



International Federation of Accountants

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Agenda Item

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Committee: IAASB
Meeting Location: Brussels
Meeting Date: December 8-11, 2008

Effectiveness Review

Objective of Agenda Item

1. To consider draft Terms of Reference for a task force to develop and implement a process to carry out reviews of the effectiveness of implementation of IAASB standards.

Background

2. One of the initiatives that the IAASB has committed to undertaking in its 2009-2011 Strategy and Work Program is the development and implementation of a process for assessing the effectiveness of the implementation of its standards. 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.
3. An important element of this process will be to seek the involvement of the oversight bodies that monitor audit quality, regulators, and national standard setters, as their collective experience should provide an important source of information to the IAASB about how standards are being implemented in practice. Equally, the audit firms should represent an important source of relevant data through the lessons they have learned in their quality control reviews and inspections. The sources of input will not be limited to parties who have published data but will include any party who may be able to provide relevant input, subject to any data privacy or confidentiality law or regulation.
4. On the basis of the agreed work program for 2009-2011, the anticipated timing of the project is as follows:
 - Project proposal (if necessary) Q2 2009
 - Issues paper Q4 2009
 - Consultation on process Q2 2010 and Q3 2010
 - Finalization of process Q4 2010

The precise timetable would depend upon the proposals developed by the task force, and the need for and nature of any consultation that may be required.

5. Once an appropriate process has been developed, it is envisaged that the task force (or successor task force) will proceed with implementation. Given that the clarity project will have only just been completed this December, it is anticipated that the earliest opportunity for the task force to carry out individual effectiveness reviews would be two years after the effective date of the clarity redrafted standards. Notwithstanding this, the task force may, as it develops and refines the process, consider field testing the proposals on the implementation of some of the ISAs that were among the first to be redrafted (e.g. the audit risk and fraud ISAs).

Points for Discussion

6. The Appendix to this agenda paper includes draft Terms of Reference for the Effectiveness Review Task Force. The Steering Committee considered and expressed support for the draft at its November 2008 meeting.
7. Additional matters on which the IAASB's views are sought include the following:
 - The possible composition of the Task Force, in terms of any representational considerations.
 - Whether there are constituencies that might be consulted other than the Public Interest Oversight Board (PIOB), the IAASB CAG, national standard setters, the International Forum of Independent Audit Regulators, the Forum of Firms, the IFAC Small and Medium Practices (SMP) Committee, and INTOSAI.
 - The extent to which this process might be linked with impact assessments.
 - The feasibility of undertaking some field testing during the development of the process.
 - Any other relevant matters that the IAASB thinks should be considered by the task force.

Action Requested

8. The IAASB is asked to consider the matters noted above and approve the draft Terms of Reference for the Effectiveness Review Task Force.

Appendix**EFFECTIVENESS REVIEW TASK FORCE****Draft Terms of Reference****Background**

In developing its proposed strategy and work program for 2009-2011, the IAASB received requests from stakeholders that it undertake to assess the effectiveness of the implementation of any new standard to determine the consistency and completeness of such implementation, and to identify any aspects of the standard that could be refined to achieve its intended objectives. These calls arose, in particular, in the context of the anticipated conclusion of the clarity project, given the magnitude of, and expectations in relation to, that project. Accordingly, as part of its 2009-2011 Strategy and Work Program, the IAASB agreed to develop and implement a process for that purpose.

An important part of the project will involve consulting relevant parties such as the Public Interest Oversight Board, oversight bodies that monitor audit quality, regulators, national standard setters, audit firms, the IFAC Small and Medium Practices (SMP) Committee, and INTOSAI, as their experience should provide an important source of information to the IAASB about how its standards are being implemented in practice.

Task Force Roles and Responsibilities

As a result of the above, the IAASB has established a Task Force on effectiveness review, chaired by an IAASB member and comprising interested parties with relevant perspectives and expertise, with the following mandate:

- To consider and make recommendations on the form, scope and timing of such a process, and the due process to be applied, taking account of the need to involve, consult with, and draw upon the experience of, relevant parties. It is not intended that, through this process, the IAASB will extend its activities to monitor the implementation of its standards, as this is the role of the regulators and oversight bodies that monitor audit quality. It is, however, expected that any proposed process should take account of their findings to the extent that it is practicable to obtain sufficient relevant detail. It is envisaged that, once finalized, the process would become a standing part of the IAASB's process of continuous improvement of its standards.
- If necessary, to develop a project proposal for the development of the process.
- To consider and make recommendations as to the implementation of the process, including:
 - In consultation with national standard setters and others as appropriate, the development of a systematic process for collecting relevant input at the jurisdictional level to ensure a uniform approach to data collection internationally; and
 - The structure and composition of the Task Force on an ongoing basis.
- To identify priority topics for the effectiveness review, taking account of the needs of users of the ISAs.

- Subject to approval of the project proposal, if any, to develop the proposed process and the form, extent and timing of any public consultation thereon for consideration by the IAASB.
- To proceed with the implementation of the process once it has been approved by the IAASB.

It is not intended that any process that is developed should envisage re-opening an approved standard, and accordingly any such process should not include general consultation on the content of a standard whose effectiveness is being reviewed. The intention is that the process should be clearly focused on matters arising from the experience of using a standard in practice, and the resolution of practical issues arising from its implementation.

The Task Force will report its recommendations on the form, scope, timing and due process for such process to the IAASB for approval.

The IAASB is responsible for final approval of any project proposal.

Other Matters

Any implications for budgetary or due process considerations will be communicated by the Chair and staff of IAASB to the IFAC Board and PIOB as appropriate.

The Task Force members' travel expenses will be reimbursed in accordance with IFAC policies.

Task Force Membership

Chair

_____, [IAASB]

Members

[SMP representative]

Others TBD

Other Involvement

IAASB staff will provide staff support to the Task Force.