, which may indicate that they do not think that the ISAs are easy to understand. This may be a reason for why the majority of small auditors think that the probability to detect and report material misstatements has not increased. One small auditor did, however, say that due to the increased requirements on documentation, the quality may have increased to some extent, but the end product is still the same.

One of the large auditors also mentioned that the increased requirements on documentation may have increased the quality a little. But generally, the large auditors do not think that the audit quality has increased. Wooten (2003) argues that the individual auditor’s professionalism and integrity, as well as independence, are important determinants of audit
quality. These concepts are not something new for auditors and the meaning of them is the same in RS and ISA (ISA 200; RS 200). Since these concepts have been important for auditors according to RS as well, it is natural that the audit quality has not been affected. This is something that one of the small auditors talked about as well. This auditor mentioned that since you have a personal responsibility as an auditor, you do not take any risks and therefore you have done an equally good job before.

As one can see from the discussion above, the implementation of ISA has meant costs for all audit firms, in different degrees, while the audit quality only has increased marginally. Some of the interviewees questioned the benefit for the clients due to these changes in the audit process. Due to the increased number of procedures in the audit process, the audit firms either have to reduce their margins or increase the audit fees. The most reasonable conclusion is that the audit fees will increase, so that the audit firms can cover the increased costs. The question is who will benefit from the increased amount of requirements for the audit. The majority of the respondents felt that either nobody or the audited company’s stakeholders will benefit from this. Since the purpose with an audit is for the stakeholders to be able to trust the financial statements, it would be natural that an increased amount of requirements, in order to ensure a good audit, would be beneficial for the stakeholders. This means that the stakeholders would get the benefit of a better audit, in that amount the quality of the audit increases, while the clients have to pay for it. As argued above, the audit quality has not increased that much, which means that the clients have to pay for something that does not benefit anyone.

It is argued that small audit firms are less likely to have multinational clients (General Accounting Office, 2003). This may be an explanation to the different opinions regarding having the same standards throughout the EU. 63 percent of the large auditors think that it facilitates that everybody speaks the same language, while only 24 percent of the small auditors think that. These figures are consistent with what Köhler (2009) stated, i.e. that auditors with multinational clients may benefit from having international standards since they will not have to learn different sets of standards. Since many small audit firms do no work with any multinational clients, they may not see the advantages of having internationally adjusted standards.

The small auditors had a more negative view of having international standards. 66 percent of them think that it is harder to perform audits on smaller entities and 52 percent think
that the standards are too internationally adjusted and not optimal for Swedish conditions. This can also be connected to the fact that not many small audit firms have multinational clients but their clients rather exist of small entities. If they only have small clients, it is quite natural that they feel that ISA is a bit too comprehensive since it is designed to suit the largest audits as well. 37 percent of the large auditors do, however, also recognize that it is hard to perform audits on smaller entities with ISA. Even though the large auditors mainly work with large and multinational clients, they still audit small entities as well. One reason for why fewer of the large auditors think that adjusting ISA to smaller audits is challenging may be that almost all large auditors have adjusted their methodology to suit small audits as well. The problem if no such model is present may be that these small audits are not efficient. It would be hard for an auditor to justify to their small clients that they charges them as much as they are charging their large listed companies since they have to do an equally comprehensive audit. With a model of how to perform audits on smaller entities while still complying with ISA, it is probably easier to gain some efficiency.

During the interviews, all three large auditors emphasized, some of them more than once, that even though the implementation of ISA has meant that some additional procedures have to be performed and a few more documents need to be filled in, it has not changed the foundation of how they are doing an audit. Almost half of the large auditors responding to the questionnaire stated that the transition from RS to ISA has not affected their work significantly. The interviews with the small auditors revealed that that they had been affected slightly more by the changes than the large auditors but it did not mean dramatic changes in the audit process. The conclusion can be drawn that the Swedish auditors in this study has experienced some significant but not fundamental changes due to the implementation of ISA.
6 Conclusions

According to this study, the implementation of the clarified ISAs in Sweden has not meant any fundamental changes for the auditors; the way an audit is done has not changed. The auditors have, however, experienced that the implementation has meant some changes in the audit process, mainly that more procedures need to be performed. Some of the changes are that the requirements on documentation have increased, the requirements on the group engagement partner have increased and the auditor’s report is more complicated and more time consuming to formulate.

