

## Draft Minutes of the 35<sup>th</sup> Meeting of the INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

Held on June 15-19, 2009 in Lisbon, Portugal **[MARK-UP]**

### Voting Members

Present: Arnold Schilder (Chairman)  
Phil Cowperthwaite  
Josef Ferlings  
Cédric Gélard  
Jon Grant  
Diana Hillier  
Steen Bernt Jensen  
Susan Jones  
Ashif Kassam  
William Kinney  
Caithlin McCabe  
Daniel Montgomery  
Tomokazu Sekiguchi  
David Swanney  
Jianhua Tang  
Abdullah Yusuf

Apologies: John Fogarty (Deputy Chair)  
Craig Crawford

### Technical Advisors

Wolfgang Böhm (Mr. Ferlings)  
Valdir Coscodai (Mr. Swanney)  
Denise Esdon (Mr. Montgomery)  
Jonas Hällström (Mr. Jensen)  
Josephine Jackson (Ms. Jones)  
Sachiko Kai (Mr. Sekiguchi)  
Chuck Landes (Mr. Fogarty) (apologies  
June 19)  
Jon Rowden (Ms. Hillier)  
Tania Sergott (Ms. McCabe)  
Greg Shields (Mr. Cowperthwaite)  
Sylvia Smith (Mr. Crawford)  
Isabelle Traq-Sengeissen (Mr. Gélard)  
(apologies June 15)

Amarjit Chopra (Mr. Kinney)  
Richard Kamami (Mr. Kassam)

### Non-Voting Observers

Present: David Damant (IAASB CAG Chairman), Norio Igarashi and Jean-Philippe Rabine  
(June 16-18)

Apologies: Jennifer Rand

### Public Interest Oversight Board (PIOB) Observers

Present: Antoine Bracchi (June 15-16)  
Sir Bryan Nicholson (June 17-18)

### IAASB Technical Staff

Present: Jim Sylph (Executive Director), James Gunn (Technical Director), Kathleen Healy,  
Michael Nugent, Ken Siong, and Jessie Wong

## 1. Opening Remarks and Minutes

### WELCOME AND INTRODUCTIONS

Prof. Schilder welcomed the participants to the meeting. He also welcomed Mr. Bracchi, observing the first two days of the meeting on behalf of the Public Interest Oversight Board (PIOB). Sir Bryan Nicholson will observe the meeting on behalf of the PIOB from June 17-18, 2009. Prof. Schilder also welcomed Prof. Roger Simnett, co-chair of the [Emissions Assurance on a Greenhouse Gas \(GHG\) Statement](#) Task Force, who will present with Ms. McCabe on June 16, 2009.

Prof. Schilder also welcomed guests from the host member body, Ordem dos Revisores Oficiais de Contas (OROC).

Apologies were received from Messrs. Chopra, Crawford, Fogarty and Kamami. Ms. Smith was noted as proxy for Mr. Crawford. Mr. Landes (June 15-18) and Ms. Sergott (June 19) were noted as proxies for Mr. Fogarty. Apologies were also received from Ms. Rand.

### RECENT DEVELOPMENTS

Prof. Schilder reported that within the past week the International Organization of Securities Commissions (IOSCO) had issued a Statement on ISAs. He read the full text of the statement, noting that the IAASB had been working towards this important endorsement for some time. He noted that he and Mr. Sylph will be meeting with IOSCO in July and will convey the IAASB's appreciation for this statement at that time.

Prof. Schilder announced that former IAASB Chair, John Kellas, had been made Commander of the Order of the British Empire (CBE) by Her Majesty, Queen of England, in the Queen's Honours List. His work with the IAASB was specifically cited, and Prof. Schilder extended the congratulations of the IAASB to Mr. Kellas.

Prof. Schilder noted the resignation of Mark Olson, Chairman of the US Public Company Accounting Oversight Board (PCAOB). On behalf of the IAASB, Prof. Schilder expressed appreciation for Mr. Olson's willingness in the past to discuss ways to enhance the IAASB's and PCAOB's working relationship. While PCAOB observers were not able to be present at this meeting, Prof. Schilder noted that both Ms. Rand and newly appointed Chief Auditor Mr. Martin Baumann have indicated their desire to continue the working relationship.

Prof. Schilder reported that he and Messrs. Damant and Sylph will attend the upcoming PIOB meeting. The PIOB will consider the IAASB Consultative Advisory Group's (CAG) request for additional Member Organizations to be invited to join the CAG, including the International Valuation Standards Council (IVSC), and the Gulf States Regulatory Authorities (represented by the Dubai Financial Services Authority and the Abu Dhabi Securities and Commodities Authority). He noted Mr. Damant's initiative in identifying the need for outreach in the Middle East and the expansion of the CAG in this regard. Prof. Schilder also reported that at its recent meeting the IFAC Board approved the signing of a Memorandum of Understanding (MoU) with the IVSC.

### MINUTES OF PREVIOUS MEETING

The minutes of the public session of the previous IAASB meeting were approved as presented.

## 2. Assurance Reports on Controls at a Service Organization

Ms. Esdon introduced the topic, noting that at the December 2008 meeting the IAASB had given the Task Force clear direction on the significant issues arising from respondents' comments on ED-ISAIE3402.<sup>1</sup> Since that meeting, the Task Force has held a successful joint meeting with the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board's (ASB) ED-SSAS<sup>2</sup> Task Force, at which a number of differences between the two draft documents were explored and eliminated. ED-SSAS is likely to be approved later in 2009, and it is hoped that remaining differences will be eliminated where possible.

### DESIGN OF THE SYSTEM

The IAASB discussed whether situations in which the service organization is not responsible for the design of the system should be covered by ISAE 3402 or by ISAE 3000.<sup>3</sup> Such situations mostly occur in "one-to-one" engagements where the service organization is operating a system that has been designed by the user entity or is stipulated in a contract between the user entity and the service organization. It was noted that ISAE 3402 had not been written for such situations (for example, it requires a representation from the service organization regarding the effective design of the system) and that such situations are not covered by SAS 70. The IAASB noted, however, that it may be in the public interest if ISAE 3402 were amended to cover such situations, and asked the Task Force to consider whether this is feasible, including consideration of such issues as: whether a service auditor can opine on operating effectiveness if the service organization does not provide a representation about the suitability of design; and what changes would be needed to the wording of the assurance report. The Task Force was also asked to consider whether, if it is not feasible to cover such situations because there is not enough commonality between "one-to-one" and "one-to-many" engagements, ISAE 3402 should continue to state that it may provide guidance for engagements under ISAE 3000 in such situations.

