

Meeting: IAASB
Meeting Location: New York
Meeting Date: September 15–19, 2014

Agenda Item 10

Due Process

Objectives of Agenda Item

1. To advise the IAASB of the status of due process for the following documents scheduled for approval at the September 2014 IAASB meeting:
 - Proposed Auditor Reporting International Standards on Auditing (ISAs).¹
 - Proposed IAASB Strategy for 2015–2019 and Proposed IAASB Work Plan for 2015–2016.

Background

2. The IAASB Technical Director is responsible for advising the IAASB as to whether due process has been followed effectively and with proper regard for the public interest before a final Standard is approved for issue. The same provisions apply for the approval of the IAASB's strategy and work plans.
3. The following outlines the Technical Director's conclusion and basis thereof with respect to actions up to the September 2014 IAASB meeting for the above documents. Before final approval of the documents, the IAASB Technical Director will advise on whether due process has been followed during the course of the September 2014 meeting.

Due Process Up to the Date of the September 2014 IAASB Meeting

4. The Technical Director confirms to the IAASB that, up to the September 2014 IAASB meeting, the above documents have been developed in accordance with the IAASB's due process.
5. Appendices I and II to this Agenda Item respectively summarize the due process steps for each of these documents up to the September 2014 IAASB meeting.

¹ Including proposed ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*; proposed ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*; proposed ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*; proposed ISA 570 (Revised), *Going Concern*; proposed ISA 260 (Revised), *Communication with Those Charged with Governance*; and proposed conforming amendments to other ISAs

Appendix I

Proposed Auditor Reporting ISAs

1. In summary, for the proposed Auditor Reporting ISAs the IAASB:

- Approved the project proposal for commencement of work to the revise extant auditor reporting standards, extant ISAs 260 and 570, and to develop a new standard to address reporting on Key Audit Matters, and consulted with the IAASB Consultative Advisory Group (CAG) on the proposal.
- Consulted with the IAASB CAG on significant issues during the development of the proposed Auditor Reporting ISAs.

Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB's attention, and the Drafting Teams² have reported back to the IAASB CAG the results of the IAASB's deliberations.

- Considered whether it is necessary to hold a public forum or roundtables, or to issue a consultation paper or conduct field testing, in order to solicit views on a matter under consideration. In this regard, consultation papers on the topic of auditor reporting were issued in May 2011 (prior to the approval of the project proposal) and June 2012, three public roundtables were held in September and October 2012, and firms were encouraged to conduct field testing in relation to proposed ISA 701 when the exposure draft was issued in July 2013.³
- Approved and issued an exposure draft of the proposed Auditor Reporting ISAs in July 2013 for public comment, together with an explanatory memorandum highlighting, amongst other matters, the significant proposals of the IAASB.
- Considered analysis of the significant issues raised by respondents on the exposure draft, including an outline of their proposed disposition and, as appropriate, the reasons significant changes recommended by respondents have, or have not, been accepted.
- Having familiarized themselves with the issues raised in comment letters, the IAASB members:
 - Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the Drafting Teams, that they considered should be discussed; and
 - Amended the proposed Auditor Reporting ISAs accordingly.
- Consulted with the IAASB CAG on significant issues raised in comment letters on the exposure draft of the proposed Auditor Reporting ISAs and the IAASB's related responses. Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB's attention, and the Drafting Teams have reported back to the IAASB CAG the results of the IAASB's deliberations.

² Three separate Drafting Teams served as the Project Task Force for the project.

³ See Staff-prepared [Guidance to Assist in Field Testing of Proposed ISA 701](#).

Appendix II

Proposed IAASB Strategy for 2015–2019 and Proposed IAASB Work Plan for 2015–2016

2. IFAC's Standard-Setting Public Interest Activity Committees' (PIAC) [Due Process and Working Procedures](#) outlines what is required of the IAASB when setting its strategy and work program. Given that this project does not involve the revision or development of a Standard, a formal project proposal was not developed.
3. In summary, for the proposed IAASB Strategy for 2015–2019 and Proposed IAASB Work Plan for 2015–2016, the IAASB:
 - Approved and issued a survey questionnaire for public comment. Notably, this survey took into account findings from the IAASB's ISA Implementation Monitoring project, the post-implementation review of the clarified ISAs that was completed in June 2013. The IAASB and IAASB CAG had previously agreed that the findings from the multi-year post-implementation review of the clarified ISAs would form a significant part of the consideration of the projects to be proposed in the Board's work plan for 2015 onwards.
 - Approved and issued a consultation paper for public comment, highlighting, amongst other matters, the significant proposals of the IAASB.
 - Considered an analysis of the significant issues raised by respondents on the consultation paper, including the prioritization of projects identified in the consultation paper and respondents' suggestions for new projects.
 - Having familiarized themselves with the issues raised in comment letters, the IAASB members:
 - Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the IAASB Steering Committee, that they considered should be discussed; and
 - Amended the proposed Strategy and Work Plan accordingly.
 - Consulted with the IAASB CAG during the development of the proposals. In particular, the IAASB CAG was consulted on:
 - The proposed survey questionnaire and plans for consultation;
 - Significant issues relating to the development of the proposals included in the consultation paper; and
 - Significant issues raised in comment letters on the consultation paper and the IAASB's related response, including the proposed projects to be included in the work plan.