Many of these changes meant that the different audit firms’ methodologies had to be adjusted. Depending on how well aligned the methodology was to ISA before ISA became legally binding in Sweden, the extent of the adjustments differed between different audit firms. Despite how much the methodologies had to be adjusted, the adjustments meant extra costs for the audit firms. While these adjustments of the methodology meant first-time costs, the implementation of ISA has given rise to some recurring costs as well. Due to that more procedures need to be performed in each audit, the audits are more costly to perform. The auditors do, however, not think that the increased number of procedures performed have increased the audit quality. They also state that either no one or the audited company’s stakeholders will benefit from more procedures being performed. This means that the audited companies will have to pay more for the audits without benefiting from the extra costs.

Since many of the large auditors had worked with ISA before it became legally binding in Sweden, they generally did not experience the changes as being as dramatic as the small auditors did. Many of the small auditors think that ISA is too internationally adjusted and not optimal for Swedish conditions while most of the large auditors think that it facilitates that everybody speak the same language.
7 Discussion

There were several of the interviewees that mentioned that one reason for why it was possible to implement ISA in Sweden was because the law no longer requires audits on smaller entities. In particular, by increasing the threshold for statutory audits a large part of the problem to suit ISA for smaller entities is reduced. One interviewee said that there are only really large entities that are required by law to be audited in other countries, for example in the United Kingdom. Therefore, the ISAs may not be seen as too complex in other countries. Another interviewee talked about how the threshold for statutory audits may increase even more in the future, and the result would be that the problem will decrease even more. If the problem to suit ISA to smaller entities disappears, completely or by a large amount, we think that many auditors in Sweden would have a more positive attitude towards the clarified ISAs.

The standard setting boards have to adjust the requirements on audits as new and serious scandals occur all over the world. Since there have occurred many frauds all over the world, such as Enron or Parmalat, the standard setting boards have to make updates and make sure that there is a minimal possibility for both management and auditors to be fraudulent. One example of the increased requirements is ISA 600 about group audits. When the ISAs got clarified, this standard became a lot more comprehensive than the elder version of ISA 600 was. By increasing the requirements on the group engagement partner, the credibility of the financial statements may increase due to more caution by the group engagement partners. Since all ISAs go hand in hand, there are other standards that had to be adjusted when IAASB decided to change ISA 600. One example may be the standard about documentation. By increasing the amount of documentation, it will be easier for the group engagement partner to monitor the component auditor. Therefore, we think that when the standards are changing, it is impossible to only do changes in one or a few standards since you have to make sure that the audit will be efficient throughout the whole audit process.

We got the experience from the responses that there were quite many auditors that felt that the focus on risks have increased. However, the majority felt that the possibility to detect and report material misstatements remain the same. One reason for this could be that the ISAs are developed to suit all companies, regardless of size or where in the world the company is situated. As mentioned above, many frauds have occurred during the last decades and the standards may have been adjusted much due to this. This means that the ISAs have
to be suited to ensure that the auditors detect and report the material misstatements in the financial statements. For example, in the United States, many frauds have occurred and the ISAs have to be adjusted for these situations as well. This can be one reason for why many auditors in Sweden have realized a larger focus on risks but also feel that much in the standards are unnecessary, especially for small audits. Since no serious scandal has occurred in Sweden, so far, an increased risk assessment may feel unnecessary today. The reason for this is that the auditors already are able to detect and report the material misstatements that occur in the Swedish companies. However, due to the globalization and the engagement across countries all over the world, the Swedish auditors also have to have a large focus on risks when working in countries where there have occurred large scandals. As mentioned above, all standards goes hand in hand, as the group engagement partner has to review the component auditor’s work carefully, maybe an increased risk assessment process is needed too.

