

IAASB CAG PAPER



International Federation of Accountants

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Agenda Item

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Committee: IAASB Consultative Advisory Group

Meeting Location: Barcelona

Meeting Date: March 1–2, 2010

IAASB Future Strategy and Work Program, 2012-2014

Objectives of Agenda Item

1. To discuss the overall approach to consultation and the timetable for the development of the IAASB's *Strategy and Work Program, 2012-2014*.
2. To review a proposed stakeholder questionnaire that serves as the first phase of the consultation process. The CAG is being asked to provide advice on the content of the questionnaire, rather than provide a detailed response to the questions at this time. Representatives and their Member Organizations will have the opportunity to do so once the questionnaire is publicly issued.

Background and Due Process Requirements

3. IFAC's Standards-Setting Public Interest Activity Committees' (PIAC) Due Process and Working Procedures outline what is required of the IAASB when setting its strategy and work program, as follows:
 - The PIAC identifies potential new projects based on a review of national and international developments and on comments and suggestions from those who have an interest in the development of international pronouncements issued by the PIAC. To facilitate this process, the PIAC periodically develops and approves, based on appropriate consultation, a strategy and work program.
 - The PIAC is responsible for consulting with the PIAC's CAG on the identification and prioritization of projects to be undertaken by the PIAC. In particular, the PIAC's CAG is consulted on the PIAC's strategy and work program, including project priorities and any changes therein, to help establish their appropriateness. Where the PIAC's CAG has recommended a project for consideration by the PIAC, the Chair of the PIAC informs the Public Interest Oversight Board (PIOB) and the PIAC's CAG of the decisions of the PIAC.
 - In setting its strategy and work program, the PIAC obtains the PIOB's conclusion as to whether the due process used to develop the PIAC's strategy and work program has been followed effectively and with proper regard for the public interest. The PIAC also obtains the PIOB's opinion, as at the date of that opinion, on the appropriateness of the items on the PIAC's work program, and its approval of the completeness of the strategy and work program from a public interest perspective. The PIAC adds to its work

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program those items that the PIOB resolves should, from a public interest perspective, form part of the PIAC's work program...

4. The Working Procedures further note that:
 - The PIAC's strategy review involves a formal survey of its key stakeholders to obtain views about issues that they believe should be addressed by the PIAC in the immediate future.
 - The development of the PIAC's strategy and work program includes the issue of a consultation paper for public comment, placed on the IFAC website where it can be accessed free of charge by the general public, for ordinarily no less than 60 days. The PIAC considers the results of the public consultation in formulating, as necessary, a revised strategy and work program.
 - The PIAC's strategy reviews and consultations are not anticipated to be an annual process.

Proposed Consultation Approach to Developing the *Strategy and Work Program, 2012-2014*

5. The 2009-2011 strategy consultation plan utilized in developing the current strategy and work program remains largely appropriate, namely the use of (a) a public questionnaire, (b) targeted consultations with key stakeholders and (c) a formal Consultation Paper. It provides for consultation with a variety of stakeholders and utilizes existing processes and relationships, while bearing in mind time and costs. It is not anticipated that public forums will be held, due to the significant level of time and cost associated with the forums and the degree of overlap with other consultation activities, such as the CAG and national standard-setters (NSS).
6. In addition, with the IAASB strengthening its relationships with the International Forum of Independent Audit Regulators (IFIAR), the International Accounting Standards Board (IASB), and other groups (for example, those arising from the ongoing work of the ISA Implementation Monitoring Project, which will likely serve to more effectively advise the IAASB on key matters to which its attention should be devoted as it relates to the ISAs, and the findings from the Monitoring Group¹ review), efforts will be better placed by focusing on specific targeted consultations with these groups rather than public forums.
7. Consistent with prior strategy consultation process, the Steering Committee will serve as the Task Force for the project.

¹ The Monitoring Group includes the International Organization of Securities Commissions, the International Association of Insurance Supervisors, Basel Committee on Banking Supervision, the World Bank, the Financial Stability Board, the European Commission and observers such as the International Forum of Independent Audit Regulators. The purpose of the review is to evaluate the effectiveness of reforms undertaken by IFAC in 2003. The reforms were designed to strengthen international standard-setting processes, achieve convergence to international standards and ensure that the international accountancy profession is responsive to the public interest.

