International Auditing and Assurance Standards Board

Strategy and Work Program, 2009-2011

IFAC

International Federation of Accountants

International Auditing and Assurance Standards Board
International Federation of Accountants
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This *Strategy and Work Program, 2009-2011* was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC).

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The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
STRATEGY AND WORK PROGRAM, 2009-2011

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CHAIRMAN'S STATEMENT

I am pleased to present the *Strategy and Work Program, 2009-2011* of the International Auditing and Assurance Standards Board (IAASB).

Our Vision

Our vision is that the high quality standards for assurance and related services, and most particularly International Standards on Auditing (ISAs), that we develop in the public interest are adopted and applied internationally.

The adoption and application of such standards are overwhelmingly in the public interest – they provide investors with a common understanding of the meaning of assurance and assist them in operating globally; and they provide audit regulators, seeking to rely on their counterparts in other jurisdictions, with a common high quality benchmark. While accepting that individual jurisdictions or national standard setters may vary the standards for legal or other national reasons, the IAASB seeks to minimize the extent of any necessary modifications by extensive consultation during the development of its standards and by promoting the benefits of a common body of standards internationally.

Going forward, our strategy is to build on the strong base of standards that has been developed to date, to address ourselves to new assurance topics and to promote further the benefits of ISAs to key constituencies that have not yet adopted the standards. The IAASB recognizes the importance of communications in pursuing its strategy, in particular with national standard setters, regulators and other key stakeholders.

The Strategy and Work Program set out in this document reflect the outcome of an extensive consultation program[1] to obtain the widest possible input into determining the IAASB's priorities over the next three years. They are consistent with our longer term vision.

Medium Term Strategy, 2009-2011

Over the last few years, the IAASB has devoted a significant amount of time and resources to the Clarity project,[2] aimed at the development of high quality ISAs that are accepted globally and that facilitate convergence. It is envisaged that this project will be completed at the end of 2008.

The IAASB's stated objective and strategic initiatives set out in its Terms of Reference[3] confirm that its primary role is that of standard setter. Although participants in the strategy review consultations agreed with this, the IAASB was also encouraged to follow up the Clarity project with work on translations, adoption and implementation of ISAs, and education about them. Respondents taking this line emphasized the IAASB's interest not only in setting the standards, but also in ensuring that they were used, and used properly.

In considering the responses, the IAASB debated what the proper limits of its activities were, having regard to its terms of reference, the skills of its members and staff, and the extent of its

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[1] The consultation program is described in Appendix 2.

[2] The aim of the Clarity project is to improve the clarity of IAASB standards, so as to make them more readable and to avoid any possible ambiguity as to what they require and what is guidance, thereby improving the consistency with which they are implemented.

[3] The Terms of Reference can be accessed at http://www.ifac.org/IAASB/downloads/IAASB_ToR.pdf.

resources. The IAASB concluded that, in its standard-setting and related activities, it should concern itself with adoption and implementation, to the extent that barriers to adoption and difficulties in implementation can be alleviated by actions within those activities. In addition, the IAASB has a clear interest in monitoring the adoption of its standards.

Accordingly, the focus of the strategy and work program is on:

- Development of standards;

- Monitoring and facilitating adoption of those standards; and

- Responding to concerns about the implementation of the standards by activities designed to improve the consistency with which they are applied in practice.

In the area of development of standards, planned activities focus on the effective operation of the world's capital markets, and the needs of small- and medium-sized entities (SMEs) and small and medium practices (SMPs).

Development of Standards

ISAs remain the IAASB's most important single product. To maintain a set of up-to-date high quality ISAs, the IAASB plans to proceed with the revision of some ISAs. In particular, it is becoming clear that aspects of the auditor's report standard[4] have become a barrier to its adoption in some jurisdictions. Another matter for the IAASB to explore is the effect that developments in technology may have on financial reporting.

The strategy review consultations recognized that there is a public interest in the quality of the opinions that professional accountants are often required to give for the purpose of prospectuses (or investment circulars). In the light of increasing cross-border investment activity and, in some cases, the legal recognition of prospectuses issued in other jurisdictions, the IAASB plans to develop standards that will be relevant to professional accountants' reports included in prospectuses.

Many professional accountants practice in the field of assurance on sustainability and similar reports, and for a number of years they have been asking the IAASB to consider developing standards specifically designed for such work. The IAASB's new project to develop a standard for assurance on carbon emissions information will allow it to do so in a limited area that seems to have a particular need.

