

## **Draft Description of IAASB's Due Process**

The following describes the due process of the International Auditing and Assurance Standards Board (IAASB) for the issuance of International Standards and Practice Statements and for the publication of other papers.

### **Project Identification, Prioritization and Approval**

1. Projects to develop new, or revise existing, International Standards or Practice Statements are identified based on international and national developments or recommendations received from interested parties including, but not limited to, regulators, national standard setters, the IAASB Consultative Advisory Group (CAG) and the Public Interest Oversight Board (PIOB)<sup>1</sup>.
2. Based on research and appropriate consultation with the IAASB CAG, a project proposal is prepared for consideration by the IAASB Steering Committee. Project proposals are circulated to other IFAC Committees, including the IFAC Ethics Committee, the IFAC Small- and Medium-Sized Practices Task Force and the IFAC Developing Nations Task Force, to identify matters of possible relevance to the project.
3. The IAASB Steering Committee determines whether to recommend the project proposal for approval by the IAASB. The IAASB Chair determines the priorities of approved projects in consultation with the IAASB Steering Committee.

### **Research, Consultation and Debate**

4. After approval of a project proposal, the IAASB Steering Committee assigns responsibility for the project to a Project Task Force established for that purpose. The Project Task Force will ordinarily be chaired by a member of the IAASB and may contain participants who are not members of the IAASB but have experience relevant to the subject matter being addressed by the Project Task Force. The IAASB may also conduct projects jointly<sup>2</sup> with a national standard setter(s) or others. In such cases, the joint Project Task Force is ordinarily chaired by a member of the IAASB, or chaired jointly.
5. The Project Task Force has the initial responsibility for the preparation of a draft International Standard or Practice Statement. The Project Task Force develops its positions based on research and consultation, which may include, depending on the circumstances: commissioning research, consulting with the IAASB CAG, practitioners, regulators, national

<sup>1</sup> Groups, such as the PIOB, the IAASB CAG and Steering Committee, etc., that are underlined would be linked to the relevant IFAC/IAASB webpage that further explains the purpose, composition and terms of reference of the group.

<sup>2</sup> Joint projects are subject to the due process described in this paper. If exposed separately both internationally and by the national standard setter with whom the project is being jointly developed, IAASB may additionally have regard to comments received by the national standard setter, where they may be relevant internationally. The final document approved by IAASB becomes an International Standard or Practice Statement in the normal way. It may differ from the corresponding document, if any, approved by the collaborating national standard setter.

standard setters and other interested parties, as well as reviewing professional pronouncements issued by IFAC member bodies and other parties. Project Task Force meetings are not open to the public.

6. Agenda papers, including issues papers and draft International Standards or Practices Statements prepared by Project Task Forces, for the IAASB's review and debate are published on the IAASB website in advance of each IAASB meeting<sup>3</sup>. IAASB meetings to discuss the development, and to approve the issuance, of International Standards and Practice Statements are open to the public<sup>4</sup>. The meetings and agenda papers are in English which is the official working language of IFAC. Minutes of the immediately preceding meeting of the IAASB are published on the IAASB website in advance of each IAASB meeting.
7. The Project Task Force recommends, and the IAASB specifically considers, whether there is a need to hold a public hearing, or issue a consultation paper, soliciting views on a matter under consideration at any stage, whether before or after a draft International Standard or Practice Statement is issued for public exposure. In deciding upon the need to hold a public hearing or issue a consultation paper, the IAASB considers whether the subject of the International Standard or Practice Statement, the level of interest, the need for additional information in order to further the IAASB's deliberative process, or some other reason indicates that wider or further consultation would be appropriate.

### Public Exposure

8. When approved, the IAASB exposes draft International Standards for public comment, and ordinarily exposes draft Practice Statements for public comment.
9. Each exposure draft is accompanied by an explanatory memorandum that highlights the objective(s) of, and the significant proposals contained in, the draft International Standard or Practice Statement. The explanatory memorandum may also direct respondents to aspects of the draft International Standard or Practice Statement on which specific feedback is sought.
10. Exposure drafts are placed on the IAASB's website where they can be accessed free of charge and are widely distributed to member bodies of IFAC, regulatory bodies, organizations that have an interest in quality control, auditing, review, other assurance and related services standards and practice statements, and the general public. To allow adequate time for due consideration and comment from all interested parties, the exposure period will ordinarily be 90 days.

### Responses to Exposure Drafts and Consideration of Respondents' Comments

11. An acknowledgement of receipt is sent to every respondent to an exposure draft. Respondents' comments are considered a matter of public record and are posted in a readily accessible format on the IAASB website after the end of the exposure period. IAASB members, their technical advisers and task force members who are not members of the IAASB are notified when comment letters have been made available on the IAASB website. A number of printed copies of the exposure draft and comment letters are also made available

<sup>3</sup> Historical copies of agenda papers are retained on the IAASB website and highlights of each meeting and project summaries are posted and updated to the website after each meeting.

<sup>4</sup> Matters of a general administrative nature or with privacy implications may be dealt with in closed sessions.

at the IAASB meeting in which the project is scheduled for discussion. Task Force members may request such printed copies at any time if they prefer to work with this format rather than electronic copies.