### DIRECT REPORTING ENGAGEMENTS

The IAASB considered whether ISAE 3402 should explicitly prohibit, in all cases, direct reporting engagements under ISAE 3000 with respect to controls at a service organization. Ms. Esdon noted that this is the position taken in the ED-SSAS. The IAASB discussed whether allowing some flexibility would lead to an undesirable practice developing whereby service organizations who do not want to provide an assertion to accompany the description would seek a direct reporting engagement. It was agreed that the wording of the current draft ISAE, including specific references in the application material to the consequences of the service organization failing to provide a written assertion, allows the appropriate degree of flexibility for direct reporting under ISAE 3000 in unusual circumstances, for example, when required by law or regulation, or when the intended user of the

---

<sup>1</sup> Exposure draft of proposed ISAE 3402, "Assurance Reports on Controls at a Third Party Service Organization."

<sup>2</sup> Proposed Statement on Standards for Attestation Engagements (SSAE), *Reporting on Controls at A Service Organization*, which will result in a revised Statement of Auditing Standards (SAS) 70, "Reports on the Processing of Transactions by Service Organizations."

<sup>3</sup> International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

assurance report is someone other than user entities and their auditors. It was also noted that the market would provide a natural mechanism to prevent inappropriate use of ISAE 3000 for reporting on controls at a service organization because such reports would be unlikely to be treated with the same credibility as an ISAE 3402 report in the absence of unusual circumstances to justify such an approach.

#### THE RELATIONSHIP BETWEEN RISKS, CONTROL OBJECTIVES AND CRITERIA

The IAASB discussed the relationship between risks and control objectives, including whether the identification of risks leads to the formulation of control objectives or whether risks are identified after control objectives have been determined, and whether ISAE 3402 is sufficiently clear regarding how both these variables relate to criteria to ensure readers would be able to successfully apply the ISAE. It was noted that certain application material added since the previous meeting to address this issue will assist the reader in understanding the relationship, particularly the statement in the application material that as “control objectives relate to risks that controls seek to mitigate, thoughtful identification of control objectives when designing, implementing and maintaining the service organization’s system may itself comprise an informal process for identifying relevant risks.” The Task Force was asked to consider whether further explanation of the relationship between risks, control objectives and criteria should be added to ISAE 3402. It was noted that the AICPA is in the process of updating its audit guide on service organizations and that collaboration with the AICPA on that guide may provide an opportunity to explore how this and other matters could be explained in a level of detail beyond that appropriate for a standard.

#### INTERNAL AUDIT AND EXPERTS

The IAASB discussed whether it is appropriate to identify, in that part of the service auditor’s report that describes the service auditor’s tests of controls, the work performed by the internal audit function. While it was noted that this may be interpreted as a division of responsibility, which is not intended, it was also noted that removing this requirement may lead to a decrease in transparency and intended users being misled into thinking service auditors themselves had done work that was actually performed by internal auditors. The IAASB asked the Task Force to further consider:

- How this requirement operates in practice in those jurisdictions where a similar requirement currently exists.
- If this requirement were to be removed, how intended users are likely to be affected, and what other changes would be required to the ISAE (for example, amending the wording of the assurance report to remove reference to “controls we tested.”
- If this requirement were to be retained, whether the service auditor’s report should state that any reference to work performed by the internal audit function does not constitute a division of responsibility.

The position with respect to internal audit was contrasted with that of service auditor’s experts. It was noted that it is not appropriate to refer to work performed by an expert because such work is performed entirely under the service auditor’s direction, which is not the case with respect to internal audit. The IAASB discussed whether the section on using the work of an expert is necessary given the small number of times that experts are used on such engagements. In light of this discussion it was agreed

that the material currently in ISAE 3000 is adequate to deal with this topic and that the section on use of an expert should be deleted from ISAE 3402.

#### OTHER MATTERS

The IAASB agreed that:

- The Basis for Conclusions accompanying ISAE 3402, when approved, should note that some conforming amendments may be required when ISAE 3000 is revised, particularly with respect to the extent to which certain topics such as internal audit and documentation are covered in ISAE 3402. Those changes are not, however, expected to be substantive, for example, they are not expected to affect the work effort required of service auditors or the form of the service auditor's report.
- The service organization should have a reasonable basis for its assertion, but the requirement for the service auditor to determine, prior to agreeing to accept an engagement, that the service organization will have such a basis is unnecessary in light of the requirement to obtain the service organization's agreement that it acknowledges and understands its responsibility to have that basis.
- The section on using the work of internal audit should be moved to follow the section on obtaining evidence on the operating effectiveness of controls.
- The ISAE as drafted is appropriate in its treatment of: (a) the dating of written representations; and (b) intentional acts and fraud, in relation to which it is unnecessary, and would potentially be confusing, to redefine the financial statement auditing concept of fraud as used in the International Standards on Auditing (ISAs) for the purpose of ISAE 3402 engagements.

In addition to editorial matters, the Task Force was asked to consider whether:

- The effective date paragraph should be worded in terms of periods beginning on the chosen date, or periods ending on that date; and whether it is necessary to state that earlier application is permitted.
- The objectives, when mentioning design and operating effectiveness, should be explicitly limited to effectiveness in achieving the control objectives and to effectiveness throughout the period.
- The definitions included in certain ISAs (e.g., ISA 580<sup>4</sup>) should be included, adapted as necessary, in ISAE 3402.
- A reference should be included, in the opening lines of the paragraph dealing with the criteria for fair presentation of the description, to providing sufficient information for a broad range of user entities and their auditors.
- Further application material should be included on evaluating the objectivity of the internal audit function; in particular whether the internal audit function reports to those charged with governance or an officer with appropriate authority.
- The required actions the service auditor should take if the service organization does not provide

---

<sup>4</sup> ISA 580, "Written Representations."

the requested written representations should be revised to more closely align with ISA 580's treatment regarding representations on internal control and the circumstances in which the auditor should disclaim an opinion.

