

## IAASB CAG PAPER

### IAASB CAG Agenda (June 2007)

#### Agenda Item F.2

#### Summary of Responses to the IAASB Questionnaire

Note: The reference provided after the comment is the rating that had been attributed to that particular question.

#### Summary of Responses to the IAASB Questionnaire

#	Criteria	Yes	No	Rating				Uncertain / Do not know	Not applicable	Comments
				4	3	2	1			
1. OBJECTIVE AND SCOPE OF ACTIVITIES										
1.1	The IAASB CAG’s stated objective and scope of activities <sup>1</sup> are appropriate and assist the IAASB CAG in fulfilling its role of protecting the public interest.			1	8					See detailed comments at the addendum to this document.
1.2	Overall, how well do you believe that the IAASB CAG is achieving its stated objective and scope of activities?				8			1		See detailed comments at the addendum to this document.
1.3	(a) Should the IAASB CAG Terms of Reference be expanded / amended / clarified in any way? (Proposed modifications may give rise to revisions of the IAASB CAG Terms of Reference or the IAASB CAG	3	5					1		See detailed comments at the addendum to this document.

<sup>1</sup> The objective of the IAASB CAG is to provide input to and assist the IAASB through consultation with the IAASB CAG Member Organizations and their Representatives at the IAASB CAG meetings, in order to obtain: (a) advice on the IAASB's agenda and project timetable, including project priorities; (b) technical advice on projects; and (c) advice on other matters of relevance to the activities of the IAASB.

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				4	3	2	1			
	operating procedures (which may or may not affect the Terms of Reference.)  (b) If yes, please provide an explanation of the addition(s) / amendment(s) / clarification(s) under Comments.									
1.4	(a) The IAASB CAG Terms of Reference provide for strategic and technical input to the IAASB's activities. Is the balance between strategic and technical input from the IAASB CAG appropriate?  (b) If no, please provide an explanation under Comments.	5	3					1		See detailed comments at the addendum to this document.
<b>2. QUALITY AND INTERNATIONAL RECOGNITION AND ACCEPTANCE OF THE IAASB'S PRONOUNCEMENTS</b>										
2.1	The IAASB CAG effectively and efficiently contributes to:  (a) The quality and global acceptance of the IAASB's pronouncements, and			1	4	2	1	1		See detailed comments at the addendum to this document.

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				4	3	2	1			
2.1	(b) The IAASB's stated due process.				8	1				See detailed comments at the addendum to this document.
2.2	Based on reports to the IAASB, the IAASB CAG raises appropriate matters on:  (a) The IAASB's agenda and priorities;				7	2				See detailed comments at the addendum to this document.
2.2	(b) The scope of the IAASB's proposed pronouncements;				8	1				
2.2	(c) The technical content of the IAASB's proposed pronouncements; and				6	3				See detailed comments at the addendum to this document.
2.2	(d) Other matters relating to the IAASB's activities.				3	1		5		
<b>3. OPERATING PROCEDURES – TO BE COMPLETED BY IAASB MEMBERS WHO HAVE PRESENTED AT / ATTENDED IAASB CAG</b>										

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				4	3	2	1			
MEETINGS (OTHERWISE, MARK AS NOT APPLICABLE)										
3.1	The IAASB CAG’s membership and composition <sup>2</sup> provide for  (a) Appropriate professional representation,				6	1			2	See detailed comments at the addendum to this document.
3.1	(b) Appropriate geographical representation, and				5	1		1	2	See detailed comments at the addendum to this document.
3.1	(c) An appropriate combination of relevant technical expertise and practical experience.				5	1		1	2	See detailed comments at the addendum to this document.
3.2	The IAASB CAG’s meetings are held in locations that are convenient and easily accessible.				5			2	2	
3.3	The IAASB CAG’s meetings are well organized, efficient, and effective.			3	2	1		1	2	See detailed comments at the addendum to this document.
3.4	IAASB members’ presentations of projects at the IAASB CAG meetings contribute and are				4	1		1	3	See detailed comments at the addendum to this document.