12. The comments and suggestions received within the exposure period as a result of public exposure are read and considered by the Project Task Force. While all IAASB members are not expected to read all comments letters, to facilitate the deliberative process the IAASB is ordinarily provided with a revised proposed International Standard or Practice Statement and an Issues Paper that analyzes the comments received, summarizes the main issues raised and outlines the recommendations of the Project Task Force. The Issues Paper also includes the rationale of the Project Task Force in arriving at its conclusions and, as considered appropriate by the Task Force, the reason(s) why significant changes recommended by a respondent(s) were or were not accepted. In the light of the Issues Paper, IAASB members determine the extent to which they need to read individual comment letters.
13. Before a final International Standard or Practice Statement is issued, the IAASB gives due consideration to comments received. Where a comment(s) on a proposed International Standard or Practice Statement received from a member(s) of the Monitoring Group (MG) is not to be taken up in the final International Standard or Practice Statement, the IAASB explains to the relevant MG member(s) the reason for that decision.
14. Project agenda papers contain a summary of the significant decisions made by the IAASB on matters relating to the project, including its position on the main points raised in comment letters. In circumstances where several iterations of significant changes to an exposure draft are made, and where practicable, a summary comparative analysis of the proposed revised final International Standard or Practice Statement to the exposure draft is provided to the IAASB.

### Re-exposure

15. The Project Task Force recommends to the IAASB whether re-exposure is necessary, and explains the basis for the recommendation. The IAASB formally votes whether re-exposure is required, subject to the same voting requirements as the publication of an exposure draft or the issuance of a final International Standard or Practice Statement.
16. In determining the need to re-expose an International Standard or Practice Statement, the IAASB assesses whether, as a result of the comments received on exposure, there has been substantial change to the exposed International Standard or Practice Statement and, if so, whether those changes warrant the need to re-expose. Situations that constitute potential grounds for a decision to re-expose may include, for example, substantial change to a proposal arising from matters not previously deliberated by the IAASB or aired in the exposure draft, or substantial change to the fundamental propositions of an International Standard or Practice Statement.

### Final International Standard or Practice Statement

17. The IAASB Technical Director confirms to the IAASB at the point of approval of a final International Standard or Practice Statement that the IAASB's stated due process has been followed.

18. When the revised draft is approved, it is issued as a definitive International Standard or Practice Statement. The IAASB will set an effective date for the application of its International Standards. The IAASB will set a date from which professional accountants should be aware of and consider a relevant Practice Statement.
19. The features and transparency of IAASB's due process ordinarily obviate the need for the IAASB to issue a separate document explaining its basis for conclusions. In the rare circumstance where the IAASB decides that additional communication is necessary, however, such a document may be issued.

### **Voting**

20. Each IAASB meeting requires the presence, in person or by simultaneous telecommunication link, of at least twelve appointed members.
21. The affirmative votes of at least two thirds of the members present at a meeting in person or by simultaneous telecommunications link or by proxy, but not less than twelve, is required to approve exposure drafts, re-exposure drafts, International Standards and Practice Statements. Dissenting opinions will not be included in the exposure drafts or pronouncements issued by the IAASB but will be included in the minutes of the meeting.
22. Each member of the IAASB has the right to one vote. A member has the right to appoint a proxy in writing. The proxy may be the member's technical advisor or another IAASB member. The appointment of a proxy is disclosed at an IAASB meeting and recorded in the minutes of the meeting.
23. The IAASB may also use ballots where exposure drafts or final International Standards and Practices Statements are discussed at an IAASB meeting and a final draft is distributed and approved electronically subsequent to the meeting. Ballots may also be used where final discussion of the exposure draft or final International Standard or Practice Statement yields a significant number of changes and additional time for further consideration is considered necessary.

### **Other Papers Published by the International Auditing and Assurance Standards Board**

24. Other papers, for example Discussion Papers, are published to promote discussion or debate on auditing, assurance and related services and quality control issues affecting the accounting profession, present findings, or describe matters of interest relating to quality control, auditing, review, other assurance and related services issues affecting the accounting profession. They do not establish any professional requirements or obligations to be followed in audit, review, other assurance or related services engagements.
25. For other papers, the IAASB Chair will appoint a review group of four IAASB members to consider whether a draft paper has sufficient merit to be added to the IAASB's assurance and auditing literature. The draft paper may come from any source and the IAASB need not have specifically commissioned it. If the review group believes that the paper has sufficient merit it recommends to the IAASB that the paper be published and added to its literature.

**Language**

26. The sole authoritative text of an exposure draft, International Standard, Practice Statement or other paper is that published by the IAASB in the English language.

**Other Matters**

27. IAASB's annual report describes the manner in which the IAASB has complied with its due process during the period.

**Matters of Due Process**

28. If issues over due process are raised with IAASB, whether by third parties or otherwise, the IAASB Steering Committee assesses the matter and, should it agree to pursue a matter, obtains relevant information from all parties concerned. If, based on the information so obtained, the Steering Committee concludes that there was a breach of the IAASB's stated due process, an appropriate resolution thereof is sought and communicated to the party raising the matter. If the latter is not satisfied with the proposed resolution, that party may raise the matter directly with the IAASB CAG.

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