- The requirement stipulating the minimum elements of the report, and the requirement with respect to acceptance and continuance to the extent it identifies the service organization's responsibilities, are appropriate.
- The requirement to identify the period to which items tested relate is necessary given that the service auditor has a responsibility to test controls over the entire period covered by the assurance report. In addition, the Task Force was asked to consider whether the ISAE should include an explanation of why the service auditor is required to report deviations in the description of tests of controls performed even if on the basis of those tests the service auditor has concluded that the related control objective was achieved.
- The example assurance reports should include a reference to the auditor's responsibility to evaluate the suitability of the criteria, and whether examples of adverse opinions or disclaimers of opinions are required.

#### WAY FORWARD

The IAASB asked the Task Force to continue to liaise with the AICPA Task Force, and to distribute a revised draft for out-of-session consideration prior to posting papers for the September 2009 IAASB meeting. The Task Force should aim to seek approval to issue ISAE 3402 as a final standard at the September 2009 IAASB meeting.

### **3. Impact Analysis**

Mr. Sylph introduced the topic, noting that it is an initiative approved by the IFAC Board that will be adapted for use by all IFAC Public Interest Activity Committees (PIACs). Ms. Alta Prinsloo, IFAC Director of Governance and Operations, who joined the meeting by teleconference, then presented an overview of the proposed impact analysis. She explained how information for the impact analysis is gathered as part of the existing due process, how the impact analysis will be informed throughout the development of a standard, and how it will be documented. She also explained the process by which IFAC may pilot test the proposed impact analysis process.

The IAASB supported the proposed approach, noting it may be useful for the IAASB to consider pilot testing the impact analysis on more than one project. The IAASB suggested, however, that before or as part of pilot testing further consideration is needed on matters including the appropriateness of the term "audit effectiveness" and what is envisioned by "other impacts" as used in the impact analysis template.

#### WAY FORWARD

The IAASB approved the proposed impact analysis for pilot testing on one or more IAASB projects. The Steering Committee will work with IAASB staff to determine the projects for pilot testing.

### **4. International Organization of Supreme Audit Institutions (INTOSAI) Presentation**

Mr. Jensen delivered a presentation on INTOSAI, explaining the background of the organization and

its various functions. Amongst other matters, he noted that most national Supreme Audit Institutions' (SAIs') efforts are concentrated in the areas of performance and compliance auditing. Amongst other matters, he noted that the Supreme Audit Institution (SAI) is the highest national auditing authority within the constitutional system. Auditing of public funds must be understood based on the role SAIs have in the constitutional system. The audit contains three elements (performance audits, compliance audits and financial audits). The focus and weight on each of the three elements will vary depending on the mandate of the SAI. It is INTOSAI's strategy to recognize, utilize and build on standards issued by other standard-setting bodies. Since there is great overlap when it comes to one of the three elements (i.e., financial audits), INTOSAI is very pleased with the cooperation with IFAC.

Mr. Hällström presented an overview of the work of INTOSAI's Financial Audit Guidelines Subcommittee (FAS), noting that the MoU between INTOSAI and the IAASB allows for joint collaboration on developing International Standards of Supreme Audit Institutions (ISSAIs). ISSAIs as developed by the FAS consist of an ISA and a Practice Note, which contains guidance specific to the public sector. It is anticipated that the FAS will finalize all its Practice Notes by the end of this year for approval by INTOSAI's Governing Board. While the ISSAIs will not be officially endorsed by INTOSAI's Congress until November 2010, SAIs will be encouraged to use them as the basis for their financial statement audits in line with the effective date of the clarified ISAs.

Mr. Sylph noted that IFAC and INTOSAI have been very closely involved for the past six years, and that IAASB Staff routinely attends the FAS meetings to give input into the development of the Practice Notes. He echoed the hope that individual SAIs would adopt the ISSAIs after the Congress in 2010. Prof. Schilder thanked Messrs. Jensen and Hällström for the presentations.

## **5. Assurance Engagements**

Prof. Kinney introduced the topic, noting that the fundamentals of valuable information include suitable measurement rules, confidence that those rules have been properly applied, and trust that the information is truthfully presented. In revising ISAE 3000, the IAASB will need to be conscious of how these fundamentals apply to broader assurance engagements. In relation to financial statement audits in particular, this will differ according to a number of variables, for example, the subject matter (some of which may not have even been thought of yet), the measurement rules applied, and who measures the subject matter.

### **DIRECT REPORTING**

Prof. Kinney noted that in a direct reporting engagement the practitioner may be the "independent measurer" who creates the subject matter information. This has a number of implications, including as research evidence shows that it is the initial measurer (as opposed to the post-measurement assurer) who has the biggest effect on the ultimate measurement. It also raises the question of whether practitioners with an audit background necessarily have the appropriate training and experience to be initial measurers.

It was noted that independence for a direct reporting engagement is of a different nature than for assertion-based engagements. The IFAC Code<sup>5</sup> requires the practitioner in a direct reporting

---

<sup>5</sup> International Federation of Accountants' *Code of Ethics for Professional Accountants*

engagement to be independent of the subject matter, but not of the subject matter information.

The IAASB raised the following matters for further consideration:

- Whether the practitioner should be considered to be the initial measurer in a financial statement audit when the practitioner provides substantial assistance in preparing the financial statements, or even in other circumstances whenever the practitioner proposes an adjustment.
- Whether disclosure in the assurance report of the practitioner's role as initial measurer would be adequate to protect users and safeguard independence, and if so, whether ISAE 3000 should require such disclosure.
- Whether direct reporting presents a risk to the credibility of the profession and if so, how serious is that risk in the public interest while recognizing the benefits that involvement of an assurer offers in terms of improving the quality of the information.
- Whether ISAE 3000 should state a preference for assertion-based engagements, and limit the circumstances in which direct reporting engagements are considered acceptable, particularly when undertaken for an audit client. It was noted, however, that in some cases a direct reporting engagement may ~~be~~ better serve intended users, for example, when the subject matter is the performance of management, an unbiased evaluation performed by a third party is preferable.
- Whether direct reporting satisfies the definition of "assurance," which is about enhancing the credibility of, not creating, information.

Differing views were also expressed about which elements of an engagement are critical to determining whether it should be classified as a direct reporting or assertion-based engagement. (For example: Is it who does the initial measurement (the party responsible for the subject matter, the practitioner, or another party)? Is it whether the subject matter information is accompanied by an explicit assertion by the responsible party that the subject matter information has been prepared in accordance with the criteria?) It was also noted that consideration of these matters may vary according to the subject matter, for example, when the subject matter is the effectiveness of controls, is there is any "measurement" per se?