7.1 Critiques of the study
Due to time restrictions, the first round of the questionnaire could not be sent out before 1st of April. Since two reminders were wanted in this study, this meant that the last responses could not be collected before 15th of April. We could have sent out a “warning” that said that they are going to get a questionnaire in a couple of days. Doing it this way, the dispatch of the actual questionnaire would have served as a first reminder. The data collection could therefore have ended one week earlier and we could have got more time to analyze the data before the deadline of this thesis.

Further on, one can argue about the timing of this study. During the data collection we became aware that not many small entities had been audited during the spring. This means that the auditors working with many small entities have not gotten much experience about ISA and they were not able to answer the questions completely. We have also noticed that this problem arose mostly for the smaller auditors since they are more likely to only have small entities as clients. Because of this, if the study had been conducted later on, we could have gotten more responses about their opinions.

7.2 Suggestions for future studies
One suggestion for further studies is to dig deeper in the changes in the different standards. One interesting change is ISA 600 about group audits. This has had a major impact on the audit process and it would be interesting to investigate how the audit firms will han-
dle these requirements. One auditor at the interview mentioned that it is not reasonable that ISA 600 is so comprehensive and requires that much of the auditor. Therefore, it could be interesting to see how the eventual problems with these requirements are handled and also how the standard could be improved to get the same quality for the group audits as reached today.

Another thing noticed when analyzing the data in this study was that the conclusions often were that the reason for why the auditors did not experience any changes in how they work was their many years of experience in the audit industry. Therefore, another suggestion for further studies could be to see what auditors with less experience think of ISA. Then you could research whether ISA have had an impact on auditors with less experiences since the ISAs is clearer than RS, and see whether the audits done by these auditors have been affected significantly.
References


ISA 200 *Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing*

ISA 210 *Agreeing the terms of audit engagements*

ISA 220 *Quality control for an audit of financial statements*

ISA 230 *Audit documentation*

ISA 240 *The auditor’s responsibilities relating to fraud in an audit of financial statements*

ISA 300 *Planning an audit of financial statements*

ISA 315 *Identifying and assessing the risk of material misstatement through understanding the entity and its environment*

ISA 330 *The auditor’s responses to assessed risks*

ISA 500 *Audit evidence*

ISA 550 *Related parties*

ISA 600 *Special considerations – audits of group financial statements (including the work of component auditors)*

ISA 700 *Forming an opinion and reporting on financial statements*

ISA 705 *Modifications to the opinion in the independent auditor’s report*


RS 200 Objectives and general principles of an audit

RS 210 Agreeing the terms of audit engagements

RS 220 Quality control for an audit

RS 230 Documentation

RS 240 Frauds and errors

RS 300 Planning

RS 310 Knowledge about the entity

RS 400 Risk assessment and internal control

RS 500 Audit evidence

RS 550 Related parties

RS 600 Using the work of another auditor

RS 700 The auditor's report from the audit of financial statements

RS 709 The design of the auditor’s report in limited companies and other companies


Appendices

Appendix 1 - Riktlinjer för intervjuerna

Har ni några multinationella kunder?

I vilken utsträckning användes ISA innan ändringen?

Hur tycker du era vanliga arbetsuppgifter har påverkats av bytet av revisionsstandarder?

Har ändringen inneburitökade kostnader för varje revision? (Återkommande kostnader)

Innebar ändringen engångskostnader? T.ex. utbildningar eller ändringar i system.

Tycker du att ISA är bättre som en "lärobok" i hur man ska uppfylla god revisionssed jämfört med RS?

Anser du att kvaliteten på era revisioner ökar när ni använder ISA istället för RS?

Bli man mer försiktig när man utför en revision när det är fler regler att följa?

Tycker du det är någon speciell standard som har ändrat sig väsentligt när ändringen skedde? T.ex. p.g.a. mer arbete, längre standard, mer komplicerade regler etc.

Vad tycker du om att ha samma standarder genom hela EU?
Appendix 2 - Guidelines for the interviews

Do you have any multinational clients?

To which extent did you use ISA before the change?

How do you think that your audit process has been affected by the change of auditing standards?

Has the change resulted in increased costs for each audit? (Recurring costs)

Did the change result in first-time costs? For example, education, changes in the systems.