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Stakeholder Questionnaire

8. The Appendix to this paper includes a draft proposed questionnaire designed to solicit the views of stakeholders of the IAASB. The responses to the questionnaire will form the basis of the Consultation Paper to be discussed by the CAG and the IAASB at their respective September 2010 meetings.
9. Consistent with the 2009-2011 strategy consultation plan, the stakeholders to be consulted via the questionnaire include the following, among others:
 - Current and former IAASB members, technical advisors and official observers;
 - CAG members;
 - Forum of Firms (FoF);
 - Regulatory and oversight organizations;
 - NSS; and
 - Regular respondents to IAASB exposure drafts.
10. In addition, the questionnaire will be distributed to other IFAC boards and committees, IFAC member bodies, and be made available on the IAASB website through the use of an on-line survey tool to broaden the spectrum of potential responses. Other IFAC boards and committees may decide to include the questionnaire on the agendas of their respective meetings (if scheduled for dates prior to the comment date). For example, the Small and Medium Practices (SMP) Committee will discuss the questionnaire at their March 2010 meeting, and it is hoped the Committee will respond formally to both the questionnaire and the Consultation Paper, time permitting.
11. It is expected that the questionnaire will be distributed on March 31, 2010, concurrent with the release of the IAASB's annual report if possible. This will provide respondents with a link to our current work program and context for giving feedback on our future priorities. The comment period will close on May 14, 2010.
12. The draft questionnaire has been constructed in a manner similar to that issued for the last strategy consultation, providing the necessary background information and allowing for open-ended questions.

Medium-Term Strategy

13. The *Strategy and Work Program, 2009-2011*² was issued in July 2008 after extensive consultation. The IAASB felt strongly that it should not only show its vision but also its medium term strategy. The stated focus was therefore on:

² The *Strategy and Work Program, 2009-2011*, can be downloaded at http://web.ifac.org/download/IAASB_Strategy_and_Work_Program_2009-2011.pdf.

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- Development of standards, in particular with a 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);
 - 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.³
14. The *Strategy and Work Program, 2009-2011* expressed the view that the ISAs remain the IAASB's most important single product. In support of this view, the IAASB has undertaken a number of initiatives that will continue beyond 2010 to promote their adoption and successful implementation, including the ISA Implementation Monitoring project. The ISAs are widely accepted in many jurisdictions and recognized as appropriate for many capital markets, and public confidence in financial reporting can be enhanced through activities to continue the development of high-quality ISAs. In focusing on the effective operation of the world's capital markets, the IAASB has expanded its standard-setting activities beyond the ISAs into new innovative assurance areas. For example, projects dealing with assurance on pro forma financial information and greenhouse gas emissions acknowledge demands for standards to facilitate efficient international capital-raising and expanding needs of institutional investors, respectively.
15. The IAASB's work in developing standards also responded to the demand from SMPs for standards relating to services that can be provided when SMEs are not required to have an audit but request the involvement of professional accountants, in particular through a review or compilation engagement. Revising the IAASB's extant standards in these areas is aimed at providing acceptable assurance services other than audit.
16. Conversations with key stakeholders also continue to highlight a need for the IAASB to monitor SME and SMP developments in adopting and implementing the clarified ISAs for audits of financial statements and to seek to respond to identified needs. However, it will be important to differentiate those activities that can be done by the IAASB as compared to other broader initiatives within IFAC, including the Small and Medium Practices Committee. Also, the IAASB will continue to emphasize that it does not support any possibility that the audit of SMEs might be carried out to limited auditing standards.
17. While a focus on development of standards, adoption and implementation generally remains appropriate, it may be necessary for the IAASB to adjust its means of doing so based on changes in the environment that have occurred since the *Strategy and Work Program, 2009-2011* was approved, for example the effects of the financial crisis, developments in accounting

³ This focus is consistent with the IAASB's objective as set out in its Terms of Reference: "... to serve the public interest by setting high-quality auditing and assurance standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession."