#### EXTENT OF REQUIREMENTS

The IAASB discussed the extent to which ISAE 3000 should include the requirements of the ISAs, adapted as appropriate for application to all, or nearly all, assurance engagements. Differing views were expressed, and the Task Force was asked to further consider this matter in light of the points raised, including:

- The desire for a simple, flexible approach in ISAE 3000 given the very broad range of engagements and circumstances to which it will apply (including differences in subject matter, level of assurance, public versus private sector, and whether the report is published or restricted).
- Whether including more common elements in ISAE 3000 will allow fewer requirements to be included in subject-matter-specific ISAEs (thus reducing the potential for duplication and potential inconsistency), or whether subject-matter-specific ISAEs should be self-contained, regardless of what is in ISAE 3000.
- The potential to distinguish between ISA requirements that deal with engagement management

matters (e.g., terms of engagement, documentation, and representations) from those that deal with engagement performance and reporting.

- The role of principles versus rules for assurance engagements, and the role of objectives versus requirements versus application material in clarified ISAEs.

#### ASSURANCE PROFESSIONALS

Prof. Kinney noted that considering the qualities of those for whom ISAE 3000 is being written will help in identifying the nature and level of assurance-related expertise that can be assumed, which will determine, in part, the level at which ISAE 3000 (and other ISAEs) should be pitched. The IAASB briefly discussed the matter, noting the importance of both the collective expertise of the engagement team and the ability of the engagement partner to understand the work that has been performed.

#### WAY FORWARD

The IAASB asked the Task Force to consider its comments and present another issues paper for consideration at the September 2009 IAASB meeting.

### **6. Reviews, Compilations and Other Alternatives to the Audit**

Ms. Jones introduced the topic, setting out the background to the project and the work undertaken by the Task Force so far. She noted in particular the contribution to the work of the Task Force by its correspondent members from the AICPA, the Institute of Chartered Accountants of England and Wales (ICAEW) and the Institut der Wirtschaftsprüfer (IDW).

Except as outlined below, the IAASB supported the Task Force's approach to the project as outlined in the meeting's agenda material. Specifically, the IAASB agreed that developing revised standards for reviews and compilations is a necessary first step to examining the broader question of whether users have needs for further alternative services. It was also agreed the revision of these standards should be progressed concurrently.

#### THE ISRE 2400<sup>6</sup> REVIEW SERVICE VERSUS THE ISRE 2410<sup>7</sup> REVIEW SERVICE

IAASB members emphasized the difference between the ISRE 2400 review service and the service performed under ISRE 2410. It was suggested that for purpose of clarity the name of either engagement might be changed to better signal the difference between them. Mr. Damant agreed that this is an area of potential ambiguity that should be addressed.

#### DIFFERENT USER CATEGORIES AND APPLICABILITY TO ENTITIES OF DIFFERENT SIZES

In connection with reviews it was noted that while they are commonly undertaken in the small- and medium-sized entity market sector (SMEs), in some countries they are also often performed for entities that are not required to have audits on a mandatory basis, including some very large

<sup>6</sup> International Standard on Review Engagements (ISRE) 2400, "Engagements to Review Financial Statements."

<sup>7</sup> International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

privately-owned entities. The IAASB agreed in principle that, since the key market sector for reviews is the SME sector, the revised standard should be written with the SME in mind in the first instance; nevertheless, the standard should be able to be applied proportionately to reviews of larger entities.

The Task Force was also asked to consider whether reviews of components that are done in the context of audits of group financial statements can be addressed in the revised review engagement standard, or whether the special circumstances of such reviews mean that they are best addressed in a separate standard or other form of guidance.

## REVIEW ENGAGEMENTS

The IAASB noted that a key issue to address in revising ISAE 2400 is the question of the level of assurance that needs to be obtained in a review engagement, including what “limited assurance” means in a review of financial statements. These are important considerations that enable the practitioner to determine appropriate procedures and types of evidence needed. It was suggested that the meaning of these concepts should be clearly established in the context of the objective of performing a review of financial statements.

A few IAASB members noted that the outcome achieved in a limited assurance engagement is fundamentally influenced by the practitioner’s consideration of the general risk that the financial statements are likely to contain material misstatement. Depending on what that risk is, the outcome of a review could vary widely among engagements unless the level of assurance required is established at some level. On the other hand, if a mainly procedural approach is taken to performing reviews then the level of assurance actually obtained would vary between engagements, possibly significantly. A possible implication of this is that the revised standard for reviews may need to describe or explain where the review engagement lies on the spectrum of assurance.

Many IAASB members expressed support for use of a “risk-informed” approach to performing a review, though such an approach would need careful explanation in the revised standard. The IAASB also generally agreed that since the practitioner’s level of knowledge about the entity and its business provides an important foundation for the practitioner performing the engagement, this aspect should be emphasized in the revised standard. The Task Force was asked to consider, however, the following:

- Whether a “risk-informed” approach to performing the review extends to detection of material misstatements in the financial statements that might occur due to fraud.
- The extent of knowledge the practitioner needs to have about the entity’s accounting system and internal controls over financial reporting where such controls exist in the client entity, being a matter of particular importance in reviews of financial statements that are prepared using financial reporting frameworks such as IFRS which feature use of accounting estimates and accounting policies that may involve relatively high levels of complexity for the preparers of financial statements.
- Whether the presumption about the practitioner’s application of professional skepticism is different when a review is being undertaken due to the lower level of assurance associated with the review.

- Additional guidance on the use of analytical review procedures in a review, as these procedures are often not performed well.

In regard to reporting the results and conclusion of a review engagement, a few IAASB members felt that the use a positively-worded expression of the review conclusion might undermine the important aim of clearly distinguishing the review from the audit. If such a change were considered then caution would be required to avoid exacerbating real or perceived problems associated with review reports.

#### COMPILATION ENGAGEMENTS

The IAASB noted the following matters as important consideration in revising ISRS 4410:<sup>8</sup>

- Clarification of the objective of a compilation, in particular what performing a compilation means in the case of financial statements that involve application of a comprehensive financial reporting framework that requires complex accounting measurements.
- The question of practitioner association with the financial statements and communication with users about the extent of the practitioner's involvement and responsibility, to ensure users do not take unwarranted assurance from the compilation report.
- Clarification of the practitioner's responsibility when, in the course of compiling financial information, the practitioner becomes aware of an inconsistency or indicator that the compiled financial information may contain a material misstatement or an inaccuracy.

