



**International Federation of Accountants**

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**Agenda Item**  
**10**

**Committee:** IAASB  
**Meeting Location:** Seoul  
**Meeting Date:** September 21-25, 2009

**IAASB Terms of Reference and Due Process and Working Procedures**

**Objective of Agenda Item**

1. To update the IAASB on the status of amendments to IAASB's Terms of Reference and Due Process and Working Procedures arising from IFAC's triennial review.

**Background**

2. During 2008 IFAC undertook its first triennial review of the effectiveness of its Public Interest Activity Committees (PIACs), including the IAASB. The review focused on necessary refinements, based on the experience of the last three years, to the PIACs' Terms of Reference and the PIAC Due Process and Working Procedures document (along with any consequential amendments to the CAGs' Terms of Reference). At the end of 2008, IFAC presented its recommendations to the Public Interest Oversight Board (PIOB).

**Update**

3. In April 2009 the PIOB reported that it has approved the amended PIAC Due Process and Working Procedures document and each of the proposed amended PIAC and CAG Terms of Reference as presented, subject only to certain editorial changes.
4. Agenda Items 11-A and 11-B set out the amended IAASB Terms of Reference and PIAC Due Process and Working Procedures documents, respectively. Text that is shown as marked represents editorial changes recommended by the PIOB.
5. It is anticipated that the IFAC Board will approve the amended IAASB Terms of Reference and PIAC Due Process and Working Procedures document at its November 2009 meeting, with a final report back provided to the PIOB at its December 2009 meeting.

**Due Process and Working Procedures**

6. While all provisions of the amended Due Process and Working Procedures are important and require IAASB's ongoing consideration, IAASB's attention is drawn to the following provisions of Agenda Item 11-B:
  - Preamble, third paragraph – IAASB accountability for following the approved working procedures and, if not, for explaining why a working procedure(s) had been modified in practice.

- Paragraph 8 – Consideration of the need to hold a public forum or roundtable, or issue a consultation paper, in order to solicit views on a matter under consideration, and consideration of the appropriateness of conducting a field test of the application of its proposals for a new or revised international pronouncement.
  - Paragraphs 17-19 – Interaction with the IAASB Consultative Advisory Group.
7. The IAASB is asked to note that the PIOB suggested IFAC consider whether the working procedure in paragraph A15<sup>1</sup> should be restated as a due process requirement. In deliberating this new provision as part of the triennial review, the IAASB accepted that there may be cases when a project task force chair may not feel it possible to comply with the provision, for example, if it is not possible to air a matter raised in a task force meeting without privacy implications or for some other valid reason. It is therefore proposed that this provision be retained as part of the working procedures (and subject to the “comply or explain” approach) and not established as a due process requirement.
8. It is anticipated that the provisions of the amended due process will apply prospectively to all IAASB’s current projects, except proposed ISAE 3402<sup>2</sup> for which the current due process will apply. (The IAASB commenced development of ISAE 3402 at the same time it began the revision of ISA 402<sup>3</sup> as part of the Clarity project. The IAASB is scheduled to approve ISAE 3402 at its September 2009 meeting.)

### **Material Presented**

Agenda Item 11-A	Amended IAASB Terms of Reference
Agenda Item 11-B	Amended PIAC Due Process and Working Procedures

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<sup>1</sup> Paragraph A15 states: “The papers submitted by the Project Task Force to the PIAC include confirmation that no other significant matters were discussed and agreed by the Project Task Force, in particular in regard to a decision to exclude a significant matter from the proposed draft pronouncement.”

<sup>2</sup> ISAE 3402, “Assurance Reports on Controls at a Service Organization.”

<sup>3</sup> ISA 402, “Audit Considerations Relating to an Entity Using a Service Organization.”