



International Federation of Accountants

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Agenda Item

4

Committee: IAASB

Meeting Location: Copenhagen

Meeting Date: June 14-17, 2004

IAASB's Due Process

Objectives of Agenda Item

To agree on the description of, and to approve proposed enhancements to, the due process followed by the IAASB.

Background

IFAC reform has proposed certain enhancements to the due process followed by IFAC's Public Interest Activity Committees, including the IAASB. The reforms recognize that, with the establishment of the Public Interest Oversight Board (PIOB), the observance of due process will be a key focus of the PIOB's oversight of the IAASB. In furtherance of this, the reforms propose that a specific description of the due process adopted by the IAASB to promulgate standards be published on the IAASB website and that the IAASB's annual report describe the manner in which the IAASB has complied with its due process during the period.

Discussions of late with IOSCO have also turned again towards the subject of "process" and, in particular, about the extent to which respondents' comments on exposure drafts are provided to the IAASB, how these comments are addressed and the basis for IAASB's conclusions thereon, and how a decision to re-expose a standard is made.

At its April 2004 meeting, the IAASB Steering Committee agreed that certain improvements to the IAASB's due process should be explored. Staff was instructed to prepare a draft description of the due process of the IAASB and, taking account of the IFAC reforms, to develop recommendations for possible enhancements thereto. It was agreed that the draft description of the due process should be discussed with the IAASB CAG and the IAASB in June 2004.

Draft Description of, and Proposed Enhancements to, IAASB's Due Process

A draft description of the due process presently followed by the IAASB, and possible enhancements thereto, is presented in Agenda Item 4-A. The enhancements are highlighted for review purposes.

In developing the proposed enhancements, Staff considered the current working procedures of the IAASB, IFAC reforms and relevant aspects of the due process followed by a sample of other standard setters. In addition, Staff considered the consultation paper issued by the IASB in March 2004 outlining improvements being implemented or proposed to strengthen its deliberative process (a copy of which is included as Agenda Item 4-B for reference purposes only).

In general, the proposed enhancements to IAASB's due process address:

- The IFAC reform proposals for:
 - public hearings;
 - enhanced responsiveness to comments made on proposed standards by the Monitoring Group;
 - reporting on compliance with due process in the IAASB annual report; and
 - CAG to hear and to reach conclusions on matters concerning IAASB due process.
- Access to, and consideration of, comment letters by Project Task Forces and the IAASB.
- The nature and extent of information provided to the IAASB for deliberation purposes.¹
- The process by which the IAASB considers the need for re-exposure.
- Confirmation of compliance with due process.
- Communication of the IAASB's basis for conclusions.

Appendix 1 illustrates the proposed placement of the description of IAASB's due process on the IAASB website.

Discussion Topic

PROJECT IDENTIFICATION AND PRIORITIZATION

As described in paragraphs one through three in Agenda Item 4-A, IAASB projects are identified based on international and national developments or recommendations received from interested parties (including the IAASB CAG and, in the future, the Public Interest Oversight Board (PIOB)). Project priorities are then determined based on the judgment and views of the IAASB.

The IAASB is asked whether this process should be supplemented by the development of general criteria for the determination of project priorities and, if so, what that criteria may be. In addition, the IAASB is asked whether its due process should include a provision for soliciting input periodically from the public on projects to be undertaken by the IAASB and on the priority to be assigned thereto.

Material Presented

Agenda Item 4-A Draft Description of IAASB's Due Process

Pages 923 to 928

Agenda Item 4-B IASB Consultation Paper to Strengthen its Deliberative Process

Pages 929 to 936

¹ Staff is working on improvements to the standard project proposal template and plan to seek ways to further improve the consistency of the information presented in Issues Papers provided to the IAASB. Completion of these matters is not seen as a prerequisite to the review and approval of the proposed description of IAASB's due process.

Action Requested

The IAASB is asked to review the draft description of, and the proposed enhancements to, IAASB's due process, and to agree whether:

- the description appropriately reflects the due process presently followed by the IAASB;
- the proposed improvements add to the effectiveness of the IAASB's deliberative process (bearing in mind the possible impact on the work load and timetables of the IAASB and its Task Forces, the need for timely decision-making and the level of resources available); and
- further consultation is necessary (that is, should the proposed changes be exposed for public comment, as the IASB has done)?

Appendix 1

Extract from IAASB's Main Webpage

The International Auditing and Assurance Standards Board (IAASB)

The [International Auditing and Assurance Standards Board \(IAASB\)](#) functions as an independent standard setting body under the auspices of the International Federation of Accountants (IFAC). The mission of the IAASB is to establish high quality auditing, assurance, quality control and related services standards and to improve the uniformity of practice by professional accountants throughout the world, thereby strengthening public confidence in the global auditing profession and serving the public interest. The IAASB issues an [annual report](#) highlighting its progress in meeting this objective.

Pronouncements

IAASB pronouncements are developed following a due process that includes input from the general public, IFAC member bodies and their members, and a [Consultative Advisory Group](#) that represents regulators, preparers, and users of financial statements. [A description of IAASB's due process is presented below.](#)

[International Standards on Auditing \(ISAs\)](#)

[International Standards on Assurance Engagements \(ISAEs\)](#)

[International Standards on Related Services \(ISRSs\)](#)

[International Standards on Quality Control \(ISQCs\)](#)

[Practice Statements](#)

[Other Papers](#)

Due Process

For the issuance of International Standards and Practice Statements and for the publication of other papers, IAASB's due process comprises:

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 \(PIOB\)](#).
2. Based on research and appropriate consultation with the IAASB CAG, a project proposal is prepared for consideration by the [IAASB Steering Committee](#)...

[Full description of the due process would follow, as per Agenda Item B-1]

Meetings

Current Projects