Do you think that ISA is better as an “educational book” on how to fulfill the requirement generally accepted accounting principles compared to RS?

Do you believe that the quality of your audits increases when ISA is used instead of RS?

Do you think there is any particular standard that has changed significantly when the change occurred? E.g. due to more procedures, more text, more complex.

What do you think about having the same standards throughout the EU?
Appendix 3 - Frågeformulär

Fråga 1. Hur mycket har revisionsmetodiken på er revisionsbyrå ändrats p.g.a. implementeringen av ISA?

○ Väldigt mycket
○ Mycket
○ Lite
○ Väldigt lite
○ Ingenting alls

Fråga 2. Hur är er revisionsmetodik upparbetad? (På denna fråga kan du välja flera alternativ)

☐ Internt
☐ Med hjälp av externa företag (t.ex. Hogia)
☐ Övrigt: ____________

Fråga 3. Har ni en mall i er revisionsmetodik för hur den ska anpassas till mindre bolag? ISA är bättre anpassad för större bolag vilket gör att flera moment kan kännas överflödiga för mindre bolag.

○ Ja
○ Nej

Fråga 4. Har du eller någon av dina medarbetare varit på utbildning angående implementeringen av ISA? Vi syftar här på utbildning som enbart hålls p.g.a. implementeringen av ISA och inte eventuella ”vanliga” utbildningar som hålls varje år.

○ Ja
○ Nej

Om ”ja”, gå till fråga 5. Om ”nej”, gå till fråga 6.
Fråga 5. Utbildningen har hållits: (På denna fråga kan du välja flera alternativ)

☐ Internt
☐ Av FAR Akademi
☐ Övrigt: ____________

Fråga 6. Vad tycker du generellt om ISA? (På denna fråga kan du välja flera alternativ)

☐ För mycket text
☐ Tydlig
☐ För komplex
☐ Bra vägledning
☐ Ett ramverk för hur man ska tänka
☐ För detaljreglerat
☐ Övrigt: ____________

Fråga 7. Vad är din åsikt om följande påstående: "Tillämpningsavsnitten i ISA gör att stad- 
derna blir mer detaljreglerade, vilket gör att de lätt ses som regler istället för principer"

☐ Stämmer helt
☐ Stämmer ganska bra
☐ Stämmer inte särskilt bra
☐ Stämmer inte alls

Om "stämmer helt" eller "stämmer ganska bra", gå till fråga 8. Om "stämmer inte särskilt bra" eller "stämmer inte alls", gå till fråga 9.

Fråga 8. Vad är din åsikt om följande påstående: "Tillämpningsavsnitten i ISA gör att det finns en risk att man inte agerar optimalt i alla situationer"

☐ Stämmer helt
☐ Stämmer ganska bra
☐ Stämmer inte särskilt bra
☐ Stämmer inte alls
Fråga 9. Vad tycker du generellt om övergången från RS till ISA? (På denna fråga kan du välja flera alternativ)

- [ ] Det är lättare att utföra en revision
- [ ] Det är svårare att utföra en revision
- [ ] Det har inneburit engångskostnader på grund av anpassning av revisionsmetodik, utbildningar etc.
- [ ] Det har inneburit ökade kostnader per revision på grund av mer arbete, mer blanketter att fylla i etc.
- [ ] Revisionsprocessens kvalitet har ökat
- [ ] Revisionsprocessens kvalitet har minskat
- [ ] Det har inte påverkat mitt arbete nämnvärt
- [ ] Övrigt: ______________

Fråga 10. Vad är din åsikt om följande påstående: ”Jag måste genomgå fler procedurer, d.v.s. utföra mer arbete, när jag reviderar ett företag enligt ISA jämfört med RS”

- [ ] Stämmar helt
- [ ] Stämmar ganska bra
- [ ] Stämmar inte särskilt bra
- [ ] Stämmar inte alls

Om ”stämmar helt” eller ”stämmar ganska bra”, gå till fråga 11. Om ”stämmar inte särskilt bra” eller ”stämmar inte alls”, gå till fråga 13.