The application of ISAs to audits of SMEs in an efficient way remains a matter of concern. Beyond current activities to assist auditors of SMEs, the IAASB has considered input, as part of the strategy review consultations, about the concept of an alternative assurance service for SMEs. The idea of an entirely new service was not supported, but it seems likely that revisions to the standards on compilation and review engagements could assist professional accountants in this market.

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[4] ISA 700, "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements."

Adoption

The ISAs are widely accepted in many jurisdictions and recognized as appropriate for many capital markets. The IAASB plans to identify and address barriers to the further adoption of ISAs, and to ensure that the content and breadth of proposed new standards facilitate their global acceptance and adoption.

The IAASB believes that open and transparent sharing of information with its stakeholders, including national standard setters and regulators, and being receptive to their input and feedback, are critical in gaining global acceptance and adoption of its standards. The IAASB's communication activities reflect this belief.

Implementation

There is considerable concern about standards overload. Further, auditors and others need sufficient time to digest the clarity redrafted ISAs and to ensure that their implementation is effective. The IAASB therefore agreed that any new ISAs issued after the end of the Clarity project will not be made effective for audits of financial statements for periods beginning before December 15, 2011, unless there is an urgent need to respond to new or unforeseen circumstances.

The IAASB also plans to explore how to assess the effectiveness of the implementation of new standards. This is not to suggest that the IAASB is proposing to extend its activities to monitor implementation of standards – that is the role of the regulators and oversight bodies that monitor audit quality. The IAASB's efforts will try to determine whether there is any need for further refinements to achieve the intended effect of new standards.

The third possible way in which the IAASB may assist in the implementation of its standards is by issuing further guidance on their application. The IAASB has not generally seen this as a main element of its activities, but the strategy and work program allow for further consideration of this, including cooperation with national standard setters. The IAASB has already started research that may lead to the issuance of guidance to assist auditors in their consideration of fair value information in financial statements.

The IAASB also plans to determine whether to develop further certain key conceptual matters, such as materiality, audit evidence, and professional judgment.

Conclusion

I am grateful to the many people and organizations that contributed to our strategy review consultations. I hope that the direction of our work will be seen as responding to the representations made to us, and to the public interest, which must be our overriding concern. Of course, events and circumstances may require us to amend our program, and for this reason it will be kept under constant review.

John Kellas
Chairman

STRATEGY

The strategy and work program sets the direction and priorities for the activities of the IAASB for the three year period from January 2009 to December 2011. They are set within the context of the overall strategy of IFAC (see Appendix 1), and the stated objective and strategic initiatives of the IAASB set out in its terms of reference. They respond to significant developments in the environment in which audit and other assurance services are performed and in which standards for such services are set. They also assist the IAASB in working towards global acceptance of and convergence with the standards, and to establish and maintain relevant partnerships. They are underpinned by the IAASB's communication initiatives.

This section sets out the IAASB's strategic focus for 2009-2011. The next section contains the planned work program to implement the strategy.

Development of Standards

The IAASB expects to complete its Clarity project for the ISAs by the end of 2008. At that time, the IAASB will have issued all its auditing standards in a form consistent with the drafting conventions established in the course of that project. Together with the revisions made to many of the auditing standards over the past five years, the end product will be a set of up-to-date high quality standards for the audit of financial statements.

The IAASB's focus on auditing standards in recent years was in response to calls from auditors and regulators to ensure that the ISAs were high quality standards that were worthy of global acceptance and would facilitate convergence. This has involved the revision of ISAs dealing with areas of highest audit risk to ensure that they are robust and up to date, and the redrafting of all standards to promote consistency in interpretation and international acceptance. As a result of the scale of the revisions, auditors and others need a period during which implementation of the auditing standards can be effectively achieved without significant further change.

In the next few years, the IAASB intends to focus the development of standards on the effective operation of the world's capital markets, and the needs of SMEs and SMPs.

The World's Capital Markets

The effective operation of the world's capital markets remains a matter of high public interest. High quality auditing standards contribute to high quality financial reporting which ultimately leads to growth and efficiencies in the capital markets, decreased cost of capital, reduced corruption, and improved decision making and transparency. The IAASB's work program therefore includes activities that are necessary to maintain high quality auditing standards. Those activities include the revision of some ISAs, and consideration of how auditors' reports may be improved and of the effect of developments in technology, such as XBRL, on financial reporting.

Efficient international capital-raising requires information that is understandable across borders, together with assurance designed to enhance users' confidence in that information, wherever the users are based. The European Union (EU) Prospectuses Directive, which provides that information prepared for one EU capital market should be accepted in all other EU jurisdictions, provides a clear need for common assurance standards throughout the EU. But other countries

have also indicated to the IAASB that there is a need for relevant assurance standards. The IAASB therefore plans to develop assurance standards for those services most relevant to the world's capital markets.