<sup>2</sup> The composition and membership of the IAASB CAG are described in its Terms of Reference. A list of IAASB CAG Member Organizations is available from <http://www.ifac.org/IAASB/CAG.php>.

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				4	3	2	1			
	important to technical debates at those meetings.									
3.5	The technical debates in the IAASB CAG and with the IAASB members are:  (a) Of sufficiently high quality to ensure appropriate input to the work of the IAASB;				4	2		1	2	See detailed comments at the addendum to this document.
3.5	(b) At an appropriate level of detail; and				3	3		1	2	See detailed comments at the addendum to this document.
3.5	(c) Focused on the right issues.				1	5		1	2	See detailed comments at the addendum to this document.
3.6	The IAASB CAG Working Groups enhance the quality, efficiency and effectiveness of the IAASB CAG's debates of IAASB projects. (It should be noted that the processes of the IAASB CAG Working Groups are currently under review.)				4	2		1	2	See detailed comments at the addendum to this document.
3.7	IAASB CAG minutes reflect the recommendations of the IAASB CAG Representatives.				3	1		3	2	See detailed comments at the addendum to this document.

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#	Criteria	Yes	No	Rating				Uncertain / Do not know	Not applicable	Comments
				4	3	2	1			
4. IAASB CAG CHAIR										
4.1	The IAASB CAG Chair acts in the public interest.			4	5					See detailed comments at the addendum to this document.
4.2	The IAASB CAG Chair efficiently and effectively fulfills the roles of “Leader of CAG” as described in the Roles and Responsibilities of the IAASB CAG Chair document. <sup>3</sup>			3	6					See detailed comments at the addendum to this document.
4.3	The IAASB CAG Chair’s attendance at and participation in meetings of the IAASB and IAASB Steering Committee assist the IAASB CAG in achieving its stated objective and scope of activities.			1	8					See detailed comments at the addendum to this document.

#### 5. GENERAL COMMENTS

- CAG chair has done a very good job of improving the performance of the CAG. David is an active and constructive participant in IAASB debates.
- The CAG has improved greatly under its independent chairman and has been reinvigorated. I think there is still a question mark over its precise role in

<sup>3</sup> This document can be accessed at [http://www.ifac.org/IAASB/downloads/Roles\\_and\\_responsibilites\\_of\\_the\\_IAASB\\_CAG\\_Chair.pdf](http://www.ifac.org/IAASB/downloads/Roles_and_responsibilites_of_the_IAASB_CAG_Chair.pdf).

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relation to technical matters. Also, as it is important that relevant IAASB members attend where necessary to present papers and hear the comments it is essential that meeting locations remain very accessible, or that the use of video conferencing technology be explored.

- While CAG performs a useful role, this does need to be weighed against the costs, and assessments made about cost-effectiveness as well - more of an issue for IFAC I expect.

1.1	<p>The IAASB CAG's stated objective and scope of activities are appropriate and assist the IAASB CAG in fulfilling its role of protecting the public interest.</p> <ul style="list-style-type: none"> <li>• CAG's objectives are well placed. The focus should be on higher level, more strategic matters rather than the detailed technical advice for which there are other due processes to obtain that input from stakeholders. (4)</li> <li>• I wonder on reflection about the technical element, which is inevitably covered by all respondents to exposure drafts. (3)</li> <li>• The consultations may perhaps be broader and go deeper. (3)</li> </ul>
1.2	<p>Overall, how well do you believe that the IAASB CAG is achieving its stated objective and scope of activities?</p> <ul style="list-style-type: none"> <li>• CAG's contribution has increased significantly over the past few years and has been valuable. (3)</li> <li>• Experience on only one meeting – a lot of members said very little. (3)</li> </ul>
1.3	<p>(a) Should the IAASB CAG Terms of Reference be expanded / amended / clarified in any way? (Proposed modifications may give rise to revisions of the IAASB CAG Terms of Reference or the IAASB CAG operating procedures (which may or may not affect the Terms of Reference.)</p> <p>(b) If yes, please provide an explanation of the addition(s) / amendment(s) / clarification(s) under Comments.</p> <ul style="list-style-type: none"> <li>• CAG should focus on public interest matters that affect IAASB's strategy and work plan. CAG should also focus on the priority given to projects and the scope of projects, where needed. However, it should not be CAG's role to provide technical input to projects. (Yes)</li> <li>• CAG is undoubtedly an important forum through which IAASB can seek input and advice, and engage in a dialogue with stakeholders -- it would be difficult to achieve this as effectively otherwise. It also offers an opportunity for different stakeholders to hear the views of others, which is invaluable.</li> </ul> <p>However, CAG represents some, but not all IAASB stakeholders. In addition, it does not have to achieve consensus –given that it does not represent all stakeholders, the implications of (and, indeed, the appropriateness of) consensus views are unclear in any case.</p>