Fråga 11. Tror du att det ökade antalet procedurer kommer att fortsätta även i framtiden? D.v.s. det ökade antalet procedurer beror inte endast på att det är nya saker att lära sig utan en revision enligt ISA kräver fler procedurer jämfört med en revision enligt RS.

- [ ] Ja
- [ ] Nej

Om ja, gå till fråga 12. Om nej, gå till fråga 13.
Fråga 12. Vem/vilka anser du kan få nytta av att det utförs fler procedurer? (På denna fråga kan du välja flera alternativ)

- Det reviderade företagets intressenter
- Det reviderade företagets företagsledning
- Det reviderade företaget
- Revisorer
- Ingen
- Övrigt: _______________

Fråga 13. Hur mycket mer riskbaserat jobbar ni på er byrå när ni följer ISA jämfört med RS?

- Mycket mer
- Mer
- Ingen skillnad
- Mindre
- Mycket mindre

Fråga 14. Hur tycker du sannolikheten att upptäcka och rapportera ett väsentligt fel påverkas av användandet av ISA istället för RS?

- Den har blivit mycket högre
- Den har blivit högre
- Ingen skillnad
- Den har blivit lägre
- Den har blivit mycket lägre

Fråga 15. Vad är din åsikt om följande påstående: ”Den nya utformningen av revisionsbärrättelsen är mer komplicerad”

- Stämmer helt
- Stämmer ganska bra
- Stämmer inte särskilt bra
- Stämmer inte alls
Fråga 16. ISA ställer betydligt högre krav på huvudrevisorn när det gäller koncernrevisioner och arbete utfört av andra revisorer jämfört med RS. Har detta påverkat er byrå?
   o Ja
   o Nej, vi arbetar inte med konterer
   o Nej, vi har alltid haft dessa krav på oss

Fråga 17. Vad är din åsikt om följande påstående: ”Den nya revisionsberättelsen tar längre tid att utforma”
   o Stämmer helt
   o Stämmer ganska bra
   o Stämmer inte särskilt bra
   o Stämmer inte alls

Fråga 18. Hur tycker du sannolikheten att identifiera risker i er revisionsprocess har påverkats av användandet av ISA istället för RS?
   o Den har blivit mycket högre
   o Den har blivit högre
   o Ingen skillnad
   o Den har blivit lägre
   o Den har blivit mycket lägre

Fråga 19. Upplever du att dokumentationskraven har ökat i samband med övergången från RS till ISA?
   o Ja
   o Nej

Om ”ja”, gå till fråga 20. Om ”nej”, gå till fråga 21.

Fråga 20. Hur tror du att de ökade dokumentationskraven kommer att påverka er?
   o Endast mer dokumentation vid förstagsrevisorer enligt ISA och/eller för ny kund
   o Mer dokumentation per revision även i fortsättningen

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- Ja
- Nej

Fråga 22. Vad tycker du om att ha samma standarder genom hela EU? (På denna fråga kan du välja flera alternativ)

- □ Det blir svårare att utföra revisioner på små bolag
- □ Det är en förutsättning i en globaliserad värld
- □ Standarderna blir för internationellt anpassade och inte optimala för svenska förhållanden
- □ Det underlättar att alla ”talar samma språk”
- □ Vet inte/har ingen åsikt
- □ Övrigt: ____________

Fråga 23. År det någon speciell standard eller något område du tycker har förändrats mycket i samband med övergången från RS till ISA? (Valfritt)

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
Fråga 24. Här lämnar vi dig möjligheten att ge kommentarer eller nämna något du tycker har påverkat ditt arbete som vi inte har tagit upp. (Valfritt)

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

____________________________________________________________________
Appendix 4 - Questionnaire

Question 1. How much has the audit methodology at your audit firm changed due to the implementation of ISA?

- Very much
- Much
- Little
- Very little
- Nothing at all

Question 2. How is your audit methodology developed? (On this question, you can select multiple alternatives)

- Internally
- With help from external companies (e.g. Hogia)
- Other: _____________

Question 3. Do you have a model in your audit methodology for how to adapt it to smaller companies? ISA is better suited for larger companies, which means that many procedures may seem redundant for smaller companies.