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standards, and feedback from those implementing the ISAs. Respondents can clarify their views in the questionnaire if they do not believe these should be the IAASB's main areas of strategic focus in light of these and other developments, and the IAASB can consider these proposals prior to issuing the formal Consultation Paper.

Matters for CAG Consideration

1. Do Representatives agree that the IAASB's three areas of strategic focus as quoted in paragraph 13 remain appropriate?
2. Does the questionnaire appropriately acknowledge this view?

Projects Not Yet Started

18. The questionnaire notes that there are projects that were included in the *Strategy and Work Program, 2009-2011* that have not yet been started. Staff believes it is appropriate in this consultation to ask respondents to indicate whether these projects remain appropriate in light of any other new projects that may be identified.

Interaction with the ISA Implementation Monitoring Project

19. The future strategy will likely be driven in part by the findings of the ISA Implementation Monitoring project and the process to be developed for responding to these findings. The IAASB will discuss preliminary findings from Phase 1 at its June 2011 meeting.
20. The attached questionnaire provides some information about this project and acknowledges the effect this project is likely to have on the IAASB's future work program. While it is not necessary to quantify how much of the IAASB's future resources may need to be devoted to the outcome of this project at this time, consideration would need to be given to how the ISA Implementation Monitoring project should be dealt with in the public consultation. How the process of the strategy consultation and the process to deal with the findings of the ISA implementation monitoring project will dovetail will be discussed at the September 2010 IAASB meeting.

Targeted Consultations

21. Further targeted consultation will take place at various meetings during 2010 with the following groups:
 - FoF and Transnational Auditors Committee (April 2010)
 - IAASB NSS Meeting (April 2010);
 - IFAC Board (September 2010);
 - IFIAR (September 2010);
 - SMP Committee (September 2010);
 - Basel Committee on Banking Supervision (timing TBD);

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- European Commission (timing TBD);
- European Standard Setters (timing TBD);
- Financial Stability Board (timing TBD);
- IASB – through the IASB liaison (timing TBD);
- International Association of Insurance Supervisors (timing TBD);
- International Organization of Securities Commissions (timing TBD);
- INTOSAI Professional Standards Committee (May 2010) and Financial Audit Subcommittee (timing TBD); and
- World Bank (timing TBD).

Matters for CAG Consideration

3. Is the list of stakeholders to be consulted complete?
4. Can the Representatives assist in identifying how best to involve users, investors and preparers in the IAASB's work, including this consultation, to a greater extent? Are there specific organizations that could be approached?

Consultation Paper

22. The results of the consultations up to the end of July 2010, including the findings from the strategy questionnaire, will form the basis for a draft Consultation Paper, to be reviewed by the CAG and IAASB at their respective September 2010 meetings. Consultations between August and October will be factored into the final Consultation Paper, planned for approval at the December 2010 IAASB meeting, with a comment period of no less than 60 days.
23. A summary of significant comments and a revised strategy and work program will be submitted for discussion at the June 2011 IAASB meeting, with approval planned for September 2011. The approved document will be sent to the PIOB for approval from a public interest perspective. It will be issued when approved by the PIOB.

Timetable

24. It is necessary for the IAASB to begin in Q1 2010 to develop its *Strategy and Work Program, 2012-2014*. The timetable below outlines key milestones in order for the final *Strategy and Work Program, 2012-2014* to be approved by the IAASB by September 2011. The PIOB will be informed of the key milestones and planned discussions at IAASB meetings to alert them to the actions underway.

Stakeholder questionnaire – CAG and IAASB discussion	March 2010
Stakeholder questionnaire – public comment	April 2010 – May 2010

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Targeted consultations with stakeholders, including consultation with individual members of the Monitoring Group	April 2010 – July 2010
Discussion of first draft of Consultation Paper with CAG and IAASB	September 2010
IAASB approval of Consultation Paper, with 60 or 90 day comment period	December 2010
Full review of comments received on consultation by IAASB and discussion of draft strategy and work program	June 2011
Discussion of comments received on consultation and draft strategy and work program with CAG and approval of final strategy and work program by IAASB	September 2011
Approval of final strategy and work program by PIOB	Q4 2011

Action Requested

25. The Representatives are asked to Share its views on the above matters and any other matters that may be relevant to the IAASB in the development of its *Strategy and Work Program, 2012-2014*. In addition, Representatives are asked to consider how their Member Organizations could help the IAASB promote the questionnaire and consultation.