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	<p>The working practice has evolved for IAASB to be expected to report to CAG at key stages in a project (giving CAG an opportunity to “vet” EDs and proposed final ISAs before IAASB approves them). It is also expected that IAASB will respond to all individual comments given by any member in a CAG meeting – which at a minimum is very time consuming, particularly when such reporting is expected to be written.</p> <p>Perhaps more significantly, however, there is a risk that this could give CAG members undue influence vis-à-vis other stakeholders – particularly when comments are directed to technical matters for which other stakeholders are only able to input via the public consultation process. It is also relevant, in this regard, that some CAG organizations are also represented on PIOB and on the Monitoring Group. IAASB acts in the public interest when it engages and listens to all stakeholders and aims for outcomes that appropriately takes into account and weighs all stakeholders’ collective needs, and it is PIOB’s role to monitor that that happens.</p> <p>As an IAASB member, I find input from CAG most valuable:</p> <ul style="list-style-type: none"> <li>- in identifying topics for new projects and helping to assess their relative priority</li> <li>- in making sure the terms of reference for a project adequately address stakeholders’ needs</li> <li>- in determining whether all significant issues have been identified in the early stages of a project, and to provide expertise on particular issues when an ISA project deals with a topic that is the subject matter expertise of CAG members.</li> <li>- to be a sounding board for IAASB on proposals on which it is looking for an informal reaction in advance of forming a view.</li> </ul> <p>It is more difficult, as a member, to know how to weigh more detailed input on drafts received just prior to or during a Board meeting. (Yes)</p>
1.4	<p>(a) The IAASB CAG Terms of Reference provide for strategic and technical input to the IAASB’s activities. Is the balance between strategic and technical input from the IAASB CAG appropriate?</p> <p>(b) If no, please provide an explanation under Comments.</p> <ul style="list-style-type: none"> <li>• Perhaps due to the nature of the IAASB agenda with Clarity, the CAG discussion seem to often become another technical review rather than a strategic look at the individual standards and issues. (No)</li> <li>• Mostly yes. But given the expectation that IAASB will report to CAG at “key stages” in a project, there is a tendency err to technical rather than strategic. As noted above, it can also be difficult for the Board to know how to appropriately weigh input from CAG on technical matters received just prior to, or at, a Board meeting. (Yes)</li> <li>• Same point, really [as 2nd bullet in 1.1]. The question is, how much strategic advice is required? And, it seems inevitable that questions</li> </ul>