- Yes
- No

Question 4. Have you or any of your coworkers been to education about the implementation of ISA? We refer here to education only held because of the implementation of ISA and not any “regular” educations held each year.

- Yes
- No

If “yes”, go to question 5. If “no”, go to question 6.
Question 5. The education has been held: (On this question, you can select multiple alternatives)

☐ Internally
☐ By FAR Akademi
☐ Other: _____________

Question 6. What do you generally think about ISA? (On this question, you can select multiple alternatives)

☐ Too much text
☐ Clear
☐ Too complex
☐ Good guidance
☐ A framework for how to think
☐ Too regulated in detail
☐ Other: _____________

Question 7. What is your opinion about the following statement: “The application material in ISA makes the standards more regulated in detail, which means that they easily can be seen as rules rather than principles.”

○ Strongly agree
○ Agree
○ Disagree
○ Strongly disagree

If “strongly agree” or “agree”, go to question 8. If “disagree” or “strongly disagree”, go to question 9.

Question 8. What is your opinion about the following statement: “The application material in ISA means that there is a risk that you do not act optimally in all situations.”

○ Strongly agree
○ Agree
○ Disagree
○ Strongly disagree
Question 9. What do you generally think about the transition from RS to ISA? (On this question, you can select multiple alternatives).

- □ It is easier to perform an audit
- □ It is harder to perform an audit
- □ First-time costs have occurred due to adjustments of the audit methodology, educations etc.
- □ Recurring costs have occurred due to more procedures, more documentation etc.
- □ The quality of the audit process has increased
- □ The quality of the audit process has decreased
- □ It has not affected my work significantly
- □ Other: ____________

Question 10. What is your opinion about the following statement: “I have to perform more procedures, i.e. perform more work, when I audit a company according to ISA compared to RS.”

- ○ Strongly agree
- ○ Agree
- ○ Disagree
- ○ Strongly disagree

If “strongly agree” or “agree”, go to 11. If “disagree” or “strongly disagree”, go to 13.

Question 11. Do you think that the increased amount of procedures will continue in the future? I.e. the increased amount of procedures is not only due to new things to learn but an audit according to ISA requires more procedures compared to an audit according to RS.

- ○ Yes
- ○ No

If “yes”, go to question 12. If “no”, go to question 13.
Question 12. Who/whom do you think can benefit from the increased amount of procedures? (On this question, you can select multiple alternatives)

- The audited company’s stakeholders
- The audited company’s management
- The audited company
- Auditors
- Nobody
- Other: ___________

Question 13. How much more do you focus on risks when you follow ISA compared to RS?

- Much more
- More
- No difference
- Less
- Much less

Question 14. How do you think that the probability to detect and report a material misstatement has been affected by the use of ISA instead of RS?

- It is much higher
- It is higher
- No difference
- It is lower
- It is much lower

Question 15. What is your opinion about the following statement: ”The new design of the auditor’s report is more complicated.”

- Strongly agree
- Agree
- Disagree
- Strongly disagree
Question 16. ISA place considerably higher demands on the group engagement partner when it comes to group audits and the work of component auditors compared to RS. Has this affected your firm?

- Yes
- No, we do not perform group audits
- No, we have always had these requirements

Question 17. What is your opinion about the following statement: “The new auditor’s report takes longer time to formulate.”

- Strongly agree
- Agree
- Disagree
- Strongly disagree

Question 18. How do you think that the probability to identify risks in your audit process has been affected by the use of ISA instead of RS?

- It is much higher
- It is higher
- No difference
- It is lower
- It is much lower

Question 19. Do you experience that the requirements on documentation have increased with the transition from RS to ISA?

- Yes
- No

*If “yes”, go to question 20. If “no”, go to question 21.*

Question 20. How do you think that the increased requirements on documentation will affect you?

- Only an increased amount of documentation for first time audits according to ISA and/or new client
- An increased amount of documentation for each audit also in the future
Question 21. Is there a developed template on your firm that you use when formulating the auditor’s report? E.g. the body text is already designed and you only have to fill in the specific data for each audit.

