



**International Federation of Accountants**  
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# Agenda Item B.2

**Committee:** IAASB Consultative Advisory Group

**Meeting Location:** Prague

**Meeting Date:** September 12–13, 2011

## IAASB–IASB Liaison— Report Back and Update on Key Activities

### 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,<sup>1</sup> and an indication of how the project Task Force or IAASB has responded to the Representatives’ comments.

Representatives’ Comments	Task Force/IAASB Response
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	Support noted.  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

<sup>1</sup> 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.

## IAASB CAG PAPER

### IAASB CAG Agenda (September 2011)

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Representatives' Comments	Task Force/IAASB Response
<p>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.</p>	<p>IASB comments received on the IAASB's Disclosures Discussion Paper<sup>2</sup> that are relevant to the IASB.</p> <p>The IAASB's Revenue Recognition Working Group has submitted comments to the IASB on its June 2010 Exposure Draft.<sup>3</sup> The Working Group continues to monitor developments in this area.</p>
<p>Mr. Gutterman asked if the IAASB Working Groups wanted volunteers from IAASB CAG to assist in forming their views.</p>	<p>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.</p>
<p>Mr. Windsor commented that 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.</p>	<p>Comment noted.</p>
<p>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.</p>	<p>Support noted.</p> <p>At previous meetings IAASB leadership has discussed the pace and complexity of changes to financial reporting with IASB representatives, including the IASB Chairman. The IAASB will continue to monitor, through its liaison activities with the IASB and other relevant activities on its work program, the implications of accounting trends and developments for auditors in general and to the IAASB's own considerations.</p>

<sup>2</sup> IAASB's Discussion Paper, *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications*

<sup>3</sup> IASB Exposure Draft, *Measurement of Liabilities in International Accounting Standard (IAS) 37* (ED/2010/1)

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Representatives' Comments	Task Force/IAASB Response
Mr. Roussey asked if the IAASB has considered pursuing a limited assurance standard on management commentary.	<p>The IAASB's project to revise ISAE 3000<sup>4</sup> would likely provide a basis for auditors to perform such work. Notwithstanding this, comments received on the IAASB's Auditor Reporting Consultation Paper<sup>5</sup> and Disclosures Discussion Paper may indicate a need for such a standard in the future.</p> <p>Related, the IAASB is currently developing its <i>Strategy and Work Program for 2012-2014</i>. 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 <b>Agenda Item K</b>. Approval of the proposed <i>IAASB Strategy and Work Program for 2012-2014</i> is scheduled in December 2011.</p>

#### 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.

<sup>4</sup> International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

<sup>5</sup> IAASB's Consultation Paper, *Enhancing the Value of Auditor Reporting: Exploring Options for Change*

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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<sup>6</sup> 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:<sup>7</sup>
  - Comment letter to the IASB on its ED, *Hedge Accounting* (ED/2010/13) (March 2011)
  - Comment letter to the IASB on its Supplement Document to its ED, *Financial Instruments: Impairment* (April 2011)
  - Comment letter to the IASB on its ED, *Offsetting Financial Assets and Financial Liabilities* (ED/2011/1) (April 2011)
  - Comment letter to Financial Accounting Standards Board (FASB) on its Discussion Paper, *Selected Issues about Hedge Accounting (Including IASB Exposure Draft, Hedge Accounting)* (April 2011)

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<sup>6</sup> There are currently seven IAASB Working Groups in place: Revenue Recognition, Fair Value Measurement & Financial Instruments, Liabilities, Leases, Income Taxes, Emissions Trading Schemes, and Conceptual Framework.

<sup>7</sup> 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](http://web.ifac.org/publications/international-auditing-and-assurance-standards-board/policy-positions-and-papers).