International investors expect greater focus on corporate responsibility, including sustainability, from participants in the world's capital markets. Increasingly, participants' annual reports include sustainability information, and professional accountants are often involved in assurance engagements on sustainability reporting. The IAASB has been called on to consider how it could contribute to the development of such reporting, and plans to do so.

The development of such specific assurance standards is likely to indicate a need for revisions to International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* to provide more generic standards for matters common to all such engagements – for example, documentation requirements.

The Needs of SMEs

In addition to practical implementation challenges, the prospect of a wider requirement for audits to be conducted in accordance with ISAs has raised concerns in some quarters about whether an audit is the right service for all SMEs. It is the view of the IAASB that "an audit is an audit," and that ISAs are the standards to be applied to all audits. As such, the IAASB does not support any possibility that the audit of SMEs might be carried out to limited auditing standards.

However, in some countries, regulators have introduced exemptions from audit for entities that would otherwise be required to have an audit (e.g., based on the type of entity, its size, or other public interest consideration). Although there may be no requirement for these entities to have any form of third party assurance report on their financial statements, they often request their professional accountants to conduct a review or compilation engagement. Some other countries are currently considering an assurance service for SMEs that would be an acceptable alternative to an audit. The strategy review consultations did not suggest that it will be necessary to develop a completely new assurance service for this purpose. However, the IAASB plans to revise International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements* and International Standard on Related Services (ISRS) 4410, *Engagements to Compile Financial Statements*. The IAASB's current thinking is that such revisions, if undertaken with a sufficiently broad remit, should provide standards for services that provide acceptable alternatives to an audit.

Adoption

Global Acceptance, Convergence and Partnership

Convergence is an important strategic initiative of the IAASB. Convergence enhances the quality and uniformity of practice throughout the world, and strengthens public confidence in the global auditing and assurance profession.

The decision to establish a period after the effective date[5] of the clarity redrafted ISAs during which no new auditing standards will take effect (see Implementation below) should assist auditors, adopting standard setters and other authorities to achieve their effective implementation. It also provides a stable platform from which the IAASB plans to advance convergence.

There have been a number of important developments relating to the global acceptance of ISAs. The results of the IFAC Member Body Compliance Program indicates that more than 100 countries use auditing standards that are ISAs, either adopted as written or locally adapted, or national standards that are compared with ISAs to eliminate differences. Further, many of the world's major capital markets accept the use of ISAs for the audit of financial statements of foreign issuers. The members of the Forum of Firms have committed themselves to having policies and methodologies for the conduct of transnational audits that are based, to the extent practicable, on ISAs. In the public sector, the International Organization of Supreme Audit Institutions (INTOSAI) uses ISAs as the basis for its Financial Audit Guidelines.

These developments reflect widespread acceptance of the principle of convergence, and of the role of ISAs in that context. The next task for the IAASB is to identify and address barriers to the further adoption of ISAs, whether as a whole in those few jurisdictions that have not yet chosen to adopt them or in respect of specific standards, and to ensure that the content and breadth of proposed new standards facilitate their global acceptance and adoption. In future, this may also be informed by an assessment of the impact of any proposed new standard.

Also of interest to the IAASB are aspects of standards, if any, that some jurisdictions may think it necessary to supplement with further requirements.

For this purpose, the IAASB plans to pursue active discussions with its Consultative Advisory Group (CAG), and national standard setters, public authorities (in particular the European Commission (EC)), international regulators (including the International Organization of Securities Commissions (IOSCO)) and oversight bodies that monitor audit quality (including the International Forum of Independent Audit Regulators (IFIAR)). In these activities, the IAASB will continue to make the case for the acceptance of ISAs by market regulators for use in cross-border offerings and the continuing reporting obligations of foreign issuers. The IAASB also plans to continue its strong links with INTOSAI.

The IAASB will continue to identify areas for potential cooperation with national standard setters and other stakeholders. This could include collaboration on specific projects, the sharing of resources or documents, or support for research in areas of thought leadership.

The IAASB's activities with regard to global acceptance, convergence and partnership are highlighted in the work program but, being ongoing in nature, are not allocated to specific time periods. The Project Timetable provides for periodic reports to the IAASB in this regard.

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[5] The clarity redrafted ISAs are effective for audits of financial statements for periods beginning on or after December 15, 2009.

