Agenda Item

15

Due Process

Objective of Agenda Item

1. To advise the IAASB of the status of due process on ISAs scheduled for approval at the June 2008 IAASB meeting.

Background

2. IAASB due process requires the Executive Director, Professional Standards, to advise the IAASB on whether the IAASB’s stated due process has been followed before a final International Standard or Practice Statement is approved for issue. For this purpose, as part of IAASB’s working procedures, the IAASB will be provided with a written report outlining the basis for this conclusion with respect to actions up to the date of the meeting.

3. The proposed final standards scheduled for approval at the June IAASB meeting, subject to discussions thereon, are:

   - ISA 200 (Revised and Redrafted), “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing;”
   - ISA 320 (Revised and Redrafted), “Materiality in Planning and Performing an Audit;”
   - ISA 450 (Revised and Redrafted), “Evaluation of Misstatements Identified during the Audit;”
   - ISA 500 (Redrafted), “Audit Evidence;”
   - ISA 530 (Redrafted), “Audit Sampling;”
   - ISA 610 (Redrafted), “Using the Work of Internal Auditors;”
   - ISA 700 (Redrafted), “Forming an Opinion and Reporting on Financial Statements;”
   - ISA 705 (Revised and Redrafted), “Modifications to the Opinion in the Independent Auditor’s Report;”
   - ISA 706 (Revised and Redrafted), “Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor’s Report;”
   - ISA 800 (Revised and Redrafted), “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks;”
- ISA 805 (Revised and Redrafted), “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement;” and

**Due Process Up to the Date of the June 2008 IAASB Meeting**

4. The Executive Director confirms to the IAASB that up to the date of the June 2008 IAASB meeting the above ISAs have been developed in accordance with IAASB’s established due process.

5. Each of the above ISAs form part of the IAASB’s Clarity Project. Following extensive consultation, the scope of and implementation program for the Clarity Project, and the new drafting conventions to be applied to the ISAs, were agreed by the IAASB in September 2006. The PIOB reviewed and confirmed the due process followed by the IAASB in establishing these elements at its December 2006 meeting.

6. With respect to proposed ISA 200 (Revised and Redrafted), it was envisioned at the commencement of the Clarity Project that the authority of the ISAs and the obligations attaching to the new drafting conventions would be incorporated in ISA 200, while also revising ISA for other matters of relevance. This was set out in the scope of and implementation program for the Clarity Project agreed by the IAASB. Accordingly, a separate project proposal for the revision of ISA 200 was not necessary.

7. In summary, for ISA 200 (Revised and Redrafted), the IAASB:
   - Consulted with the IAASB CAG on significant issues during the development of the proposed ISA.
   - Approved and issued an exposure draft of the proposed ISA for public comment, together with an explanatory memorandum highlighting, among other matters, the significant proposals of the proposed ISA.
   - Considered an analysis of the main issues raised by respondents on the exposure draft and, with members having familiarized themselves with the issues raised in comment letters, deliberated significant matters raised in the comment letters received.
   - Consulted with the IAASB CAG on significant issues raised by respondents on the exposure draft.

No significant matters were identified suggesting the need to hold a public forum or roundtable, issue a consultation paper, or conduct a field test of the proposals.

8. The IAASB’s Clarity project also includes the limited redrafting of:
   
   (a) The “close off” versions of ISAs that were in process of revision when the IAASB’s clarity conventions were agreed. Proposed ISAs 320, 450, 705, 706, 800 (subsequently split into ISAs 800 and 805) and 805 (subsequently renumbered as ISA 810) are of this type. The “close off” versions of these ISAs were agreed by the IAASB, with the PIOB confirming that due process was followed by the IAASB for those documents.
(b) ISAs that are not at present subject to revision. Proposed ISAs 500, 530, 610 and 700 are of this type.

9. In summary, for each of the ISAs subject to redrafting, the IAASB:

- Consulted with the IAASB CAG on significant issues during their development, either in relation to the application of IAASB’s Clarity conventions in general or specific issues.

- Approved and issued exposure drafts of the proposed ISAs for public comment, together with explanatory memoranda highlighting, among other matters, the significant proposals of the proposed ISAs.

- Consulted with the IAASB CAG on significant issues raised by respondents on the exposure drafts.

For proposed ISAs 320, 450, 500, 530 and 610, the IAASB considered at its March 2008 meeting an analysis of the main issues raised by respondents on the exposure draft and, with members having familiarized themselves with the issues raised in comment letters, deliberated significant matters raised in the comment letters received.

10. Before approval by the IAASB of each of the above ISAs at the June 2008 IAASB meeting, the Executive Director will advise the IAASB on whether established due process has been followed during the course of the meeting.