#### INDEPENDENCE CONSIDERATIONS

The IAASB agreed that the Task Force should engage the International Ethics Standards Board for Accountants (IESBA) at an early stage in the project to ensure it is kept abreast of, and is consulted in debates on independence matters that arise as part of this project.

A few IAASB members expressed the view that examining questions surrounding independence issues are inherently a part of finding appropriate solutions that meet user needs for practitioner involvement in services relating to preparation of and assurance on financial statements that are meaningful for users, albeit true that questions that may warrant examination may possibly not be very clear at this stage. An IAASB member commented that the challenge lies in applying the independence principle to non-public interest entities, and that the question should be examined whether "one-size-fits-all" is appropriate in view of particular needs arising in that sector.

Mr. Damant noted that the question of the extent of practitioners' involvement with financial statements is very important. He expressed the view that the avenue of making appropriate disclosures to users about the extent of a practitioners' involvement regarding an entity's financial statements may possibly be better than requiring a uniform application of the independence principle across all types of entities.

---

<sup>8</sup> International Standard on Related Services (ISRS) 4410, "Engagements to Compile Financial Statements."

## FURTHER CONSULTATION

The Task Force was asked to explore the need to consult further with other key stakeholder groups such as bankers and other lenders to SMEs that have particular interest in review reports. Mr. Damant noted that the CAG views this project as highly important; he expects that the CAG will give feedback to the Task Force at all key stages of the project.

## WAY FORWARD

The IAASB asked the Task Force to present issues to be addressed in the revision of ISRE 2400 and ISRS 4410 for consideration at the September 2009 IAASB meeting.

### 7. Assurance on a ~~Greenhouse Gas~~ (GHG) Statement

Ms. McCabe and Prof. Simnett welcomed Task Force member Christine Schuh to the meeting, and introduced the topic. Prof. Simnett noted that the approach taken with respect to the link between ISAE 3410<sup>9</sup> and ISAE 3000 will likely vary as a result of the IAASB's earlier discussion of the ISAE 3000 project. He also noted that the draft may not include as many specific procedures as the IAASB may have expected because of the significant difference in procedures depending on the source of emissions included in the GHG Statement, for example, the procedures for a coal-fired power station are very different from those for a concrete factory. Ms. McCabe then led the IAASB through a paragraph-by-paragraph review of the draft ISAE.

## RELATIONSHIP WITH ISAE 3000

The draft ISAE 3410 presented for discussion at this meeting adopted an approach to ISAE 3000 that assumed certain matters, for example, adaptation of the risk ISAs, would be covered in ISAE 3000 by the time ISAE 3410 was finalized. The IAASB discussed the relative priority of these two projects. It agreed that given the need to progress ISAE 3410 swiftly, ISAE 3410 should be based on extant ISAE 3000 and therefore include whatever additional requirements and guidance considered necessary in the circumstances. It was acknowledged that this approach will likely lead to consequential amendments to ISAE 3410 being necessary when ISAE 3000 is finalized.

The IAASB also discussed whether ISAE 3410 should mirror ISAE 3402 in terms of level of detail, etc. While the desirability of the two ISAEs having a similar look and feel was noted, it was also noted that differences may well be justified and should be considered on a case-by-case basis.

## EXPERTS

The IAASB noted that following the above-noted decision regarding relationship with ISAE 3000 it will be necessary for ISAE ~~3401~~ 3410 to include additional requirements that deal explicitly with the use of experts. While the starting point for drafting those requirements should be the recently revised ISA 620,<sup>10</sup> it was also noted that in adapting ISA 620 the Task Force should give particular consideration to whether the relationship between the assurance professional, the team, and any

---

<sup>9</sup> Proposed ISAE 3410, "Assurance on a Greenhouse Gas Statement."

<sup>10</sup> ISA 620, "Using the Work of an Auditor's Expert."

experts used on the engagement is the same as it is for a financial statement audit. The following matters were noted:

- The ISAE will need to be flexible enough to deal with a range of engagements from those where experts are an indispensable and integral part of a multidisciplinary team (e.g., where complex physical and chemical processes are involved), to those where little GHG expertise is required (e.g., for ~~a service organization~~<sup>san entity</sup> reporting only its Scope 2 emissions).
- The ISAE will need to accommodate the use of internal as well as external experts; and the varying degrees of expertise that assurance professionals themselves may have in the field of emissions.
- The Task Force will need to consider whether the definition of engagement team in ISQC 1,<sup>11</sup> which excludes external experts, is appropriate for GHG engagements. It was noted that if external experts were to be included as part of the engagement team, this may be problematic for the same reasons it is problematic for financial statement audits. In addition, consideration will be needed on whether the requirements on engagement acceptance should refer to the availability of suitable experts.
- The Task Force will need to consider whether the assurance report should refer to the use of experts. It was noted that the IAASB has previously agreed that if experts are referred to, the report should not imply divided responsibility.

#### LIMITED ASSURANCE

The IAASB discussed the distinction between a reasonable assurance GHG engagement and a limited assurance GHG engagement. Amongst other matters, it discussed in the context of a limited assurance engagement: whether inquiries, analytical procedures, and observation and inspection are all necessary for obtaining an understanding of the entity; whether obtaining an understanding of the design and implementation of internal control is required (and, if so, whether inquiries alone are adequate for this purpose); whether procedures to respond to assessed risks should be comprised mainly of inquiries and analytical procedures and how the nature and extent of analytical procedures are different from a reasonable assurance engagement; and whether risks need to be assessed at the assertion level and if “significant risks” need to be identified.

Differing views were expressed about these matters, and it was agreed that, in the interest of expediting progress to the exposure draft stage, the project should be split into two parts. The first part will consider reasonable assurance engagements only and will be exposed separately. Feedback on that exposure draft, along with the further development of the ISRE 2400 project and the ISAE 3000 project, will assist the IAASB in developing the second part of the project which will deal with limited assurance engagements.

