



**INTERNATIONAL FEDERATION
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Agenda Item 7

Committee: IAASB
Meeting Location: Berlin
Meeting Date: 8-12 December 2003

Improving the Clarity of IAASB Standards

Objective of the Agenda Item

To review, and approve for exposure:

- proposed Policy Statement X, *Authority of, and Conventions Used in, International Standards and Practice Statements Issued by the IAASB*; and
- *Amendments to the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services.*

Activities since the last IAASB meeting

The Clarity of Standards Task Force met on 5 November 2003 to consider the views expressed by the IAASB in October on the draft proposal for improving the clarity of IAASB Standards. As instructed by the IAASB, the Task Force further considered the applicability of (1) Proposed Rule 3101 set forth by the PCAOB, and (2) the findings of the British Standards Institute (BSI) from its review of selected UK APB auditing standards, to the work of the Task Force. At that meeting, the Task Force formulated, and reached agreement on, changes to certain of the originally proposed drafting conventions.

On 6 November 2003, the Task Force solicited input from IAASB's Consultative Advisory Group (CAG) on the project. The CAG was supportive of the direction being taken on the project and concurred, conceptually, with the changes being proposed by the Task Force.

The Task Force also reconsidered the issue of implementation and the urgency for the IAASB to conclude on the matters being addressed by the project. The Task Force reconfirmed its view that the matters under discussion needs to be concluded upon in final form as soon as possible in order for IAASB to adopt the new drafting convention into its project work and to inform users, regulators, translators and others of this new direction.

A meeting between representatives of the Task Force and IOSCO is scheduled for early December in order discussed IOSCO's views on the enclosed agenda material. The results of this meeting will be communicated to the IAASB in Berlin.

Enclosed is a draft Policy Statement recommended for approval by the IAASB as an exposure draft in December. A summary of significant issues raised by the IAASB in October, accompanied by an outline of the conclusion of the Task Force, is also included for IAASB reference.

Staff has also provided a preliminary illustration of how the drafting concepts described in proposed Policy Statement X might be applied to selected ISAs. Its purpose is only to assist the IAASB to further understand (and to visualize an application of) the proposed Policy Statement.

This illustrative material DOES NOT represent the actual changes that might arise from the application of the proposed drafting conventions to the selected ISAs, nor any form of authoritative material or final recommendation by the Task Force. The application of the proposed drafting conventions will require revision to an ISA in its entirety following the due process of the IAASB, which has not been applied in the examples presented

Material Presented

Agenda Item 7-A
(Pages 2115–2124) Proposed Exposure Draft, Policy Statement X, *Authority of, and Conventions Used in, International Standards and Practice Statements Issued by the IAASB*, and *Amendments to the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services*.

Agenda Item 7-B
(Pages 2125–2130) Summary of Significant Issues and Conclusions of the Task Force

Agenda Item 7-C
(Pages 2131–2135) Illustration of Matters Contained in the Proposed Policy Statement

Action Requested

The IAASB is asked to review and, if in agreement, to approve the proposed Exposure Draft.