


**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item
4

Committee: IAASB
Meeting Location: New York
Meeting Date: May 11-13, 2003

Proposed Revision of ISA 320, *Audit Materiality*
Objective of Agenda Item

To consider the brief status report set out as overheads in Agenda Paper 4-B and the specific issue set out in Agenda Paper 4-A.

Background

At its June 2002 meeting the IAASB approved a review of ISA 320 by a task force chaired by Graham Ward. The Task Force comprises members of both IAASB and the Auditing Practices Board of the United Kingdom and Ireland. At its meeting in December 2002 the IAASB considered an Issues Paper prepared by the Task Force and provided feedback to the Task Force on various questions explored in the Issues Paper.

Activities Since Last IAASB Discussions

Since December 2002, the Task Force has met in London twice and once by conference call. A day of the last meeting was a joint meeting with the Accounting Estimates Task Force. Paul van Batenburg of Deloitte & Touche Enterprise Risk Services (Netherlands), who is also an honorary Professor at Warwick Business School in the United Kingdom, attended the last meeting. Mr van Batenburg is an expert in the field of statistical auditing. In addition, Jon Grant and Roger Simnett met with Australian Practitioners in Melbourne to discuss AUS 306, *Materiality and Audit Adjustments*. The Task Force has reached broad agreement on the framework for a revised ISA 320 and the staff has now commenced detailed drafting.

A presentation of the overheads set out in Agenda Paper 4-B will be made to the IAASB Consultative Advisory Group at a meeting held immediately prior to the IAASB meeting.

The Task Force has identified an issue relating to the definition of materiality and the consideration of the needs of users of financial statements. As these are considered to be particularly important topics within the proposed revised ISA, the Task Force would welcome the views of the IAASB at this stage rather than waiting until the first draft of the proposed exposure draft is presented to the IAASB in July 2003. The issue is set out in Agenda Paper 4-A.

Material Presented

Agenda Paper 4-A Proposed Revision of ISA 320, *Audit Materiality* – Issues Paper
(Pages 485 – 492)

Agenda Paper 4-B Audit Materiality (Presentation)
(PowerPoint presentation -
no page numbers)

Action Requested

IAASB is asked to provide feedback to the Task Force on the issue set out in Agenda Paper 4-A.