Implementation

To date, the IAASB has concentrated its efforts on setting clear standards and providing adequate time for their implementation. The IAASB recognizes that the effective implementation of its standards is as important as their development, and that it has an important role in addressing the practical implementation challenges experienced by those that have adopted, or are adopting, ISAs. These challenges, however, require a joint effort by the IAASB, other IFAC boards and committees, regional and national professional accountancy organizations, the Forum of Firms, national standard setters, regulators and development agencies.

The IAASB plans to contribute to this joint effort by providing auditors and national standard setters (and other adopting authorities) with a period of at least two years after the effective date of the clarity redrafted ISAs during which no new auditing standards will become effective, unless there is an urgent need to respond to new or unforeseen circumstances.

The IAASB also plans to develop a process for assessing the effectiveness of the implementation of new standards to determine whether there is any need for further refinement to achieve the intended objectives of those standards. The experience of the oversight bodies that monitor audit quality, regulators, national standard setters and audit firms ought to provide an important source of information to the IAASB about how standards are being implemented in practice. The intention is that this would become a standing part of the IAASB's process of continuous improvement of its standards. The first assessments are likely to include the implementation of the ISAs that deal with the auditor's identification, assessment and responses to risks of material misstatement, including fraud.

In addition, the IAASB plans to consider other activities to facilitate the implementation of its standards, including in the audit of SMEs. The IAASB will continue to rely on the IFAC SMP Committee to make it aware of the concerns of this important user group. The IAASB hopes that the *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-Sized Entities*, which was published by the IFAC SMP Committee in 2007, will assist auditors of SMEs in applying ISAs. The IAASB understands that the SMP Committee intends to produce a further guide on quality control to assist smaller firms of auditors.

Other activities of the IAASB include a review of the appropriateness of the content of the International Auditing Practice Statements (IAPSs), and of the authority of the IAPSs and any other implementation guidance that the IAASB may develop. The IAASB plans to identify implementation guidance developed by regional and national professional accountancy organizations, national standard setters and others that is applicable in an international context; and communicate the existence of and facilitate access to such guidance. If the need arises, the IAASB may also develop implementation guidance for one or more topics that are of international relevance. In particular, the IAASB has under consideration the possibility of providing guidance on issues affecting the audit of fair value accounting information.

The strategy review consultations indicated some degree of support for developing further certain key conceptual matters, such as materiality, audit evidence and professional judgment. The IAASB plans to determine the demand for and scope of any such projects.

Translation of and education and training in ISAs are closely linked to their implementation. The IAASB, however, does not consider these activities to be within its remit. As the worldwide organization for the accountancy profession, IFAC has an important role in the facilitation of translations, and education and training of professional accountants. Regional and national profession accountancy organizations have an equally important role in this regard.

Communication

The IAASB's communication initiatives are aimed at keeping stakeholders informed of its activities, and to promote the adoption and implementation of its standards. They also enable the IAASB to be aware of recent developments in practice and regulation, and to hear concerns about the standards and their implementation in practice.

The IAASB issues press releases and eNews communications, and reports publicly on its work program, activities and progress made in achieving its objective in its annual report. It further promotes its activities and publications through the IAASB website and by way of presentations. The IAASB plans to consider whether to develop a formal communication plan for the period 2009-2011.

The IAASB also plans, when issuing a new or revised standard, to prepare a short note of key changes introduced as a result of the standard. This should assist professional accountants in implementing the standard.

The term "audit quality" has become widely used in the communications of the IAASB and its stakeholders. The IAASB recognizes that the fact that there is no common definition for audit quality may contribute to the expectations gap. Although ISAs are an important contributor to audit quality, it is the IAASB's view that there is considerably more to audit quality than auditing standards – some aspects of which are addressed in the Financial Reporting Supply Chain initiative of IFAC.[6] To address this matter, the IAASB plans to consider whether to develop a consultation paper on audit quality. The IAASB may also develop a communication to users of financial statements and the related auditors' reports on the meaning of an audit. These activities will build on the work of national standard setters and others who have been looking at these questions.

The development of a consultation on paper on audit quality may also highlight conceptual matters that may need to be further developed as part of the Implementation initiative.

The IAASB's activities with regard to communication are highlighted in the work program but, being ongoing in nature, are not allocated to specific time periods. The Project Timetable provides for periodic reports to the IAASB in this regard.

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[6]   The report *Financial Reporting Supply Chain: Current Perspectives and Directions* can be accessed at http://www.ifac.org/Store/Details.tmpl?SID=12047547112246020.

WORK PROGRAM

The IAASB has considered the relative priorities and importance of its activities for the period 2009-2011 based on the strategy review consultations, and has determined its work program for that period. The work program is based on the IAASB's current working procedures, level of activity and resources.

