Agenda Item

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Due Process

Objective of Agenda Item

1. To advise the IAASB of the status of due process for the International Standards scheduled for approval at the September 2008 IAASB meeting.

Background

2. IAASB due process requires the Executive Director, Professional Standards, to advise the IAASB as to whether the IAASB’s stated due process has been followed before a final International Standard is approved for issue. For this purpose, IAASB’s working procedures require that the IAASB 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 September IAASB meeting, subject to discussions thereon, are:

- ISQC 1 (Redrafted), “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements;”
- ISA 210 (Redrafted), “Agreeing the Terms of Audit Engagements;”
- ISA 220 (Redrafted), “Quality Control for an Audit of Financial Statements;”
- ISA 500 (Redrafted), “Audit Evidence;”¹
- ISA 501 (Redrafted), “Audit Evidence – Specific Considerations for Selected Items;”
- ISA 505 (Revised and Redrafted), “External Confirmations;”
- ISA 520 (Redrafted), “Analytical Procedures;”

¹ The text of ISA 500 (Redrafted), as revised based on comments received on exposure but excluding text proposed to be added through conforming amendments arising from proposed ISAs 505 (Revised and Redrafted) and 620 (Revised and Redrafted), was unanimously approved by the IAASB at the June 2008 meeting. The Executive Director’s due process confirmation on ISA 500 (Redrafted), however, was deferred to the September 2008 IAASB meeting pending the IAASB’s approval of the proposed aforementioned conforming amendments at the September meeting, and the Executive Director’s due process confirmations for the final ISAs 505 (Revised and Redrafted) and 620 (Revised and Redrafted).
• ISA 620 (Revised and Redrafted), “Using the Work of an Auditor’s Expert;”
• ISA 700 (Redrafted), “Forming an Opinion and Reporting on Financial Statements;”
• ISA 710 (Redrafted), “Comparative Information—Corresponding Figures and Comparative Financial Statements;”
• 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
• ISA 810 (Revised and Redrafted), “Engagements to Report on Summary Financial Statements.”

Due Process Up to the Date of the September 2008 IAASB Meeting

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

5. Proposed ISAs 505 (Revised and Redrafted) and 620 (Revised and Redrafted) are ISAs subject to full revision, developed and exposed in accordance with IAASB’s Clarity conventions. For each of these two ISAs, the IAASB:

   • Approved a project proposal for the revision of the respective extant ISA, and consulted with the IAASB CAG on the proposal.
   • 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, amongst 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; and
     - Amended the proposed ISA accordingly.
   • 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, or issue a consultation paper, or to suggest it appropriate to conduct a field test of the proposals.

6. Proposed ISQC 1 (Redrafted), proposed ISAs 800, 805 and 810 (Revised and Redrafted), and proposed ISAs 210, 200, 500, 501, 520, 700 and 710 (Redrafted) form part of the IAASB’s Clarity project. The Clarity project includes the limited redrafting of:
• the “close off” versions of ISAs that were in process of revision when the IAASB’s clarity
conventions were agreed; and

• ISAs that are not at present subject to revision,

to reflect only the IAASB’s new drafting conventions and matters of clarity generally. Proposed
ISAs 800 (subsequently split into ISAs 800 and 805) and 805 (subsequently renumbered as ISA
810) are in the former category; the others are in the latter.

7. With respect to proposed standards that 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.

• The “close off” version of revised ISA 800 (subsequently split into ISAs 800 and 805) was
approved by the IAASB in October 2006. The “close off” version of revised ISA 805
(subsequently renumbered ISA 810) was approved by the IAASB in December 2006. The
PIOB reviewed and confirmed the due process followed by the IAASB for these ISAs at its
December 2006 meeting.

8. In summary, for each of the standards 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 standards for public comment, together
with explanatory memoranda highlighting, among other matters, the significant proposals of
the proposed standards.

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

For each of proposed ISQC 1 and ISAs 220, 700, 800, 805 and 810, the IAASB considered at its
June 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. For proposed ISA 500, the
IAASB did the same at its March 2008 meeting.

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