IAASB Project Proposal

Objective of Agenda Item

Material Presented
| Agenda Paper 10-A                  | Project Proposal - Audit Considerations Relating to Entities Using Service Organizations (Pages 693 to 696) |
| Agenda Paper 10-B                  | Project Proposal - Assurance Report on Service Organization’s Controls (Pages 697 to 700) |

Background
A project proposal to revise ISA 402 was submitted to the IAASB in June 2005. That project proposal anticipated a two-phase approach, consisting of the entity auditor considerations and the service auditor responsibilities. Due to time constraints, the IAASB was unable to discuss the proposal and consideration thereof was deferred to a later date.

The project proposals submitted to the IAASB for consideration deal with responsibilities of the auditor of an entity using service organizations and responsibilities of the auditor of a service organization. The first proposal is for a revision of ISA 402; the second is a proposal for a new assurance standard since an engagement to report on the controls of a service organization is not an audit of historical financial information.

It is recommended that the IAASB approve both proposals. Because the issues addressed in the revision of ISA 402 and in the standard on service auditor responsibilities and reports are closely related, the two projects will require effective communication which would be best achieved by an overlap of membership in the two task forces.

Action Requested
1. IAASB is asked to review and approve the attached project proposals.
2. Members are asked to indicate if they are interested in serving on the task forces.