#### DIRECT REPORTING

The IAASB discussed whether the proposed restrictions regarding direct reporting engagements are

---

<sup>11</sup> International Standard on Quality Control (ISQC) 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.”

applicable in all circumstances. A number of factors were noted as contributing to an apprehension about direct reporting on GHG statements, including: the need to rely on management systems for measuring GHGs in many cases, particularly where continuous measurement is needed; concerns about independence, in particular the self-review threat when measurement processes are likely to be so enmeshed with management systems; the ambiguity about where the line should be drawn between assertion-based and direct reporting engagements, as noted in the IAASB's earlier discussion on the ISAE 3000 project; and the view that the entity should be in a position to take responsibility for the GHG statement. The Task Force was asked to consider whether it is common for entities reporting on the GHGs to make explicit assertions about the fair presentation of the GHG inventory.

#### OTHER MATTERS

The IAASB agreed that:

- The distinction between which requirements apply to the assurance professional as an individual and which apply to the team needs to be made clearer.
- The approach adopted in the draft of including warnings in the application material about the limitations of Scope 3 information, and assurance procedures with respect to them, is appropriate. In doing this, the IAASB was conscious of the fact that it is likely that more entities will include Scope 3 emissions as time goes by, and it would not seem to be in the public interest to disallow assurance on such disclosures in all cases. The IAASB was also mindful of the fact that the assurance report is not aimed at intended users who are unaware of the limitations of information presented in a GHG statement and, therefore, as long as suitable disclosures are included in the GHG statement, intended users are not likely to be misled by the inclusion of some Scope 3 emissions, and assurance thereon.
- The approach adopted in the draft of requiring the assurance report to include a statement regarding the assurance professional's responsibility with respect to any emissions deductions, including offsets, included in the GHG statement is appropriate.

The Task Force was also asked to consider whether:

- A general introduction to the field of GHGs is necessary to introduce some of the scientific and related concepts inherent in the document, such as which gases are considered to be GHGs.
- The objective should be worded in terms of reducing engagement risk.
- Further explanation is needed about concepts, like analytical procedures, that may have a different meaning when applied in a GHG context from their meaning when applied in a financial statement audit context. In this regard, the Task Force was asked to consider whether the definition of materiality as drafted, which is broader than the definition of materiality for financial statement audits, is appropriate, and whether fraud, which is often thought of in terms of fraudulent financial reporting, should be re-defined in the context of broader assurance engagements generally (perhaps in ISAE 3000) and in the context of GHG reporting in ISAE 3410. In addition, if some emissions are scoped out of the engagement, the Task Force was asked to consider whether materiality should be based on the portion that is being assured rather than the entirety of reported emissions.

- Wording which implies that the concept of internal control for a GHG engagement is similar to that for a financial statement audit is appropriate, or whether wording such as systems or processes would be better. (Ms. McCabe noted that, in most cases, the concept is very similar to the financial statement auditing concept and is intended to include all the components of internal control identified in ISA 315,<sup>12</sup> however this may need to be made clearer in the ISAE.)
- The wording with respect to suitable criteria should better distinguish measurement criteria from presentation criteria; and whether the requirement regarding criteria should list what is expected in the GHG statement or what the assurance professional needs to think about when assessing the suitability of the criteria.
- The concept of “significant risks” applies to GHG engagements.
- More GHG-specific procedures and examples could be added to the draft, for example, additional substantive procedures, and whether an illustrative representation letter should be included as an appendix to the ISAE.
- Regarding the assurance report: whether it should state that the firm has complied with ISQC 1 (or other relevant quality control pronouncements); whether it should identify the intended users; and whether it is necessary to include a statement about significant uncertainty in all cases, for example, when the GHG statement includes only Scope 2 emissions.

The Task Force was also asked to consider relevant points raised in the discussion on proposed ISAE 3402, including those pertaining to effective date paragraphs and definitions of terms including in the Glossary and the ISAs.

#### WAY FORWARD

The IAASB asked the Task Force to present a revised proposed ISAE 3410 for approval as an exposure draft at the September 2009 IAASB meeting.

### **8. Clarity ISA Implementation Monitoring**

Prof. Schilder welcomed Sir Bryan Nicholson, attending on behalf of the PIOB for the rest of the meeting. Mr. Grant introduced the topic, noting that the objectives of this project should be distinguished from the various other activities that are being undertaken to support and also oversee or enforce the implementation of the ISAs at international and national levels, including initiatives undertaken by national professional bodies or national regulators or oversight bodies.

Mr. Grant explained the Task Force’s recommendation to apply a two-phase approach, the first stage of the project having a focus on monitoring the implementation process to gather information about the implementation of the ISAs while it’s happening, and the second phase being consideration of the design and process for a post-implementation review of the ISAs.

The IAASB agreed the revised terms of reference for the Task Force set out in Appendix 2 of the agenda material for this item. Also, except as set out below, the IAASB agreed the recommendations

---

<sup>12</sup> ISA 315, “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment.”

of the Task Force as set out in the agenda material in relation to the overall approach for this project, and the two-phase approach.

#### IMPLEMENTATION MONITORING

Mr. Grant explained that the Task Force believes an iterative approach is needed, especially in view of the fact that countries will have different implementation timelines, and whereas some will be well progressed through the different phases of implementation in 2010 and 2011, other countries may only be in preliminary stages.

A number of IAASB members pointed to the need for implementation assistance and resources to help facilitate the design of quality into the adoption and implementation process while implementation is in progress. Mr. Sylph commented on the resources that IFAC is making available to support the implementation by IFAC member bodies of all the standards issued by IFAC's audit, ethics, education and public sector accounting Boards. He also noted that there are limits to what IFAC can achieve within its resources.

A few IAASB members commented on aspects of the draft questionnaires that were tabled as part of the agenda material. The Task Force agreed to look again at these before they are finalized.

#### POST-IMPLEMENTATION EFFECTIVENESS REVIEW

Mr. Grant described the challenges of designing a process for carrying out an effectiveness review of the ISAs, especially well in advance of the timeframe in which such a review can appropriately be carried out (i.e., post-implementation). Based on inputs to the Task Force's thinking to date, the earliest timing for such a review in many countries would be 2012 and for many other countries 2013 or later.

