



International Federation of Accountants

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Agenda Item **D.4**

Committee: IAASB Consultative Advisory Group

Meeting Location: Toronto

Meeting Date: September 4-5, 2008

IAASB Clarity Project—Update

Objective of Agenda Item

1. The objective of this Agenda Item is to provide a brief update on the status of the IAASB Clarity project.

Project Status

2. The IAASB is fully confident that it will complete its Clarity project by the end of 2008 in accordance with its stated timetable. Assuming the planned September 2008 final standards are approved as scheduled, only two ISAs¹ remain to be approved at the IAASB December 2008 meeting, both of which will have had the benefit of full review at the September IAASB meeting. At that meeting, there will also be a review of the suite of clarified ISAs for necessary conforming amendments and matters of general consistency.
3. The PIOB is scheduled to review due process applied on the standards approved at the September IAASB meeting at its December 2008 meeting, and to review the ISAs approved in December at its February 2009 meeting. Accordingly, IAASB anticipates publishing the set of clarified ISAs in the 2009 Edition of its Handbook by March 2009. In the interim, the IAASB will continue to make available all of the finalized ISAs on its website in the normal way, as final ISAs subject to PIOB clearance.
4. At the completion of the project, all of the ISAs will be drafted in accordance with the Clarity conventions and will come into effect for audits of financial statements beginning on or after December 15, 2009.

Review of Clarified ISAs for Conforming Amendments and Consistency

5. Though individual clarified ISAs have been, and will continue to be, released as they are approved, the IAASB accepts that there is a possibility of further conforming changes being necessary to released ISAs as other ISAs are redrafted. Any such changes are not expected to change the substance of the ISAs already approved, though they may have a small effect on their content.

¹ These ISAs are proposed ISA 265, “Communicating Deficiencies in Internal Control,” and ISA 402 (Revised and Redrafted), “Audit Considerations Relating to an Entity Using a Third-Party Service Organization.”

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6. For this purpose, IAASB Staff has begun a review of all finalized ISAs to ensure consistency in editorial and other matters. The IAASB Clarity Task Force will be consulted, as appropriate, should there be any uncertainty over treatment of a matter; this is not expected to be the general case, however, as the review does not contemplate any change of substance.
7. The scope of the review includes addressing, among others:
 - The processing of IAASB-approved conforming amendments.
 - Other necessary conforming amendments arising from IAASB's decisions on a particular ISA that affect other ISAs (for example, references to “financial statements *as a whole*,” references to “management” vs. “management, and where applicable, those charged with governance”²).
 - Matters where the ISAs have inadvertently become inconsistent, for example references to “where permitted by laws and regulations” versus “unless prohibited by laws and regulations,” “resignation” versus “withdrawal,” etc.
 - Whether the ISA in which a definition is placed is the most appropriate location for that definition.
 - Other general drafting matters pertinent to the consistency of the ISAs.

Any proposed change will be carefully considered in terms of its necessity and having regard to the context of the extant wording.
8. The findings from the review will be presented to the IAASB for its consideration at its December 2008 meeting.
9. To assist those that have already begun the process of adopting the finalized ISAs, all changes (including approved conforming amendments) will be shown in marked text and made available on the IAASB website.

Communications and Other Initiatives Related to the Completion of the Clarity Project

10. In 2006 and 2007, IAASB Staff issued communications on the status of the Clarity project. It is envisioned that further communications will be issued this fall and in early 2009. The content of the communications would focus on matters relevant to adoption/convergence and implementation of the clarified ISAs, for example by:
 - Summarizing which ISAs are new, revised and redrafted, or redrafted only, and highlighting the major changes made.

² Subject to IAASB discussion on proposed ISA 210 (Redrafted), “Agreeing the Terms of Audit Engagements,” at its September 2008 meeting.

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- Reminding those with responsibility for adoption and convergence plans, implementation activities, and continuing professional development and training courses to consider the clarified ISAs as early as practicable.
 - Highlighting relevant material and where it can be accessed (e.g., final ISAs, IAASB staff-prepared Basis for Conclusions, etc.)
 - Providing an update on the status of revisions to the IFAC SMP ISA Guide, etc.
11. Looking forward, the IAASB anticipates the need for continued action in raising awareness of, and providing support for, the finalized set of clarified ISAs. Options are at present being explored for consideration by the IAASB in due course.