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	<p>to CAG from IAASB will be more inclined to be technical than strategic when project level matters are discussed, which are the main items on the agendas. (No)</p> <ul style="list-style-type: none"> <li>It would perhaps be possible to increase the strategic input. (Uncertain)</li> </ul>
1.5	<p>In line with the IAASB's stated due process, the IAASB gives due consideration to technical and other advice received from the IAASB CAG.</p> <ul style="list-style-type: none"> <li>No specific comments.</li> </ul>
<b>2. QUALITY AND INTERNATIONAL RECOGNITION AND ACCEPTANCE OF THE IAASB'S PRONOUNCEMENTS</b>	
2.1	<p>The IAASB CAG effectively and efficiently contributes to:</p> <ul style="list-style-type: none"> <li>The quality and global acceptance of the IAASB's pronouncements, and</li> <li>CAG has positively contributed to IAASB's visibility and credibility. (4)</li> <li>The representatives of different organizations which attend the CAG-meetings are mainly financially oriented. But there are more stakeholders (the public interest is not restricted to the financials) that can be reached by CAG. The CAG can improve on this point. (1)</li> <li>Geographical balances should be reflected in the seat distribution of IAASB CAG. 5 out of the current 27 CAG members are from European countries' organization, although only two from Asian countries. In addition, European Commission is a member of the CAG while PCAOB and JFSA remain in observers. (2)</li> </ul>
2.1	<p>The IAASB's stated due process.</p> <ul style="list-style-type: none"> <li>CAG serves a positive role in reassuring external parties that all stakeholders do have an opportunity to contribute to IAASB's due process. As noted above, however, there is a risk that needs to be managed that it may provide opportunity for some stakeholders to have more influence than others. (3)</li> </ul>
2.2	<p>Based on reports to the IAASB, the IAASB CAG raises appropriate matters on:</p> <p>(a) The IAASB's agenda and priorities;</p> <ul style="list-style-type: none"> <li>My perception is that we tend to receive more comment on technical matters than on agenda or priorities, but that may reflect the visibility of that input over other input. (2)</li> </ul>

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2.2	(b) The scope of the IAASB's proposed pronouncements; <ul style="list-style-type: none"> <li>No specific comments.</li> </ul>
2.2	(c) The technical content of the IAASB's proposed pronouncements; and <ul style="list-style-type: none"> <li>Because CAG does not reach consensus on the various issues discussed, the value of comments provided on technical issues varies greatly. (2)</li> <li>This input is often very difficult to deal with as it comes from all directions. (3)</li> <li>CAG provides plenty of input on technical content, but is it more than it should? (3)</li> </ul>
2.2	(d) Other matters relating to the IAASB's activities. <ul style="list-style-type: none"> <li>No specific comments.</li> </ul>
<b>3. OPERATING PROCEDURES (AS COMPLETED BY IAASB MEMBERS WHO HAVE PRESENTED AT / ATTENDED IAASB CAG MEETINGS)</b>	
3.1	The IAASB CAG's composition and membership provide for: (a) Appropriate professional representation, and <ul style="list-style-type: none"> <li>Representation is good. (3)</li> <li>Regulatory representation to be resolved (under discussion between CAG Chair and PIOB). (2)</li> </ul>
3.1	(b) Appropriate geographical representation. <ul style="list-style-type: none"> <li>This has improved significantly under the current Chairman. (3)</li> <li>Some areas - for example, India, not represented. (2)</li> <li>Seems to be possible to further rebalance. (Uncertain)</li> </ul>
3.1	(c) An appropriate combination of relevant technical expertise and practical experience.

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	<ul style="list-style-type: none"> <li>The focus should be on practical experience dealing with auditor's reports, auditors or audits generally. See my comment above regarding technical expertise. (2)</li> </ul>
3.2	<p>The IAASB CAG meetings are held in locations that are convenient and easily accessible.</p> <ul style="list-style-type: none"> <li>No specific comments.</li> </ul>
3.3	<p>The IAASB CAG meetings are well organized, efficient, and effective.</p> <ul style="list-style-type: none"> <li>They are well organized and efficient but sometimes are too focused on details. (2)</li> <li>The CAG Chair has made positive improvements in this regard. (4)</li> </ul>
3.4	<p>IAASB members' presentations of projects at the IAASB CAG meetings contribute and are important to technical debates at those meetings.</p> <ul style="list-style-type: none"> <li>This is for CAG members to assess! (Not applicable)</li> <li>I think they are essential; but it can be difficult to identify matters for discussion when dealing with technical matters. There are exceptions, of course, where they directly touch on the skills or experience of CAG members (e.g., questions related to management representations). (3)</li> <li>I imagine this to be the case, but I do not know it for a fact. (Uncertain)</li> </ul>
3.5	<p>The technical debates in the IAASB CAG and with the IAASB members are:</p> <p>(a) Of sufficiently high quality to ensure appropriate input to the work of the IAASB;</p> <ul style="list-style-type: none"> <li>It is often difficult for the presenter to address the issues being raised. We are usually put in the position of defending the document we are presenting against various comments. In some cases comments are made that reflect a lack of understanding of the material or its context. In other cases comments are not supportive of the direction taken but are informed. It might be helpful to consider the role of the presenter in discussion and whether a "defense" of the document under review is useful. I would not want to adopt the PCAOB SAG model where members do all the talking and the PCAOB staff says virtually nothing because I think this would allow comments that represent a lack of understanding to stand unchallenged. This area will need careful consideration since there is an expectation that the IAASB address CAG comments. (3)</li> <li>Only attended one meeting – debate was OK but only a limited number of members spoke (and then had a lot to say). (2)</li> </ul>