Although the current resources do not seem to place a major constraint on the proposed activities of the IAASB, the situation will be monitored as the work program progresses.

The work program is subject to periodic revision and change by the IAASB. A new project is subject to the IAASB approving a proposal that confirms that it is appropriate to commence the project, taking account of the effective and efficient utilization of resources, the likely output of the project and its timescale. In the future, this decision may also be informed by an assessment of the impact of the proposed new standard.

The IAASB plans to continue work on four projects that it commenced during 2007/8.

- ISAE 3402, *Assurance Reports on Controls at a Third Party Service Organization*

- Consideration as to whether to develop guidance for auditors on the audit of fair value accounting information

- ISAE on assurance engagements on carbon emissions information

- ISAE on assurance reports on pro forma financial information included in prospectuses.

The first table below shows the activities / projects to be undertaken and the quarter in which each activity / project will commence. The Project Timetable reflects how the IAASB intends to progress work on the activities / projects.

Planned Activities / Projects

Activities / Projects	Commencing
Development of Standards	
Enhancing Public Confidence in Financial Reporting Through the Development of High Quality ISAs	
Performance Standards	
Revise ISA 610 (Redrafted), *Using the Work of Internal Auditors* (ISA 610)	**Second quarter 2009**
Revise ISA 720 (Redrafted), *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements* (ISA 720)	**First quarter 2010**
New Project – ISA (contingent element of work program, depending on the outcome of the assessment of the effective implementation of new standards)	**First quarter 2011**
Reporting Standards (ISA 700)	
Determine actions to be taken based on research to be conducted with regard to the auditor's report to be issued in accordance with ISA 700, *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements* (ISA 700 Research)	**First quarter 2009**
New Technologies and Reporting Models	
In consultation with national standard setters and relevant XBRL groups, develop guidance for auditors on the approach to be followed when XBRL financial statements are to be filed together with the auditor's report (XBRL)	**First quarter 2009**
Developing Assurance Standards Relevant to Raising International Capital	

Activities / Projects	Commencing
Determine actions to be taken based on the outcome of consultation with audit firms, national standard setters and other interested parties as to how ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* is being used at national level, and what the identified shortcomings are (ISAE 3000)	**First quarter 2009**
In consultation with audit firms, national standard setters and other interested parties, including regulators, develop a new standard on assurance reports on pro forma information included in prospectuses (Pro Forma Information)	**First quarter 2008**
Revise ISAE 3400, *The Examination of Prospective Financial Information* (ISAE 3400)	**Third quarter 2009**
Contributing to Developments in Sustainability Reporting	
Develop an assurance standard on reporting on carbon emissions information (Carbon Emissions Information)	**Project approved fourth quarter 2007**
Review Royal NIvRA's recently issued assurance standard on sustainability reporting to determine whether it provides an appropriate basis for an international standard (Sustainability)	**Third quarter 2009**
Addressing the Needs of SMEs	
Revise ISRE 2400, *Engagements to Review Financial Statements* (ISRE 2400) and ISRS 4410, *Engagements to Compile Financial Statements* (ISRS 4410)	**First quarter 2009**
Actions that are of a Monitoring Nature	**Ongoing**
• Monitor technology-related matters that may affect the audit of financial statements and therefore require the attention of the IAASB, for example, the effect of technology on audit evidence	

Activities / Projects	Commencing
• Monitor developments in continuous auditing and the continuous availability of information to assess whether to develop guidance • Monitor developments with regard to XBRL to determine whether there is a demand for related assurance services • Monitor developments with regard to assurance engagements to determine whether a pronouncement should be developed for one or more specific engagements (e.g., reporting on internal control) • Monitor the developments of national standard setters and others with regard to an alternative assurance service for SMEs to determine whether a service other than compilation, review or audit is necessary	
Adoption	
Assessing the Impact of Standards	
Determine how to implement any proposals that IFAC might adopt for the assessment of the impact of proposed new standards (if possible, including an assessment of cost vs. benefits) (Impact Assessment)	**Commenced during 2008**
Furthering Global Acceptance, Convergence and Partnership	**Ongoing**
• Actively discuss with national standard setters (including the U.S. Public Company Accounting Oversight Board), public authorities (in particular the European Commission), oversight bodies that monitor audit quality (including the International Forum of Independent Audit Regulators), and international regulators (including the International Organization of Securities Commissions) to identify and address barriers to the further adoption and implementation of ISAs, whether as a whole in those few jurisdictions that have not yet chosen to adopt international standards or in respect of specific standards, and ensure that the content and breadth of proposed new standards facilitates their global acceptance and adoption • Cooperate with the International Organization of Supreme Audit Institutions (INTOSAI), promoting the use of ISAs as the basis for audits in the public sector • Consult as necessary with the IFAC Small and Medium Practices Committee on issues of relevance to small- and medium-sized entities and practices regarding audit and quality control standards	