- Yes
- No

Question 22. What do you think about having the same standards throughout the EU? (On this question, you can select multiple alternatives)

- It becomes harder to perform audits on smaller companies
- It is essential in a globalized world
- The standards are too internationally adjusted and not optimal for Swedish conditions
- It helps that everybody “speak the same language”
- Do not know/no opinion
- Other: _____________

Question 23. Is there any particular standard or area that you experience has changed much with the transition from RS to ISA? (Optional)

________________________________________________________________________
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Question 24. Here we leave you the opportunity to make comments or mention something you think has influenced your work that we have not addressed. (Optional)

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Appendix 5 - Följebrev

Hej!

Vi är två studenter vid Internationella Handelshögskolan i Jönköping som under våren skriver vår magisteruppsats inom revision. I vår studie undersöker vi hur revisorer upplever implementeringen av ISA i Sverige och hur detta påverkar revisorns arbete.

För att genomföra denna studie skulle vi behöva DIN hjälp som godkänd eller auktoriserad revisor. Via länken ovan kommer du till en enkät som vi skulle uppskatta om du kunde ta dig tid att besvara. Enkäten borde ta ungefär 5 minuter att besvara. DINA svar är viktiga för att vi ska kunna få en uppfattning om hur revisorerna i praktiken upplever övångången från RS till ISA.

Självklart kommer dina svar att vara helt anonyma.

Vi vill ytterligare betona vikten av att du som svarar är godkänd eller auktoriserad revisor. Detta för att säkerställa att erfarenhet från både RS och ISA finns.

Tack på förhand!

Med vänlig hälsning

Amanda Eglund och Anna Gidlund
Appendix 6 - Covering letter

Hi!

We are two students at Jönköping International Business School who are writing our master thesis within auditing. In our study we examine how auditors experience the implementation of ISA in Sweden and how this affects the audit process.

In order to carry this study through, we would need YOUR help as a qualified auditor. The link above takes you to a questionnaire that we would appreciate if you could take the time to answer. The questionnaire should take about 5 minutes to complete. YOUR answers are important in order for us to gain an understanding of how auditors in practice are experiencing the transition from RS to ISA.

Your answers will be completely anonymous.

We want to further emphasize the importance of the respondent being a qualified auditor. This is to ensure that experience from both RS and ISA exists.

Thanks in advance!

Best regards

Amanda Eglund and Anna Gidlund
Hej!

För ungefär en vecka sedan fick du ett mail med en enkätundersökning angående implementeringen av ISA i Sverige.

Du som redan har besvarat enkäten kan bortse från detta mail. Tack för din hjälp!

Vi vill ytterligare betona hur viktiga dina svar är för oss. Enkäten borde ta ungefär 5 minuter att besvara och du kommer åt den via länken ovan.

Tack på förhand!

Med vänlig hälsning

Amanda Eglund och Anna Gidlund
Hi!

About a week ago, you received an e-mail containing a questionnaire regarding the implementation of ISA in Sweden.

If you already have answered the questionnaire you can ignore this e-mail. Thank you for your help!

We want to further emphasize how important your answers are to us. The questionnaire should take about 5 minutes to complete and you can access it via the link above.

Thanks in advance!

Best regards

Amanda Eglund and Anna Gidlund
Hej!

För ungefär två veckor sedan fick du ett mail med en enkätundersökning angående implementeringen av ISA i Sverige.

Du som redan har besvarat enkäten kan bortse från detta mail. Tack för din hjälp!

Vi vill ytterligare betona hur viktiga dina svar är för oss. Enkäten borde ta ungefär 5 minuter att besvara och du kommer åt den via länken ovan.

Tack på förhand!

Med vänlig hälsning

Amanda Eglund och Anna Gidlund
Hi!

About two weeks ago, you received an e-mail containing a questionnaire regarding the implementation of ISA in Sweden.

If you already have answered the questionnaire you can ignore this e-mail. Thank you for your help!

We want to further emphasize how important your answers are to us. The questionnaire should take about 5 minutes to complete and you can access it via the link above.

Thanks in advance!

Best regards

Amanda Eglund and Anna Gidlund