



International Federation of Accountants

IAASB – IFAC International Auditing Standards Setting Activities

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Trans-Tasman Accounting and Auditing Standards Advisory Group
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Agenda

- IFAC background
- International Auditing and Assurance Standards Board (IAASB)
- Public Interest Oversight Board
- Continued dialogue with regulators and others
- Support for ISAs
- Enhancing audit quality
- Clarity Project
- IAASB Future Strategy

International Federation of Accountants (IFAC)

- Global organization for the accountancy profession
- 157 members/associates in 123 countries
- Represent 2.5 million accountants
- Mission – To serve the public interest, IFAC will ...
 - Strengthen the worldwide accountancy profession, and
 - Contribute to the development of strong international economies ...

International Auditing and Assurance Standards Board (IAASB)

- Designated by and operating under the auspices of IFAC
- Mission – To serve the public interest by ...
 - Setting high quality standards, and
 - Facilitating convergence with them

IAASB (Continued)

- International Standards
 - International Standards on Quality Control
 - International Standards on Auditing (ISAs)
 - International Standards on Review Engagements
 - International Standards on Assurance Engagements
 - International Standards on Related Services

IAASB (Continued)

- 18 members (including 3 public members)
- Technical advisors
- 3 observers
- 4-6 meetings per year (3-5 days)
- 115 task force meetings and conference calls in 2007

IAASB (Continued)

- Rigorous due process
- Consultative Advisory Group
 - Independent chair
 - 25+ members including Basel Committee, EC, IOSCO, IAIS, World Bank, World Federation of Exchanges
 - Advise on IAASB work program, priorities and technical issues
- Public Interest Oversight Board

Public Interest Oversight Board (PIOB)

- Established in February 2005 as part of IFAC reforms
- Objective of reforms
 - Strengthen standard-setting processes
 - Enhance transparency of those processes
 - Provide for public interest oversight
 - Continue collaboration between profession and regulators

CONSULTATION/ADVICE

Continued Dialogue with Regulators

- Endorsement of ISAs by key regulators a strategic priority of IFAC
- IAASB continues active discussions with key regulators
- IAASB aims to achieve agreement on content and breadth of standards, and global acceptance

Support for ISAs

- 100+ countries use ISAs in one form or another
- 20 /23 of the world's largest capital markets accept ISAs for audit of financial statements of foreign issuers
- United States
 - Public Company Accounting Oversight Board
 - Positive signs
 - Auditing Standards Board
 - Complete set of redrafted standards consistent with ISAs by 2010

Support for ISAs (Continued)

- World Federation of Exchanges – endorsed IAASB process
- Financial Stability Forum – identified ISAs as one of 12 Key Standards
- World Bank – uses ISAs as benchmark for reviews
- INTOSAI – uses ISAs as basis for Financial Audit Guidelines
- Forum of Firms – methodologies based on ISAs

Support for ISAs (Continued)

- European Commission
 - Commissioned two independent studies into possible effects of adoption of ISAs
 - Considering process for translation of ISAs
- IOSCO
 - Public statement November 2007 discusses interaction with IAASB; represents progress towards endorsement

Enhancing Audit Quality

- Revised standards
 - Quality control
 - Communication with those charged with governance
 - Audit documentation
 - Fraud
 - Materiality
 - Risk assessment and responses to assessed risks
 - Evaluation of misstatements

Enhancing Audit Quality (Continued)

- Revised standards
 - Audit of accounting estimates, including fair values
 - Written representations
 - Audit of group financial statements
 - Auditors' reports

Enhancing Audit Quality (Continued)

- Current projects
 - Improving the clarity of standards
 - Deficiencies in internal control
 - Service organizations
 - External confirmations
 - Related parties
 - Using the work of an expert

Clarity Project

- Enhancing the clarity of ISAs by ...
 - Basing standards on objectives
 - Clarifying auditor's obligations
 - Eliminating ambiguity arising from present tense
 - Improving readability and understandability
- End result \Rightarrow clearer standards
 - Consistent application
 - Facilitating international convergence
 - While not resulting in weakening of any standards

Clarity Project (Continued)

- Project to be completed by end of 2008
- Effective date – December 15, 2009

IAASB Future Strategy

- Extensive consultation program during 2007
- Focus areas for 2009-2011
 - Development of standards
 - Contributing to the effective operation of the world's capital markets
 - Addressing the needs of SMEs
 - Monitoring and facilitation of the adoption of those standards
 - Responding to concerns about the implementation of the standards