Activities / Projects	Commencing
• Consult as necessary with the IFAC Developing Nations Committee on issues of relevance to developing nations regarding audit and quality control standards	
• Take steps to address the issues of translation; the frequency, volume and complexity of changes; and the setting of effective dates	
Implementation	
Assisting with the Implementation of ISAs	
Develop a process for assessing the effectiveness of the implementation of new standards to determine whether there is any need for further refinement to achieve the intended effect of new standards (Effectiveness Review) (The Project Timetable provides for periodic reports to the IAASB after establishment of the process.)	**Second quarter 2009**
Implementation Guidance	
In consultation with relevant parties, consider whether to develop guidance for auditors on the audit of fair value accounting information (Fair Value Audit Guidance)	**Commenced first quarter 2008**
Review the appropriateness of the content of the International Auditing Practice Statements (IAPSs) and determine whether they should be withdrawn or revised; and review the authority of IAPSs and any other implementation guidance that the IAASB may develop (IAPS Review)	**Fourth quarter 2009**
Identify implementation guidance developed by regional and national professional accountancy organizations, national standard setters and others that is applicable in an international context, and communicate the existence of and facilitate access to such guidance (Implementation Guidance Review)	**Second quarter 2009**
Identify and develop implementation guidance for an additional topic that is of international relevance	**Third quarter 2010**

Activities / Projects	Commencing
(New Project – Implementation Guidance)	
Further Developing the Conceptual Aspects of ISAs	
Consider whether to develop further certain conceptual aspects of ISAs, such as materiality, audit evidence and professional judgment (Conceptual Aspects of ISAs)	**Third quarter 2011**
Communication	
Addressing the Expectations Gap	
Consider whether to develop a consultation paper on audit quality (Audit Quality)	**Third quarter 2009**
Consider whether to develop a communication on the meaning of an audit (Communication on Audit)	**Third quarter 2010**
Communication Activities	
Consider whether to develop a formal communication plan for 2009-2011	**First quarter 2009**
Other Activities	**Ongoing**

- Consult as necessary with the International Accounting Standards Board (IASB) on financial reporting developments that may affect the pronouncements of the IAASB or create a need for new auditing pronouncements
- Publish with each new or revised standard a short note of key changes introduced and the intended effect on engagements
- Issue a press release, communicating the issue of each proposed or final IAASB pronouncement and any other major activity of the IAASB
- Issue IAASB eNews communications

Activities / Projects	Commencing
• Publish an annual report written to a broad interested audience on the performance of the IAASB, including a report on progress against this action plan and on how IAASB has complied with its stated due process	
• Promote the activities and publications of the IAASB through the IAASB website (this includes agenda material, audio records of meetings, meeting highlights, proposed pronouncements and related comment letters, final pronouncements and bases for conclusions)	
• In consultation with IFAC's Communication Department, determine whether it is possible to translate the IAASB eNews communications and a summary of the most important matters in IAASB press releases and the IAASB annual report in the five languages of the United Nations	

Tentative Project Timetable for 2009-2011[7]

Project	2008	1ST Q 2009	2ND Q 2009	3RD Q 2009	4TH Q 2009	1ST Q 2010	2ND Q 2010	3RD Q 2010	4TH Q 2010	1ST Q 2011	2ND Q 2011	3RD Q 2011	4TH Q 2011
Regular reports to the IAASB[8]		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ISAE 3402	Review ED com-ments	Approve final											
Carbon Emissions Information[9]	Review issues		Review issues		Review issues	Approve ED			Review ED com-ments		Approve final		
Pro Forma Information	Project pro-posal / Review issues		Review issues		Approve ED			Review ED com-ments		Approve final			
Fair Value Audit Guidance[10]	Project pro-	Review issues		Approve guidance				Review ED com-	Approve final (if				

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[7]   The Project Timetable for 2008 can be accessed at http://www.ifac.org/IAASB/Projects.php.

[8]   These reports cover progress and potential actions relating to key matters of global acceptance, convergence and partnership; and updates on communication (including whether to develop a communication plan for 2009-2011) and other actions that are of a monitoring nature.

[9]   The final output of this project is likely to be a new International Standard on Assurance Engagements (ISAE). However, the IAASB recognizes the possibility that another form of output may be appropriate, either as an interim step or as a final product, for example, a consultation paper or practice statement.