Some IAASB members expressed the belief that answers to questions about the objectives and design of the review are not sufficiently clear at the present time, and that there should be consultation with the IAASB's key stakeholders on those. Mr. Sylph noted that some of the more detailed aspects of how a review might be performed can possibly be better answered when implementation has progressed further. Prof. Schilder noted that it is an important public interest consideration that the IAASB is consulting on and planning activities for a post-implementation review at an early stage, on a proactive basis, even if the objectives and the design and process of such a review can only be considered on a preliminary basis at this stage.

A number of IAASB members expressed the view that in doing the review the effectiveness of the implementation of the ISAs should be assessed looking at the ISAs as a totality, rather than by looking at the implementation of individual ISAs or groups of ISAs. On the other hand, other members suggested that the review might possibly be more appropriately designed as an ongoing process linked to continuous improvement of the ISAs, rather than as a once-off review.

Some IAASB members expressed concern that the Board's public communications concerning its intention to undertake a post-implementation review should not give rise to an impression that the IAASB expects to issue a public report on its assessment of the effectiveness of the ISAs and their implementation. Furthermore, a few IAASB members also highlighted the importance of avoiding creating unwarranted expectations among users of the ISAs about what the IAASB might do following completion of a post-implementation review. Mr. Gunn supported these cautions, noting

that the Task Force's work in phase 2 of the project is to be understood in the context of future input to its strategy and work program reviews - that is, rather than trying to gather information about effectiveness on an ad hoc basis, it would be beneficial to develop a systematic process to obtain such inputs from relevant groups. This could then provide the Board with important input when it begins thinking about its next round of future strategy consultations.

Prof. Schilder thanked Mr. Grant and the Task Force for the work done to so far to assist the Board's strategic thinking on the question of how an effective and useful post-implementation review might be undertaken for the ISAs. Prof. Schilder asked the Task Force to report back on progress at the IAASB's December 2009 meeting.

## 9. Auditing Complex Financial Instruments

Mr. Gunn introduced the project proposal, noting that the initiative to update and revise International Auditing Practices Statement (IAPS) 1012<sup>13</sup> had been recommended by the Fair Value Auditing Guidance Task Force and supported by the IAASB CAG. He explained the project proposal's two-phase approach: the first being the issuance of a "Briefing Paper" by fall 2009 to help raise awareness of some practical challenges in auditing complex financial instruments in advance of the 2010 audit season; the second dealing with the update and revision of IAPS 1012. Both phases would leverage the work already underway by the UK's Auditing Practices Board (APB) to revise its Practice Note (PN) 23<sup>14</sup> and, to the extent practicable, the work of other national standards setters. Mr. Gunn explained that the briefing paper in the first phase would not represent authoritative guidance in any sense, and that the IAASB will in due course be asked for its views on how best to issue the briefing paper (i.e., as a Staff document, Task Force document, or IAASB document).

The IAASB supported the approach taken in the project proposal to the topic. It noted that the planned briefing paper would allow the IAASB to address issues facing auditors in the immediate term, while also help inform the IAASB about how best to progress the revision of the IAPS.

With respect to use of the APB's work as a basis for the briefing paper, an IAASB member expressed concern that using a document produced by a national standard-setter in an international context may not be ideal; however, it was acknowledged that the APB's document was fairly comprehensive. Another IAASB member however was of the view that since PN 23 had originally been based on IAPS 1012, positioning this guidance in the context of how the IAASB might revise IAPS 1012 would be a useful way to disseminate guidance in the short-term.

The IAASB noted the following with respect to the development of the briefing paper:

- The Task Force will need to consider how to balance the auditing discussion without referring to the accounting requirements for fair value in unnecessary detail. For example, the briefing paper may need to highlight that accounting-financial reporting frameworks are evolving with regard to fair value measurement and disclosure, and this may prove challenging to auditors. While the ISAs and IAPSs are meant to be framework-neutral, it will be important for the briefing paper and the IAPS to explain that the applicable financial reporting framework affects measurement

---

<sup>13</sup> IAPS 1012, "Auditing Derivative Financial Instruments."

<sup>14</sup> Practice Note 23, "Auditing Derivative Financial Instruments."

and valuation and, as a result, auditors need to understand the intricacies of the frameworks, including changes made by standard-setters throughout the period. This may particularly be the case as the International Accounting Standards Board proposes changes to IAS 39.<sup>15</sup>

- Issues such as impairment considerations and toxic assets could be considered as topics that may be scoped into the briefing paper given the issues encountered in practice. Further, the inherent limitations in auditing highly complex financial instruments should be stressed, given the uncertainty of future outcomes.

With regard to the revision of IAPS 1012, some IAASB participants were of the view that it will be important for the IAASB to resolve the issue of the status and authority of the IAPSs before commencing this phase of the project. Mr. Gunn did not believe there were any reason why the task force's consideration of guidance on auditing complex financial instruments and the IAASB's general consideration of the future role of IAPSs or other vehicle for non-authoritative guidance could not proceed concurrently.

An IAASB member expressed concern with the final timetable of the revised IAPS, stressing the need for the IAASB to allow adequate time for practitioners to adopt it. Mr. Gunn acknowledged this point and indicated that this matter will be considered in due course.

Mr. Damant emphasized the need for the Task Force to have a representative experienced in the quantitative aspects of complex financial instruments. Mr. Schilder indicated in response that the composition of the Task Force will include experts from the audit firms as well as representatives from the Basel Committee on Banking Supervision, the PCAOB, and the IVSC.

#### APPROVAL

The IAASB unanimously approved the project proposal. The IAASB asked the Task Force to present a draft of the Briefing Paper for approval at the September 2009 IAASB meeting.

#### **10. Presentation by Mr. Yusuf**

Mr. Yusuf delivered a presentation on Pakistan addressing, amongst other matters, key aspects of the country's profile as well as matters including the key social and economic challenges currently being faced by the country. Mr. Yusuf also explained the organizational structure, role and functions of the Institute of Chartered Accountants in Pakistan. In particular, he noted that the accounting profession in Pakistan is well-represented at the international level and indicated that Pakistan presently has representatives on the IFAC Board and some of IFAC's PIACs and committees, the South Asian Federation of Accountants, the Confederation of Asian and Pacific Accountants and the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting of the United Nations Conference on Trade and Development.

Mr. Schilder thanked Mr. Yusuf for the informative presentation. He encouraged other Board members to consider giving similar presentations on their home countries.

---

<sup>15</sup> International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement."