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APPENDIX

IAASB STRATEGIC REVIEW

INTRODUCTION

The International Auditing and Assurance Standards Board (IAASB) is undertaking consultations relating to the development of its strategy and work program for the period 2012-2014.

We are seeking the views of current IAASB members, Technical Advisors, CAG Representatives and others at an early stage to identify key issues for discussion by the IAASB throughout 2010, which will form the basis for a public consultation paper planned for December 2010.

We would be grateful if you could complete the following questionnaire [, and return it to insert email address] by **May 14, 2010**. Individual responses to the questionnaire will not be on public record. They will be summarized for discussion purposes. The summary, which may be made public, will not identify the names or organizations of the respondents.

Name or Organization (Optional):

Email address (Optional):

Kindly provide your email address should you wish to receive an electronic copy of the proposed IAASB strategy and work program for 2012-2014 when it is issued for public comment.

Please mark the box(es) that best describe the capacity in which you are responding to this questionnaire

- IAASB Member (current or former)
- IAASB Technical Advisor
- IAASB CAG Member Organization / Representative
- Member or Technical Advisor of Other IFAC Board or Committee –
please specify _____
- IFAC Member Body
- Preparer of Financial Statements
- Professional Accountant in Public Practice
- Investor
- Analyst or Researcher
- Customer or Supplier

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- Creditor or Lender
- Governmental or Legislative Body
- Regulator
- Audit Oversight Body
- Standard Setter
- Academia
- Private Sector
- Public Sector
- Small and Medium Sized Entity
- Small and Medium Sized Practice
- Developing / Emerging Economy
- Donor Agency or Similar Body
- Other – please specify _____

SECTION 1 – THE PUBLIC INTEREST

1.1 IAASB Stakeholders

The IAASB has identified the following groups that are affected by its activities (i.e., its stakeholders) and, therefore, will be consulted in developing the IAASB's future strategy and work program (they are listed alphabetically):

- Auditors
- Audit oversight bodies
- IFAC member bodies
- National standards setters
- Preparers of financial statements
- Regional professional accounting organizations
- Securities and other regulators
- Users of financial statements (for example, investors, lenders, etc. other than regulators)

a) Which, if any, stakeholder group do you belong to?

b) What, in your view, does the stakeholder group to which you belong expect from the IAASB?

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c) What, in your view, is the most important component of the IAASB's work in serving the public interest?

SECTION 2 – ADOPTION AND IMPLEMENTATION

2.1 Adoption of International Standards on Auditing

The ISAs are widely accepted in many jurisdictions and recognized as appropriate for many capital markets. Recent information gathered from the IFAC Member Body Compliance Program has indicated that the ISAs have been adopted or otherwise used as the basis of national standards in 126 jurisdictions around the world. Adoption is the first step of a continuous process towards international convergence with IAASB standards, and this level of adoption demonstrates strong momentum towards that convergence.

Further, bodies such as IOSCO, the World Bank, the Basel Committee on Banking Supervision, the Financial Stability Board, the World Federation of Exchanges, the United Nations Conference on Trade and Development (UNCTAD) and the Forum of Firms have expressed their support for the IAASB's standard-setting processes and the resulting ISAs.

Nevertheless, in support of global convergence to a single set of global standards, it is necessary for the IAASB to identify and address barriers to the further adoption of ISAs, whether as a whole in those few jurisdictions that have not yet chose to adopt them or in respect to specific standards, and to ensure that the content and breadth of proposed new standards facilitate their global acceptance and adoption.

a) In your view, what are some of the barriers to adoption of the international standards and how could the IAASB seek to eliminate these barriers?

b) Are there particular outputs that the IAASB could produce to promote adoption and implementation of its standards?

