

**IAASB**

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

# **Proposals Relating to International Auditing Practice Statements (IAPs): Update** (Agenda Item 5)

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Paris

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# IAPS Proposals

- Exposure Draft issued October 2010
  - Proposal to clarify the status and authority of new IAPSs and where such wording should be placed
  - Proposal to withdraw / address the six extant IAPSs
  - Factors to be considered in the development of new IAPSs
- Comment period closed February 11, 2011
- Working Group has not yet considered the responses
  - The following is prepared by Staff solely for information

# Breakdown of Respondents to the Exposure Draft

Respondent Group	Number
IFAC Member Bodies	17
Regulators and Oversight Authorities	8
Accounting Firms	6
National Auditing Standard Setters	3
Public Sector Organizations	1
Other Professional Organizations	1
Individuals and Others	<u>2</u>
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# Overview

- Divergent views expressed about the course of action to be taken
- Majority of respondents did not believe the proposals met the objective of clarifying the status
  - Some suggest proposals do not go far enough, especially if the intent is that IAPSs need to be considered
  - Others suggest proposals go too far
- Whatever approach is decided (e.g., IAPSs are simply helpful material vs. should be considered), the Board must be clear in its intent
- Key issue – if IAASB produces material, what does it expect to be done with it?

## Key Challenges to Be Resolved

- What is the status of the obligation to read and consider the IAPS?
  - In Preface, “should” / “shall” not appropriate?
  - Preface vs. ISA 200?
  - If in ISA 200, generally recognize that this could be done at a future point
  - Authority because of development process vs. authority based on obligation?

## Key Challenges to Be Resolved

- Relationship between application material in the ISAs and guidance in an IAPS
  - Some respondents believe these to have the same status, in particular if aiming to “provide practical assistance to auditors in implementing ISAs”
  - Others support distinction, because IAPSs include more educational and background material, as well as audit guidance, than would be appropriate in an individual ISA or the body of ISAs

## Key Challenges to Be Resolved

- Inconsistency in having an obligation to consider the IAPS but not responsibility to demonstrate achievement of that obligation
- A few respondents (primarily regulators) suggested the need for a documentation requirement
  - The documentation of the auditor's work in the audit file should make it evident that the appropriate considerations, judgments and procedures were carried out to achieve the objectives and requirements of ISAs
  - *And to demonstrate an understanding of the relevant content of the IAPS?*

## Other Issues

- Moving from the “comply or explain model” is seen by some as lessening the auditor’s obligation
- How IAPs fit into the hierarchy of other outputs issued by the IAASB and staff
- Can national standard setters (NSS) and jurisdictions state that they have adopted the ISAs if they have not adopted the IAPs?
  - Need for clarification when national guidance has been developed in lieu of adopting an IAP

# Proposals Relating to Extant ISAs

- Proposal indicated the intent to withdrawal all six extant IAPSs and:
  - Explore how material in IAPS 1004 (relationship with banking supervisors) may be maintained in some form
  - Consider the need for a future to project to address the audits of banks (IAPS 1006)
  - Strategy consultation highlights these as suggestions for an additional project
- A few respondents suggested a detailed review was necessary to ensure no relevant guidance would be lost

# Factors to Be Considered in the Development of New IAPSs

- General support for the notion of factors
- Questions raised:
  - How will the Board use the factors, e.g., should they be described in the Preface to explain the intent of IAPSs?
  - Too restrictive?
  - Process to update or consider the longevity of new IAPSs?

## Way Forward

- Important for a decision to be made on the status and authority in order to finalize proposed IAPS 1000
  - Respondents generally supported the need for, and content of, proposed IAPS 1000
- Full discussion of comments on both the status and authority and proposed IAPS 1000 in June 2011 IAASB meeting