Project	2008	1ST Q 2009	2ND Q 2009	3RD Q 2009	4TH Q 2009	1ST Q 2010	2ND Q 2010	3RD Q 2010	4TH Q 2010	1ST Q 2011	2ND Q 2011	3RD Q 2011	4TH Q 2011
	posal			/ ED			ments (if applic-able)	applic-able)					
Impact Assessment	Project pro-posal		Review issues		Approve process								
ISA 700 Research[11]		Review of findings		Approve report on findings		Project proposal to revise ISA 700		Review issues			Approve ED		Review ED com-ments
ISRE 2400 and ISRS 4410		Project proposal		Review issues	Review issues	Approve EDs			Review ED com-ments	Review ED com-ments	Approve finals		
ISAE 3000		Project proposal		Review issues		Approve ED			Review ED com-ments		Approve final		
XBRL		Project proposal		Review issues		Approve ED			Review ED com-ments		Approve final		

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[10]   Assuming the IAASB concluded that such guidance should be developed. This scheduling does not preclude the possibility of issuing guidance at an earlier date should this be considered necessary.

[11]   Assuming the IAASB concluded that ISA 700 (Redrafted) should be revised.

Project	2008	1ST Q 2009	2ND Q 2009	3RD Q 2009	4TH Q 2009	1ST Q 2010	2ND Q 2010	3RD Q 2010	4TH Q 2010	1ST Q 2011	2ND Q 2011	3RD Q 2011	4TH Q 2011
ISA 610			Project proposal			Review issues		Approve ED			Review ED comments		Approve final
Implementation Guidance Review			Project proposal		Approve process		Update on guidance available			Update on guidance available			
Effectiveness Review			Project proposal		Review issues		Consult on process	Consult on process	Finalize process				
ISAE 3400				Project proposal			Review issues		Approve ED			Review ED comments	
Sustainability[12]				Project proposal			Review issues		Approve ED			Review ED comments	
Audit Quality[13]				Project proposal			Review issues			Approve Cons. Paper			Review comments on Cons. Paper

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[12]   Assuming review of Royal NIvRA standard is positive.

[13]   Assuming the IAASB considered it appropriate to commence the project.

Project	2008	1ST Q 2009	2ND Q 2009	3RD Q 2009	4TH Q 2009	1ST Q 2010	2ND Q 2010	3RD Q 2010	4TH Q 2010	1ST Q 2011	2ND Q 2011	3RD Q 2011	4TH Q 2011
IAPS Review					Project approval			Review issues		Decision			
ISA 720						Project proposal					Review issues		
New Project – Implementation Guidance								Project proposal			Review issues		Review issues
Communication on Audit[14]								Project proposal			First draft of booklet	Approve final booklet	
New Project – ISA										Project proposal		Review issues	
Conceptual Aspects of ISAs[15]												Project proposal	

Notes:

1. This project timetable is not intended to identify all items on any specific agenda of an IAASB meeting.

2. It is possible that a five day IAASB meeting may be divided between Board and Task Force meetings.

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[14] Assuming the IAASB considered it appropriate to commence the project.

[15] Assuming the IAASB considered it appropriate to commence the project.

Appendix 1

Alignment of IFAC and IAASB Strategy

The Strategic Plan[16] of the International Federation of Accountants (IFAC) identifies desired outcomes that IFAC aims to influence or have a direct impact on through the delivery of its services.[17] The table below shows how the IAASB assists IFAC in pursuing those outcomes.

IFAC Desired Outcome	IAASB Strategic Initiatives		
	Development of standards	Global acceptance, convergence and partnership	Communication
Improved audit practice	Direct impact	Direct impact	Direct impact
Improved financial management practices	Influence	Influence	Influence
Strong professional accountancy institutions around the globe	Influence	Influence	Influence
Strong ethical culture within individual professional accountants	Influence	Influence	Influence
Convergence to high quality international standards	Direct impact	Direct impact	Direct impact
Confidence in international standards	Direct impact	Direct impact	Direct impact

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[16] International Federation of Accountants Strategic Plan for the Years 2007-2010, available at http://www.ifac.org/About/StrategicPlan.php.

[17] The desired outcomes are: improved audit practices; improved financial management; strong professional accountancy institutions around the globe; strong ethical culture within individual professional accountants; convergence to high quality international professional standards; and confidence in international standards.

<div align="right">**Appendix 2**</div>

Strategy Review—Consultation Program and Basis for Conclusions

In 2007, the IAASB embarked on an extensive consultation program to obtain the widest possible input into determining its future priorities. The *Strategy and Work Program, 2009-2011* were based on the outcome of these consultations.

