


**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item
8

Committee: IAASB

Meeting Location: New York

Meeting Date: July 21-25, 2003

Audit Risk Model
Objectives of Agenda Item

1. To discuss with the IAASB the significant issues raised by respondents and the Joint Risk Assessments Task Force's (task force) reaction to these issues; and
2. To communicate the proposed way forward.

Background

The IAASB issued the audit risk exposure drafts for public comment in October 2002. The exposure drafts were accompanied by an explanatory memorandum that included four specific questions for consideration.

The U.S. Auditing Standards Board (ASB) also issued proposed Statements on Auditing Standards (SASs) based on the proposed ISAs and amended to conform to specific U.S. requirements.

Activities Since Last IAASB Discussions

The comment period ended on March 31, 2003 and 40 comment letters were received. IAASB Staff reviewed the comments and prepared a compilation based on the actual wording of the comments expressed by respondents. The task force met on May 19-20 to discuss the comments and to agree the approach to the significant issues raised. The task force also held a conference call on June 12 to complete its consideration of the significant issues.

The comments received and significant issues raised from the U.S. ASB proposed SAS exposure process were also discussed by the ASB at its June 4 meeting. The ASB is continuing to revise the proposed SASs based on the work of the joint task force.

Way Forward

As discussed at the September 23-27, 2002 (Capetown) meeting, the task force plans to present final drafts for approval to the IAASB at the October 13-17, 2003 meeting. Given the importance of the audit risk proposals and the nature of some of the issues raised, the task force decided it was better to discuss with the IAASB the task force's reaction to the significant issues before presenting revised drafts to the IAASB.

One of the significant issues raised by respondents relates to the implementation requirements. An effective date of periods beginning on or after January 1, 2005 was previously considered by the IAASB. Given the task force's intention to bring final drafts for approval in October 2003, the task force would like to understand the IAASB's thoughts on establishing the effective date.

Material Presented

Agenda Paper 8-A
(Pages 951 – 968)

Proposed Audit Risk ISAs and Amendment to ISA 200 - Significant Issues

Action Requested

1. IAASB is asked to review and discuss the significant issues and the task force's reaction.
2. IAASB is asked to provide their thoughts on the effective date.