



**International Federation of Accountants**

545 Fifth Avenue, 14th Floor, New York, NY 10017 USA

Tel +1 (212) 286-9344 Fax +1 (212) 286-9570 [www.ifac.org](http://www.ifac.org)

## **Agenda Item**

# **6**

**Committee:** IAASB

**Meeting Location:** Rome

**Meeting Date:** June 13-17, 2005

### **International Convergence**

#### **Objectives of Agenda Item**

1. To review a paper developed by IAASB Staff in consultation with the Steering Committee to provide guidance to the IFAC Board on how to interpret paragraph 4 of Statement of Membership Obligation (SMO) 3, “International Standards, Related Practice Statements and Other Papers Issued by the IAASB.”

#### **Background**

2. Since the publication of the Wong Report in September 2004, the concept of “international convergence” has been discussed by IFAC staff, and at meetings of the IFAC Member Body Chief Executives (February 7-8, 2005), the IAASB – National Auditing Standard Setters (NSS) (February 10-11, 2005), and the other IFAC Boards, Committees and Permanent Task Forces.
3. Discussions among these groups were varied. For example:
  - IFAC staff attempted to develop a definition of “international convergence” that accommodates convergence of national standards with the pronouncements developed by the various IFAC Public Interest Activity Committees (PIACs). The users of the pronouncements prepared by the various PIACs often are not the same, the different PIACs’ pronouncements may have different authority, and they follow different drafting conventions.
  - The majority of chief executives were of the view that the definition of “international convergence” should be very narrow (i.e., adoption with a provision for “pluses” in very limited circumstances).
  - The majority of NSS emphasized the need for flexibility and a two-way relationship between the IAASB and the NSS with the objective of developing high-quality pronouncements that are globally acceptable.
4. In considering the matter, the Steering Committee concluded that it would be appropriate, in response to a request from the IFAC Compliance Advisory Panel, for the IAASB to develop guidance on how to interpret paragraph 4 of SMO 3 (see Agenda Item 6-B). Agenda Item 6-A contains the Steering Committee’s proposals in this regard. It does not deal with the question as to when convergence is achieved.

## **Matters for Consideration by the IAASB**

5. The IAASB is asked to consider the following additional matters:

- (a) Should the IAASB allow more flexibility in the case of the guidance in an IAASB pronouncement (for example, in an International Standard on Auditing (ISA) or an International Auditing Practice Statement (IAPS))?
- (b) Can compliance with ISAs, for example, be claimed by an auditor following national pronouncements if incorporation is limited to the International Standards on Quality Control and ISAs, without IAPSs?

## **Material Presented**

Agenda Paper 6-A (Pages 937 – 940)	International Convergence and Statement of Membership Obligation 3
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Agenda Paper 6-B (Pages 941 – 944)	Statement of Membership Obligation 3, “International Standards, Related Practice Statements and Other Papers Issued by the IAASB”
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## **Action Requested**

The IAASB is asked to review and approve the proposed guidance on how to interpret paragraph 4 of SMO 3, and consider the additional matters highlighted above.