



International Federation of Accountants

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Agenda Item

Committee: IAASB Consultative Advisory Group

Meeting Location: Dubai

Meeting Date: March 9-10, 2009

Consideration of Strategy and the Current Environment

Objectives of Agenda Item

1. To reflect on the current environment and consider whether there is a need in the public interest to adjust IAASB's priorities.

I. Guidance on Auditing Fair Values

2. Since the last meeting of the IAASB CAG, the Task Force has reviewed the possible initiatives identified and discussed with the IAASB and CAG in the light of comments received, as well as other relevant developments, to determine the best course of action to recommend to the IAASB. The Representatives will note this topic will be discussed separately as **Agenda Item S**.

II. Strategy and the Current Environment

STATUS OF 2009-2011 WORK PROGRAM ACTIVITIES AND PROJECTS

3. The IAASB approved its *Strategy and Work Program, 2009-2011*¹ in June 2008. That document reflects the outcome of an extensive consultation program undertaken in 2007 to obtain the widest possible input to determining the IAASB's priorities over the upcoming three-year period. In determining its Work Program, the IAASB considered the relative priorities and importance of its activities for the period based on the strategy review consultations. The Work Program is based on the IAASB's current working procedures, level of activity and resources. The Work Program is subject to periodic revision and change by the IAASB.
4. For reference, the Appendix to this Agenda Item indicates the status of actions on the activities and projects identified in the 2009-2011 Work Program. In summary, efforts are underway on the majority of the projects identified for the first part of 2009. Recognizing the need to help raise awareness and understanding of the clarified ISAs, work has also commenced on the development of support modules (see Agenda Item E). Further, Staff has begun to explore options for a rapid response process (see Agenda Item O). These activities were not specifically identified as 2009 initiatives.

¹ The IAASB *Strategy and Work Program, 2009-2011* is available on the IAASB website at:

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5. Staff resources are being utilized at capacity in progressing these and other initiatives. This is expected to continue as Q2-Q4 2009 activities and projects are commenced.

REFLECTING ON THE STRATEGY AND WORK PROGRAM AND THE CURRENT ENVIRONMENT

6. Since the consultations on the IAASB's future priorities, there have been a number of significant developments in the environment. For example:
 - The sub-prime crisis has expanded into a global economic recession.
 - Major financial frauds and suspected fraud have been identified in entities in a number of jurisdictions (for example, L&G (Japan), Satyam (India), and Madoff (US)).
 - Regulators, national standard setters, and firms are in progress of planning for the implementation of the clarity ISAs; at the same time, there is an increasing urgency to consider implications, guidance and alternatives for smaller practitioners.
7. A few possible implications or considerations arising from the above include the following (this list is not intended to be exhaustive):
 - The depth of the current global economic recession, and the speed at which it has developed, have likely tested some of the ISAs that become particularly relevant in such an environment, such as ISA 570² or the reporting ISAs. Some may therefore see a need to explore the challenges faced in applying these standards in advance of any future review of the effectiveness of their implementation.
 - External confirmations played a part in at least one of the above mentioned fraud cases. Further, some jurisdictions continue to encounter many situations where entities will not return confirmations or place legal restrictions on them that render them useless, and there is a view that there should be efforts on the IAASB's or IFAC's part to create a broader dialogue about the use of confirmations.
 - The issue of audit quality, and contributors to audit quality, increases in importance. Some may see the need for a framework, while others may believe additional guidance on specific aspects such as the appropriate application of professional judgment as an important contributor to audit quality is needed.
 - The importance of addressing the needs of smaller practitioners remains equally relevant in the current environment. Arguably, the need for greater guidance or alternatives to an audit has risen.
8. It is reasonable to anticipate that the IAASB will be asked whether it has reflected on the current environment and how, if at all, it has changed its priorities and agenda in light of recent developments. It is important that the IAASB be in a position to respond to these questions.

² ISA 570, "Going Concern"

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9. An open forum discussion facilitated by the IAASB Chair is planned at the IAASB's upcoming meeting. The objective of the session is to obtain the views of the IAASB on the following principal questions:
- (i) What are the most significant issues arising from the current environment that the IAASB may need to address from the perspective of the public interest and the IAASB's strategic focus on addressing the needs of capital markets and smaller practices, adoption and implementation?
 - (ii) Assuming all the activities identified in the 2009-2011 Strategy remain relevant, is there a need to change their prioritization? That is, should the IAASB accelerate work on any of its 2010 or 2011 planned activities and, if so, which ones? Alternatively, is there a need to apply greater resources to any of the current priorities?
 - (iii) Are there activities or projects missing from the current Work Program that now should be considered (or re-considered) in light of the current environment and the public interest? If so, what priority/timing should they be assigned?
 - (iv) Given current resources, which of the activities underway or planned for 2009 should be deferred in order to accelerate a future project or commence a new one as a result of decisions on the above?

Action Requested

10. The Representatives are invited to report on relevant developments in their jurisdictions and to share their views and experiences that they believe would be relevant to the IAASB's discussion.

Material Presented – IAASB CAG REFERENCE PAPERS ONLY

IAASB *Strategy and Work Program, 2009-2011* http://www.ifac.org/Members/Downloads/IAASB_Strategy_and_Work_Program_2009-2011.pdf

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Appendix

Status of 2009-2011 Work Program Activities and Projects

2009 Activities / Projects³

Activity/Project	Planned Start	Status
Standards and Guidance		
ISAE 3402	2008	In progress
Pro forma Financial Information	2008	In progress
Carbon Emissions	2008	In progress
ISRE 2400 / ISRS 4410	Q1	In progress ⁴
ISAE 3000	Q1	In progress ⁴
XBRL	Q1	In progress ⁴
ISA 700 (Actions on Research)	Q1	Action pending research findings expected Q2
ISA 610	Q2	In progress ⁴
Prospective Financial Information (ISAE 3400)	Q3	No action
Review basis for development of a Sustainability Reporting Standard	Q3	No action
Adoption		
Impact Assessments	2008	In progress
Implementation		
Consider additional Fair Value Auditing Guidance	2008	In progress
Effectiveness Review Process	Q2	In progress
Implementation Guidance Review	Q2	No action
Review of IAPSs	Q4	No action
Communication		
Consider formal Communications Plan	Q1	No action
Consider Consultation Paper on Audit Quality	Q3	No action

³ Excluding monitoring and other ongoing activities indicated in the Strategy and Work Program.

⁴ Subject to IAASB approval of project proposal.

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2010 Activities / Projects

Activity/Project	Planned Start	Status
Standards and Guidance		
ISA 720	Q1	No action
Implementation		
New Implementation Guidance Project	Q3	No action; however, work has progressed on Clarity ISAs Support Modules initiative
Communication		
Consider communication on Meaning of an Audit	Q3	No action

2011 Activities / Projects

Activity/Project	Planned Start	Status
Standards and Guidance		
New ISA Project (contingent, depending on effectiveness review assessments)	Q1	No action
Implementation		
Consider Conceptual Aspects of ISAs	Q3	No action