2.2 Implementation

A number of implementation activities began in 2009 in support of the clarified ISAs. In particular, the IAASB has begun developing new implementation guidance material for audits of complex financial instruments, and the current strategy and work program also allocated resources to develop implementation guidance for one or more topics that are of international relevance.

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Staff of the IAASB has also progressed a number of initiatives to support the adoption and implementation of the ISAs. These include:

- Development of the IAASB Clarity Center, which includes the ISAs and related Staff Bases for Conclusions, background information on the Clarity project, implementation support and guidance, frequently asked questions and other communications, and the electronic version of the 2009 *Handbook of International Standards on Auditing and Quality Control*.
- Development of ISA Modules,⁴ consisting of a short video presentation focusing on the key messages that auditors and others should understand and bear in mind in implementing the new ISA; and a set of slides and supporting notes that expands on the matters covered in the video presentation and explains the new provisions of the ISA in more detail. Additional modules are planned for development in 2010.
- Development of Staff Audit Practice Alerts and Staff Q&A documents, dealing with the audit of fair value accounting estimates, going concern, external confirmations, XBRL and SME matters.

Recognizing the need to stay informed about the progress in the implementation of the clarified ISAs, the IAASB has begun the development of a process for monitoring the implementation of the clarified ISAs, referred to as the “ISA Implementation Monitoring” project. The purpose of such a process is to assist the IAASB in determining whether there is any need for further refinement in its standards in order to achieve their intended objectives. In the longer term, the process would become a standing part of the IAASB’s effort to seek continuous improvement in its standards. Early information gathering steps are underway. Liaison with key stakeholder groups will continue throughout 2010 and 2011.

However, because the clarified ISAs have only recently become effective (for audits of financial statements for periods beginning on or after December 15, 2009), it will be some time before the results of this implementation monitoring project become known. The IAASB will receive updates on the preliminary findings of the project throughout 2010, and intends to evaluate the findings and consider a process to deal with the issues identified in mid-2011. Accordingly, the IAASB understands that it is possible that responding to findings of this project may constitute more than an insubstantial part of its work program in the next strategy period.

In addition, the IAASB plans to issue a number of new or revised assurance standards in the next few years to deal with services currently provided by professional accountants in public practice as well as new or emerging services. In accordance with the IAASB’s current strategic plan, the Board intends to seek feedback on the application of these standards within a reasonable period following their effective dates. As part of this process, feedback will be sought in 2013 from service organizations, service auditors, user entities, user auditors and others on their experiences with the implementation of ISAE 3402, *Assurance Reports on Controls at a Service Organization*, which was issued in 2009.

⁴ ISA Modules can be downloaded free-of-charge at <http://web.ifac.org/clarity-center/support-and-guidance>.

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a) Are there topics where further implementation support (i.e., new guidance material) is expected to be relevant and in demand? Which topics would be most relevant in an international context?

b) Regarding Staff-developed material, are outputs of this nature helpful to auditors and others? Should IAASB continue to direct staff efforts to initiatives such as these?

c) Are there other specific topics on which Staff efforts could be directed that would be particularly relevant in an international context?

d) Are there issues you feel the IAASB should consider as it conducts the ISA Implementation Monitoring project? In particular, have you identified any preliminary issues with respect to implementing the clarified ISAs? Please write as much as you like in the space below:

SECTION 3 – THE NEEDS OF SMALL AND MEDIUM PRACTICES (SMPs) AND SMALL- AND MEDIUM-SIZED ENTITIES (SMEs)

It is the view of the IAASB that ISAs are capable of being applied to all audits and, as such, the IAASB does not support any possibility that the audit of SMEs might be carried out to limited auditing standards. Nevertheless, the IAASB is conscious of the difficulties that practitioners may have in implementing ISAs in the audits of SMEs, and in particular the perception in some quarters that the ISAs have been written primarily with larger entities in mind. An important feature of the IAASB's standard-setting process is to ensure that representations from SMPs are taken into account, by seeking input from those in the SME and SMP communities. In addition, IFAC's Small and Medium Practices Committee⁵ forms a Rapid Response Team to give attention to individual standards at key stages.

