


**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item
6

Committee: IAASB

Meeting Location: New York

Meeting Date: July 21-25, 2003

**Preface to International Standards on
Quality Control, Auditing, Assurance and Related Services**

Objectives of Agenda Item

To complete the review of the changes made to the exposed *Preface to International Standards on Quality Control, Auditing, Assurance and Related Services* ("Preface") based on comments received from the exposure process, and to approve the Preface for issuance.

Background

At the September 2002 IAASB meeting (Cape Town), the IAASB approved issuance of the proposed revised Preface and the new Operations Policy as an exposure draft with a three-month comment period. The comment period ended February 28, 2003.

At its October 2002 meeting (New York), the IFAC Board approved issuance of the proposed revised IAASB Terms of Reference as an exposure draft to be issued in conjunction with the IAASB Preface and Operations Policy exposure drafts.

At the May 2003 IAASB meeting (New York), the IAASB commenced review of the comments received on the exposure draft and the recommended revisions to the proposed Preface and Operations Policy. At that meeting, the IAASB agreed that:

- the proposed Preface should not be held back until the bold and ordinary type lettering issue has been resolved. The Preface should be independent from this issue and should be finalized at the next IAASB meeting;
- the proposed two-thirds voting majority be retained;
- the proposed Preface should be changed to provide for a quorum of 12 members to be present in person; and
- the proposed Preface should be changed to indicate that the preference is that members should be present in person, then by way of telephone link and lastly, by way of proxy.

Activities Since Last IAASB Discussions

Staff has processed the changes recommended by the IAASB at its May 2003 meeting. Specifically, the Preface has been amended to:

- remove reference to the description of the bold and ordinary type lettering and, consequently, to delete the Operations Policy;
- add the requirement that a quorum of 12 members be present in person at an IAASB meeting; and

- to clarify the use of proxy votes as the last option to be used by members in the use of their voting rights.

These changes have been black lined and highlighted for reference by the IAASB. The remaining changes identified in the marked version of the Preface are the proposed revisions carried forward from the agenda items presented in May.

At the July 2003 IFAC Board meeting, the IFAC Board reviewed proposed changes to the exposed IAASB Terms of Reference based on comment received from the exposure process. In light of the IFAC Board's continuing deliberations on possible reforms to IFAC and the IAASB, the IFAC Board was asked to approve the revised IAASB Terms of Reference as 'interim' for purpose of establishing operating parameters for the IAASB. A 'final' Terms of Reference would be completed once reforms, if any, are finalized and approved.

Due to the timing of the IFAC Board meeting, agenda papers summarizing the decisions of the IFAC Board were not available for presentation to IAASB. Staff will update the IAASB as to the conclusions of the IFAC Board at the July 2003 IAASB meeting.

Material Presented

Agenda Item 6-A (Pages 841 – 850)	Preface – Issues Paper
Agenda Item 6-B (Pages 851 – 858)	Proposed Revised Preface (Mark-up showing changes from exposure draft)
Agenda Item 6-C (Pages 859 – 866)	Proposed Revised Preface (Clean)
Agenda Item 6-D (Pages 867 – 898)	Comments Received and Proposed Disposition on the Preface Exposure Draft

Action Requested

The IAASB is asked to review the remaining proposed changes to the Preface and to provide recommendations for additional changes, if any, based on the issues identified in Agenda Item 6-A. Any necessary revisions will be made by IAASB staff and a revised document will be presented at the meeting. The IAASB will then be requested to review the proposed revised Preface and approve it for final issuance.