Objectives of Agenda Item

1. The objectives of this Agenda Item are to:
   
   (a) Provide a report back on proposals of the Representatives on this initiative as discussed at the September 2010 CAG Meeting; and
   
   (b) To provide an update on key IAASB–International Accounting Standards Board (IASB) liaison activities.

Papers to Be Referred to during Discussion

2. The discussion on this topic will follow the structure of this CAG Paper.

September 14-15, 2010 CAG Discussion

3. Below are extracts from the minutes of the September 2010 CAG meeting,¹ and an indication of how the project Task Force or IAASB has responded to the Representatives’ comments.

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<tr>
<th>Representatives’ Comments</th>
<th>Task Force/IAASB Response</th>
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<tr>
<td>Mr. Upton supported the IAASB Working Group’s approach of suggesting wording rather than merely listing concerns. He suggested the IAASB should consider focusing on application of IASB standards as well as measurement issues, and whether a standard is capable of being audited consistently. He also commented that the IASB has heard of concerns regarding the volume of disclosures, particularly around</td>
<td>Support noted.</td>
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<tr>
<td>Ms. Hillier noted the IAASB intends to do so. The IAASB Disclosures Task Force is aware that it will be for important to share with the</td>
<td></td>
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¹ These minutes were subsequently approved at the March 2011 IAASB CAG meeting. Other comments made during the discussion of this agenda item at the September 2010 meeting were included in Agenda Item N (Disclosures) of the March 2011 IAASB CAG Meeting.
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<td>sensitivity disclosures, and also suggested the IAASB should form a working group on the Revenue Recognition ED. Mr. Peyret agreed that Revenue Recognition is an important topic and noted that a publication of the audit of revenue recognition had been issued in France.</td>
<td>IASB comments received on the IAASB’s Disclosures Discussion Paper(^2) that are relevant to the IASB. The IAASB’s Revenue Recognition Working Group has submitted comments to the IASB on its June 2010 Exposure Draft.(^3) The Working Group continues to monitor developments in this area.</td>
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<td>Mr. Gutterman asked if the IAASB Working Groups wanted volunteers from IAASB CAG to assist in forming their views.</td>
<td>Ms. Hillier acknowledged that it may be useful when CAG Representatives have particular expertise that can assist IAASB working groups in considering audit implications. It was noted that, so far, Mr. Peyret had provide input on the IAASB’s Revenue Recognition Working Group.</td>
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<td>Mr. Windsor commented that the IAIS response to the IASB ED on Insurance Contracts includes comments on whether particular items are auditable. He agreed to pass the IAIS comment letter to the IAASB.</td>
<td>Comment noted.</td>
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<tr>
<td>Mr. Baumann commended the IAASB for their efforts in liaising with the IASB and noted that the PCAOB Standing Advisory Group (SAG) has expressed concern about the pace and volume of changes to accounting standards and the ability of preparers and auditors to analyze and respond to these changes. He acknowledged that part of the concern was due to the nature of the changes from the US perspective, in that the US profession needed to understand the implications of moving from over 200 revenue recognition rules to a single standard.</td>
<td>Support noted.</td>
</tr>
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</table>


\(^3\) IASB Exposure Draft, *Measurement of Liabilities in International Accounting Standard (IAS) 37 (ED/2010/1)*
Representatives’ Comments | Task Force/IAASB Response
--- | ---
Mr. Roussey asked if the IAASB has considered pursuing a limited assurance standard on management commentary. | The IAASB’s project to revise ISAE 3000\(^4\) would likely provide a basis for auditors to perform such work. Notwithstanding this, comments received on the IAASB’s Auditor Reporting Consultation Paper\(^5\) and Disclosures Discussion Paper may indicate a need for such a standard in the future.

Related, the IAASB is currently developing its Strategy and Work Program for 2012-2014. It issued a Consultation Paper in January 2011. The IAASB will undertake a full review of respondents’ comments on the consultation paper at its September 2011 meeting, as noted in IAASB CAG Agenda Item K. Approval of the proposed IAASB Strategy and Work Program for 2012-2014 is scheduled in December 2011.

Update on Key IAASB–IASB Liaison Activities

4. The IAASB’s liaison with the IASB continues to strengthen. In December 2010, IASB Member and Liaison Representative Prabhakar Kalavacherla provided the IAASB with an update on the IASB’s work program, including its project on lease accounting, fair value measurement, and consolidation, and briefed the IAASB on the US Financial Accounting Standards Board’s (FASB) convergence with International Financial Reporting Standards (IFRS). In his address, Mr. Kalavacherla emphasized the importance of ongoing cooperation to the continued success of both boards. Ongoing liaison to discuss developments of mutual interest is also maintained on a regular basis between Mr. Kalavacherla and IAASB Deputy Chair and Liaison Representative Diana Hillier.

5. In January 2011, IAASB leadership met with IASB Chairman Sir David Tweedie. Topics discussed at the meeting included: IASB–FASB convergence developments, including IFRS adoption/implementation support initiatives; the IAASB’s Disclosures Discussion Paper; auditor reporting considerations when financial reporting frameworks are based on IFRS but include modifications; the progress of the IAASB–IASB liaison program and other matters of mutual interest. At the meeting, the IAASB reaffirmed its commitment to working with the IASB on matters of mutual interest.

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\(^4\) International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

\(^5\) IAASB’s Consultation Paper, *Enhancing the Value of Auditor Reporting: Exploring Options for Change*
6. On release of the IAASB’s Disclosures Discussion Paper, Chair and Staff on this project met with relevant IASB staff to explain the background of the project and any preliminary views of the IAASB on the issues raised.

7. IAASB Working Groups\(^6\) also continue to provide input to the IASB on auditability and verifiability matters arising from the IASB’s proposals. Since September 2010, the following submissions have been made:\(^7\)

- Comment letter to the IASB on its ED, *Hedge Accounting* (ED/2010/13) (March 2011)


\(^7\) All submissions can be access on the IAASB’s website at: web.ifac.org/publications/international-auditing-and-assurance-standards-board/policy-positions-and-papers.