⁵ The SMP Committee represents the interests of professional accountants operating in SMPs and other professional accountants who provide services to SMEs. It develops papers on topics of global concern and provides input in the development of international standards and on the work of various IFAC boards and committees where appropriate. The SMP Committee has also issued a *Guide to Quality Control for Small- and Medium-Sized Practices* and is currently updating its *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities* to bring it in line with the clarified ISAs.

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In 2009, the IAASB also commissioned a question-and-answer publication entitled *Applying ISAs Proportionately with the Size and Complexity of an Entity*. This publication is directed at highlighting provisions within the ISAs that help guide auditors in applying the requirements to audits of SMEs in an efficient and effective manner. Conversations with key stakeholders continue to highlight a need for the IAASB to monitor SME and SMP developments in adopting and implementing the clarified ISAs for audits of financial statements and to seek to respond to identified needs.

In some countries, regulators have introduced exemptions from audit for entities that would otherwise be required to have an audit (for example, 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 require their professional accountants to conduct a review or compilation engagement. Recognizing the growing use of these services, in 2009, the IAASB commenced a project 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*. Revision of these core standards is seen as a necessary first step before the IAASB examines the broader question of whether an alternative assurance service might be developed to suit any special needs of SME financial statement users and others.

a) What more, in your view, could the IAASB do to promote the effective implementation of its standards by SMPs?

b) What specific activities could the IAASB prioritize to work towards meeting the needs of SMEs and SMPs?

- 1.
- 2.
- 3.

SECTION 4 – ACHIEVING THE IAASB’S OBJECTIVE

4.1 The IAASB’s Strategic Focus

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. At present, the IAASB efforts are on the following 3 areas of strategic focus to achieve its objective:

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1. Development of standards;⁶
2. Monitoring and facilitating adoption of those standards; and
3. Responding to concerns about the implementation of the standards by activities designed to improve the consistency with which they are applied in practice.

The IAASB believes it is necessary and appropriate to continue its focus on these three areas in order to best serve the public interest and its stakeholders. The IAASB recognizes, however, that changing political and economic environment, and increasing need for public confidence in financial reporting, particularly in light of the global financial crisis, may cause a shift in the balance of its standard-setting activities. Respondents are invited to comment on how these trends may change how the IAASB describes its focus.

a) Do you agree that the IAASB should continue to focus on these as the top 3 initiatives over the next 3-4 years?

- Yes
- No

b) If you have answered “yes” in a), please indicate how, in your view, the IAASB should balance these 3 initiatives in terms of its resources over the next 3-4 years (total should be 100%).

1. %
2. %
3. %

c) If you have answered “no” in a), please indicate the 3 initiatives that, in your view, the IAASB should focus on over the next 3-4 years. Also indicate how, in your view, the IAASB should balance these 3 initiatives in terms of its resources over the next 3-4 years (total should be 100%).

Initiative	Balance
1.	%
2.	%
3.	%

⁶ References to standards include the ISAs as well as the IAASB’s pronouncements dealing with reviews of historical financial information, assurance engagements other than audits or reviews of historical financial information, compilation engagements, engagements to apply agreed upon procedures to information and other related services engagements.

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d) Within the development of standards area of focus, the IAASB's current work program deals with:

- The effective operation of the world's capital markets – for example, through ongoing work to revise certain ISAs and develop new assurance standards relating to pro forma financial information and by responding to expanding needs of institutional investors by developing an assurance standard dealing with greenhouse gas statements; and
- The needs of SMEs and SMPs – currently through revisions to the existing standards for review and compilation engagements.

Do you believe that these areas of focus for standard-setting remain appropriate?

- Yes
- No

e) If you have answered “no” in d), please indicate in what areas the IAASB should focus its efforts in developing new standards or revising existing standards?

Respondents will have the opportunity to comment on which specific activities would be prioritized to respond to each area of strategic focus later in the questionnaire.

SECTION 5 – IAASB PROJECTS

The IAASB's Annual Report for 2009 contains highlights of its strategic focus and major projects currently underway, tracking progress against the current strategy and work program. It can be accessed at [insert website].