The program included:

- A strategy review survey, which was conducted in early 2007. 138 responses were received, including responses from IFAC member bodies, regional professional accountancy organizations, organizations representing preparers of financial statements, audit firms and public sector audit organizations, and public authorities and international regulators.

- Consultation with the IAASB Consultative Advisory Group (CAG), which has wide representation of those with an interest in auditing and assurance services, including preparers of financial statements, investors, regulators and other users of financial statements; and the auditing profession.

- Consultation at:

  o Meetings between the IAASB and various interested bodies: National Auditing Standard Setters, the European Auditing Standard Setters, the Latin American Auditing Standard Setters, the Executive Council of the Inter-American Accounting Association, the IFAC Small and Medium Practices Committee, the Steering Committee of the Professional Standards Committee of INTOSAI, and the Transnational Auditors Committee; and

  o Forums held in Sydney and Brussels, which were addressed by representatives of standard setters, preparers and users of financial statements, regulators and others.

- A review of reports recently issued by audit oversight and other relevant bodies.

- Presentations on relevant matters from certain standard setters and regulators at IAASB meetings.

- A consultation paper, which formed the final stage of the consultation process. The Consultation Paper was issued in October 2007 and presented a proposed strategy for 2009-2011, possible actions to implement the proposed strategy, and the basis for them. Fifty-two responses were received. The responses, and IAASB's proposed reaction to them, were discussed with the IAASB CAG in March 2008. The IAASB discussed the significant comments received on the consultation paper at its March 2008 meeting, and finalized the *Strategy and Work Program, 2009-2011* at its June 2008 for submission to the PIOB. The PIOB did not suggest any projects to be added to the work program.

The basis for the IAASB's conclusions with regard to the responses to the consultation paper can be found here.

International Federation of Accountants (IFAC)

IFAC is the worldwide organization for the accountancy profession. IFAC's mission, as set out in its constitution, is: *"To serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of international economies by establishing and promoting adherence to high quality professional standards, furthering international convergence of such standards, and speaking out on public interest issues where the profession's expertise is most relevant."*

International Auditing and Assurance Standards Board (IAASB)

The IAASB is a standard-setting body designated by, and operating under, the auspices of IFAC. The IAASB is subject to the oversight of the Public Interest Oversight Board (PIOB). The objective of the IAASB is: *"To serve the public interest by setting, independently and under its own authority, high quality standards dealing with auditing, review, other assurance, quality control, and related services, and by facilitating the convergence of national and international standards."*

This objective contributes to enhanced quality and uniformity of practice in these areas throughout the world, and strengthened public confidence in financial reporting.

The IAASB aims to achieve its objective through the following strategic initiatives:

(a) *Development of Standards* – Establish high quality auditing, review, other assurance, quality control, and related services standards.

(b) *Global Acceptance, Convergence and Partnership* – Promote the acceptance and adoption of IAASB pronouncements throughout the world; and support a strong and cohesive international accountancy profession by coordinating with IFAC member bodies, regional organizations, and national standard setters to achieve the objective of the IAASB.

(c) *Communication* – Improve the quality and uniformity of auditing practices and related services throughout the world by encouraging debate and presenting papers on a variety of audit and assurance issues; and increase the public image and awareness of the activities of the IAASB.

In fulfilling its objective, the IAASB develops the following high quality standards: International Standards on Auditing (ISAs); International Standards on Review Engagements (ISREs); International Standards on Assurance Engagements (ISAEs); International Standards on Quality Control (ISQCs); International Standards on Related Services (ISRSs); and Practice Statements.

In developing its pronouncements, the IAASB follows a rigorous due process that involves open and transparent working procedures and provides for extensive consultation. All IAASB meetings are open to the public. Agenda papers and minutes are published on the IFAC website. Proposed pronouncements are exposed for public comment. Each exposure draft is accompanied by an explanatory memorandum that provides background to, and an explanation of, the significant proposals in the exposure draft and specific areas on which the IAASB is seeking comment. The IAASB deliberates significant matters raised in the responses to exposure drafts before approving final pronouncements. After IAASB approval, the PIOB must confirm that due process has been followed in developing the pronouncements before they can be regarded as final. With each final pronouncement, the IAASB issues a separate document containing the basis for conclusions with respect to the responses to the exposure draft.

The IAASB Consultative Advisory Group (CAG) provides advice on the IAASB's agenda, priorities and projects through consultation with representatives of organizations that have an interest in the development and maintenance of high quality international auditing and assurance standards designed to serve the public interest.