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3.5	<p>(b) At an appropriate level of detail; and</p> <ul style="list-style-type: none"> <li>Some discussions are too detailed and get away from the public interest perspective. (2)</li> <li>On balance, yes. Important for IAASB to identify the key areas on which it is seeking input. (3)</li> </ul>
3.5	<p>(c) Focused on the right issues.</p> <ul style="list-style-type: none"> <li>See comments above regarding technical discussions.</li> </ul>
3.6	<p>The IAASB CAG Working Groups enhance the quality, efficiency and effectiveness of the IAASB CAG's debates of IAASB projects. (It should be noted that the processes of the IAASB CAG Working Groups are currently under review.)</p> <ul style="list-style-type: none"> <li>CAG Working Groups bring some consensus to the issues being discussed, which is not otherwise achieved by the CAG discussions. (3)</li> <li>On the whole I think this is a good approach and helps manage the workload. But it is uneven. (2)</li> <li>They can. The quality and level of input depends to a certain extent on the members of the Working Groups and their composition. Clear understanding of the role of them is important for the reasons addressed above. There can be a tendency for some of them to jump to a more detailed technical review. (2)</li> <li>What would be really valuable from IAASB's perspective is to understand which proposals are controversial from a user/ investor/ preparer perspective and <u>why</u>, where what is being proposed fails to meet needs/expectations, and input on the cost/benefit.</li> <li>This is a good innovation, since it ensures that input is not wholly dependent on issues identified by IAASB. There are questions of consistency of input to be resolved, but a good start has been made. (3)</li> <li>Again, I <u>assume</u> this to be the case. Small numbers ought to be better – if they have the time to give. (3)</li> </ul>
3.7	<p>IAASB CAG minutes reflect the recommendations of the IAASB CAG Representatives.</p> <ul style="list-style-type: none"> <li>Have no basis to say in totality. The ones I have been involved in were. (Uncertain)</li> <li>I am afraid I find them too long and detailed. One reason for this is the desire to ensure that members' points are fairly represented, which entails length when no consensus are arrived at. (2)</li> <li>It is sometimes difficult to know whether views expressed are CAG or individual. (Uncertain)</li> </ul>

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4. IAASB CAG CHAIR	
4.1	<p>The IAASB CAG Chair acts in the public interest.</p> <ul style="list-style-type: none"><li>• The Chair takes this responsibility very seriously.</li></ul>
4.2	<p>The IAASB CAG Chair efficiently and effectively fulfills the role of “Leader of CAG” as described in the Roles and Responsibilities of the IAASB CAG Chair document.</p> <ul style="list-style-type: none"><li>• The Chair has made a significant contribution to revitalizing the CAG.</li></ul>
4.3	<p>The IAASB CAG Chair’s attendance at and participation in meetings of the IAASB and IAASB Steering Committee assist the IAASB CAG in achieving its stated objective and scope of activities.</p> <ul style="list-style-type: none"><li>• The CAG Chair makes sure that the views of his members are given a fair hearing in the IAASB meetings.</li></ul>