In considering future projects, the IAASB will look to projects that it has not yet started in its current strategy and work program and also takes into account other activities, such as findings from the Monitoring Group Review,⁷ academic research initiatives, the IAASB's projects on monitoring of both ISA implementation activities and International Accounting Standards Board (IASB) developments, as well as ongoing monitoring of national developments.

⁷ The Monitoring Group includes the International Organization of Securities Commissions, the International Association of Insurance Supervisors, Basel Committee on Banking Supervision, the World Bank, the Financial Stability Board, the European Commission and observers such as the International Forum of Independent Audit Regulators. The purpose of the review is to evaluate the effectiveness of reforms undertaken by IFAC in 2003. The reforms were designed to strengthen international standard-setting processes, achieve convergence to international standards and ensure that the international accountancy profession is responsive to the public interest.

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Current projects of the IAASB include the following:⁸

- Project to revise International Standard on Auditing (ISA) 610, *Using the Work of Internal Auditors*
- Project to revise ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*
- Review of findings from four research studies jointly sponsored with the American Institute of Certified Public Accountants (AICPA) that examined the nature of user perceptions regarding the financial statement audit and the auditor's report among various classes of financial statement and audit report users in international settings. This review may have implications for ISA 700, *Forming an Opinion and Reporting on Financial Statements*
- Project to develop new International Standard on Assurance Engagements (ISAE) 3420, *Assurance Reports on the Proper Compilation of Pro Forma Financial Information Included in Prospectuses*
- Project to develop new ISAE 3410, *Assurance on a Greenhouse Gas Statement*
- Project to revise ISAE 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*
- Projects 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*, as part of IAASB's broader project to develop standards for services that provide suitable alternatives to an audit of financial statements
- Development of guidance on auditing complex financial instruments, through revising International Auditing Practice Statement (IAPS) 1012, *Auditing Derivative Financial Instruments*
- Project to clarify the status and authority of IAPSs, and review the appropriateness and content of the existing IAPSs, including whether they should be revised or withdrawn:
 - IAPS 1000, *Inter-bank Confirmation Procedures*
 - IAPS 1004, *The Relationship Between Banking Supervisors and Banks' External Auditors*
 - IAPS 1006, *Audits of the Financial Statements of Banks*
 - IAPS 1010, *The Consideration of Environmental Matters in the Audit of Financial Statements*
 - IAPS 1013, *Electronic Commerce—Effect on the Audit of Financial Statements*
- Project on eXtensible Business Reporting Language (XBRL), the first stage of which is consultation to understand assurance needs

⁸ The anticipated timing related to individual projects currently on the IAASB's agenda can be found in the IAASB Project Timetable.

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- Consideration of the topic of audit quality and actions that should be taken

Projects included in the IAASB's *Strategy and Work Program, 2009-2011* that have not yet been started (work on these projects would be expected to carry over into 2012 given the IAASB's typical development cycle):

- Project to revise ISAE 3400, *The Examination of Prospective Financial Information*
- Project to develop a new assurance standard on sustainability reporting
- Project to develop further certain conceptual aspects of ISAs, such as materiality, audit evidence and professional judgment

Potential projects identified by or brought to the attention of IAASB staff / IAASB include the following:

Development of ISAs and Related Guidance

- Evaluation of the need to revise those ISAs that were not revised as part of the Clarity project
- New ISA or guidance on auditing financial statement disclosures
- Revision of IAPS 1004, *The Relationship Between Banking Supervisors and Banks' External Auditors*
- Revision of IAPS 1006, *Audits of the Financial Statements of Banks*
- New guidance addressing the relationship between insurance supervisors and external auditors
- New guidance addressing the relationship between valuation experts and external auditors
- New ISA or guidance on shared service centers
- Guidance on application of ISAs, for example, materiality or group audits

Development or Revision of International Standards on Assurance Engagements (other than audits and reviews of historical financial statements)

- Reporting on internal control
- Auditor involvement with comfort letters
- Assurance on corporate governance statements
- Assurance on greenhouse gas emissions information (broader than ISAE 3410, including assurance on offset projects and assurance on the lifecycle emissions of individual products and services)

Development or Revision of Other International Standards (i.e., International Standards on Review Engagements and International Standards on Related Services)

- Redrafting, and substantive revision if considered necessary, of other International Standards on Review Engagements and International Standards on Related Services in the new clarity style:

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- ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*
- ISRS 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*

Other Topics

- Auditor association with published financial information

a) Please identify the projects that, in your view, would best contribute to the IAASB's initiatives over the next 3-4 years? Please identify no more than 7 projects (either from the list of potential projects above or other projects that you may have identified), giving reasons for each choice, and rank in order of importance (where 1= most important and 7=least important):

1.

