



**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 7

**Committee:** IAASB

**Meeting Location:** Cape Town

**Meeting Date:** December 5-9, 2005

## Due Process

### Objective of Agenda Item

To approve the IAASB's due process and working procedures.

### Summary of Significant Decisions Made by the IAASB

At its March 2005 meeting, the IAASB agreed, subject to the views of the IFAC Board and the approval of the Public Interest Oversight Board (PIOB), to recommendations made by respondents to the IAASB's Due Process Exposure Draft. These recommendations included the following:<sup>1</sup>

- To issue with each final standard a basis of conclusions document explaining how respondents' comments on an exposure draft have been dealt with by the Board.
- To extend the comment period on IAASB exposure drafts from 90 days to 120 days.
- To explain further the basis on which the IAASB decides to, or decides not to, re-expose a document.
- To enhance the transparency of how projects are identified and approved.
- To delineate clearly between matters of due process and matters of working procedures.

In addition, the IAASB agreed the following matters:

- The working procedures should emphasize working cooperatively on IAASB projects with national auditing standard setters and others, rather than through projects badged as "joint projects."
- The document should clarify that the outcome of a public forum or roundtable, or the issue of a consultation paper, is subject to the transparency features of the IAASB, and that such matters are summarized and reported to the IAASB as part of the IAASB's public agenda papers relating to the subject under consideration.
- The proposed working procedure to include within project agenda papers a cumulative summary of the significant decisions made by the IAASB on matters relating to a project

<sup>1</sup> These recommendations were reflected in the Issues Paper and the draft proposed revised IAASB due process and working procedures included in the IAASB's March 2005 agenda papers.

should be applied only where appropriate (for example, when a project has a lengthy development period or a number of complex issues).

- Explanatory memoranda accompanying exposure drafts should also explain the IAASB's view on the main issues addressed in the development of the exposure drafts.
- The IAASB voting procedures should be expanded to encompass the voting on the withdrawal of a pronouncement.
- The description of due process and working procedures should be repositioned from the Preface document to a separate document within the Handbook.

### **Activities Since the March IAASB Meeting**

- In March 2005, the IFAC Board, together with the chairs of IFAC's Public Interest Activity Committees (PIACs), considered a proposed due process and working procedures for all of the PIACs that was modeled based on the IAASB's proposed due process. The IFAC Board agreed the following:
  - An exposure period of no less than 90 days is appropriate for the PIACs, and it is acceptable for the IAASB to specify 120 days as its ordinary exposure period.
  - Cost-benefit considerations should be included as part of the project proposal approval process.
  - The description of the role of the PIOB should be clarified to with respect to its approval, from a public interest perspective, of the PIACs' work programs.

The IFAC Board disagreed, however, with the view that a cumulative summary of the significant decisions made on matters relating to a project should be included in agenda papers 'only where appropriate'.

- The proposed PIAC due process and working procedures was revised to reflect the above comments. In September, the PIOB approved the proposed document, subject to requiring further that the PIACs:
  - Obtain the PIOB's opinion on the appropriateness of the items on their work program and whether the PIOB wishes to have any further items added
  - Consider the appropriateness of conducting field tests of the application of their proposals for a new or revised pronouncement, with the decisions thereon minuted.
  - Advise the PIOB on whether the stated due process has been followed.
- In October, IFAC posted the approved PIAC due process and working procedures on its website.

### **Matters for Consideration**

IAASB's proposed due process and working procedures have been revised to reflect the decisions of the IAASB in March and to conform them to the due process document approved by the PIOB, tailored as appropriate to the circumstances of the IAASB.

As agreed in March, Staff has prepared conforming amendments to the Preface to move the description of IAASB's due process and working process from the Preface to a separate document within the Handbook (immediately after the Preface).

As part of this exercise, Staff proposes a number of additional changes to the Preface in order to remove material that is repetitive of that contained in the IAASB Interim Terms of Reference. The aim of these changes is to simplify the Preface so that it deals primarily with describing the authority of the pronouncements that the IAASB issues.

### **Material Presented**

Agenda Item 7-A (Pages 2643 –2650)	IAASB Due Process and Working Procedures (Clean)
Agenda Item 7-B (Pages 2651 – 2656)	Conforming Changes to the Handbook and Preface (shown in mark-up)
Agenda Item 7-C (Pages 2657 – 2664)	IAASB Due Process and Working Procedures (mark-up showing changes from March) (for reference purposes only)  (Note: changes arising from IAASB decisions are shown in <u>mark-up</u> ; changes to conform further to the PIOB approved due process are shown in <u>mark-up and highlighted</u> )
Agenda Item 7-D (Pages 2665 – 2670)	Approved PIAC Due Process and Working Procedures (for reference purposes only)

Staff will be referring only to Agenda Items 7-A and 7-B at the meeting.

### **Action Requested**

The IAASB is asked to approve the enclosed IAASB due process and working procedures together with the proposed conforming changes to the Handbook and Preface.

The due process document and the amended Handbook and Preface, as approved, will be included in the 2006 Edition of the Handbook.

**[Blank Page]**