Reason:

2.

Reason:

3.

Reason:

4.

Reason:

5.

Reason:

6.

Reason:

7.

Reason:

b) With respect to the projects included in the IAASB's *Strategy and Work Program, 2009-2011* that have not yet been started, are there other new projects that would be placed at a higher priority than these?

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SECTION 6 – DEVELOPMENTS IN ACCOUNTING AND FINANCIAL REPORTING

The International Accounting Standards Board (IASB) serves as a Member Organization on the IAASB's Consultative Advisory Group, and IFAC participates in the IASB's Standards Advisory Council. To further enhance its relationship with the IASB, the IAASB in 2009 initiated a new liaison process specifically aimed at monitoring the development of certain IASB projects and, as appropriate, providing the IASB with timely inputs on aspects of its proposed standards that may have potential verifiability or auditability issues – for example, aspects of proposals where preparers' judgments may be difficult to substantiate. These are matters where the IAASB believes its members' expertise can add value and its views should be shared with the IASB.

This initiative will bring some important benefits: to the IASB in terms of contribution to the quality of its standards; and to the IAASB in terms of strengthening its ability to identify financial reporting developments that may affect the pronouncements of the IAASB or create a need for new auditing pronouncements.

Based on an assessment of the nature and stage of development of the IASB projects, and their relation to the IAASB current and future work program, eight IASB projects have been identified for monitoring. They are:

- Conceptual Framework
- Emissions Trading Schemes
- Fair Value Measurement & Financial Instruments
- Income Taxes
- Leases
- Management Commentary
- Revenue Recognition
- Provisions, Contingent Liabilities and Contingent Assets

a) Are there other projects by accounting standard-setters or others that may inform the IAASB's future agenda?

b) Are there elements in today's financial reporting trends that may suggest the need for new auditing or assurance standards or guidance?

SECTION 7 – COMMUNICATING WITH STAKEHOLDERS

The IAASB's communication activities 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 development in practice and regulation and to hear concerns about the standards and their implementation in practice.

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The IAASB communicates regularly with the following groups through meetings and liaison activities:

- Academia, through American Accounting Association, International Association for Accounting Education and Research and International Symposium on Audit Research
- Audit firms, through the Forum for Firms and Transnational Auditors Committee
- Audit oversight bodies and international regulators – Basel Committee on Banking Supervision, European Group of Auditors' Oversight Bodies, International Association of Insurance Supervisors, International Forum of Independent Audit Regulators and International Organization of Securities Commissions
- IFAC member bodies
- International and national standard setters, including the International Accounting Standards Board and Public Company Accounting Oversight Board
- Members of the Consultative Advisory Group, including investors, preparers and users
- Public authorities – European Commission and World Bank
- Public sector auditors – International Organization of Supreme Audit Institutions

a) While the IAASB recognizes the importance of communicating regularly with the above groups, it is more difficult to interact directly with certain groups than others, such as investors and preparers. In your view, how might the IAASB best go about doing so?

b) Are there other stakeholders that should be engaged as the IAASB sets its work program?

SECTION 8 – OTHER

a) Are there any other issues you feel the IAASB should consider when it conducts its strategic review in 2010-2011? In particular, do you have any comments and suggestions as to how the IAASB can best ensure it serves the public interest? Please write as much as you like in the space below:

b) What, if any, single thing might the IAASB do that could increase the quality of audit or assurance work conducted by professional accountants?

c) The IAASB is considering whether to develop a communication to users of financial statements and the related auditors' reports on the meaning of an audit. What more could be done to address the expectations gap in relation to the audit?