## 11. Rapid Response Mechanism

Mr. Gunn introduced the topic, summarizing the main points raised at the March 2009 IAASB meeting and how they have been addressed in the proposed rapid response mechanism outlined in the agenda material. He explained that the structure of the proposed mechanism focuses on the key decision of whether a rapid response (in some form) is necessary and appropriate; the evaluation of the need for a rapid response against acceptable options available to effect a response and, in the case of a matter affecting an authoritative pronouncement of the IAASB, whether the necessary criteria for a response has been met; and the process to be followed in developing a particular response.

The IAASB was broadly supportive of the proposed mechanism. An IAASB member questioned, however, whether the proposed criteria for making a limited amendment to a pronouncement are sufficiently detailed. It was suggested that factors such as whether the issue is global in nature, whether it is being addressed in the context of the G20, and whether it affects audit quality worldwide might help appropriately define the possible circumstances more narrowly. Other members cautioned that defining too narrowly the circumstances as to when a response might be necessary might limit the usefulness of the mechanism.

The IAASB discussed whether the present description of Staff Publications is too restrictive. On one hand, it was noted that this makes clear the parameters within which Staff can comfortably work without inadvertently crossing into territory that the IAASB is responsible for. On the other hand, it was noted that only by including new guidance can such document truly be helpful to practitioners. This raises the questions of what the role of Staff Publication should be, how should the IAASB position itself with respect to the issue of additional guidance, and what form of due process should be applied. On balance, the IAASB concluded that there is benefit to Staff Publications such as Staff Audit Practice Alerts and Questions and Answer- type documents, but asked Staff to consider whether the description of Staff Publication is not unduly narrow.

In addition to the above and editorial matters, the IAASB noted the following for further consideration:

- The introduction section of the document could be usefully expanded to explain that full due process involves extensive consultation with the IAASB Consultative Advisory Group, relevant stakeholders and the public, and that the intent is to use the rapid response mechanism sparingly to avoid an undesirable proliferation of documents or changes to pronouncements developed outside IAASB's normal due process.
- The due process for developing a limited amendment to a pronouncement could usefully address how email correspondence might be used in circumstances where it would not be convenient to hold an additional CAG meeting in between the regularly scheduled meetings.
- The mechanism should emphasize that the IAASB may need to proactively engage key stakeholders on the issues to allow input from interested parties at an early stage.
- For Staff Publications, it may be appropriate to allow others to participate in the advisory groups as appropriate, rather than to suggest that these groups are limited to IAASB members only.

### WAY FORWARD

The IAASB asked Staff to consider its comments and to present a revised proposed rapid response

mechanism at the December 2009 IAASB meeting.

## **12. External Confirmations Staff Alert**

Mr. Montgomery introduced the topic, summarizing the matters noted at the March 2009 IAASB meeting, particularly a number of practical concerns regarding the use of external confirmations to obtain audit evidence. He noted that the April 2009 PCAOB concept release on a proposed revision to its auditing standard on external confirmations raised many of the same concerns.

In broadly supporting the development of a staff alert on the topic, the IAASB noted, among other matters, the following:

- In the context of confirmations of investment funds, a key point to emphasize is that confirmations alone cannot provide sufficient evidence of valuation.
- Coverage of electronic approaches to confirmations is important as these are becoming more prevalent. The Japanese Institute of Certified Public Accountants has issued guidance on electronic confirmations, a translated version of which can be made available to IAASB staff.
- Some coverage of negative confirmations would be helpful, particularly in the context of private equity funds.
- While the alert would need to be based on the extant ISA 505, consideration should be given to the linkage to the revised ISA 505.<sup>16</sup> In this regard, staff should try to leverage the PCAOB concept release as this already makes reference to the revised ISA 505.
- It would be important to aim to issue the alert by October 2009 in time for 2009 year end audits.

### **WAY FORWARD**

All IAASB members present voted in favor of commissioning the staff alert, except Mr. Grant who abstained pending consideration of a preliminary draft of the alert.

A small working group, chaired by Mr. Montgomery, will be set up to advise staff in the development of the alert. A draft will be targeted for distribution to the IAASB for comment towards the end of August 2009. Prior to finalizing the alert, the working group will provide a report-back on significant comments received at the September 2009 IAASB meeting.

## **13. Monitoring Group Review**

Mr. Sylph explained the Monitoring Group (MG) will be performing a review of the effectiveness of the PIOB and IFAC's PIACs. This review was contemplated when the IFAC reforms were agreed in 2003.<sup>17</sup> For this purpose, the MG has asked IFAC and its PIACs to undertake a self-assessment exercise based on criteria supplied by it. The PIOB is also carrying out a self-assessment of its activities against its own mandate. As part of the MG's process for this exercise, the MG may seek public comments on the IFAC and PIOB self-assessment reports.

---

<sup>16</sup> Extant and revised ISA 505, "External Confirmations."

<sup>17</sup> The reforms were designed to strengthen international audit standard-setting processes, achieve convergence to international standards and ensure that the international accountancy profession is responsive to the public interest.

IFAC has established a Task Force charged with carrying out the IFAC self assessment. At the June 2009 IFAC Board meeting, the Task Force reported on a preliminary basis on a number of areas in the PIACs' standard setting processes and work programs where it believes further action is needed. In so far as they relate to the IAASB, these include the completion of work to establish processes for: impact analysis of new standards; implementation monitoring; and rapid responses.

The IFAC Task Force anticipates having a draft of its report for consultation with the IAASB and the IAASB CAG at their September 2009 meetings. The report is expected to be finalized for submission to the MG meeting by mid-October 2009.

#### **14. Research on the Auditor's Report**

Mr. Montgomery provided an update on the status of the joint AICPA-IAASB research project on the auditor's report. He explained that the purpose of the research in this phase of the project is to understand users' perceptions of the current form of the standard auditor's report, and that a further phase of the project might be to consider use of alternative report formats in response to those perceptions. He noted that the four commissioned research reports will become available over the few months and that a small IAASB Working Group has been appointed to consider the research findings (and as appropriate other relevant consultations and studies pertaining to the auditor's report, for example the UK APB's December 2007 Consultation Paper),<sup>18</sup> and formulate recommendations for the IAASB's consideration.

Mr. Montgomery noted that the AICPA ASB has also set up a small working group for purposes of evaluation the research findings, and that the IAASB Working Group believes it would be beneficial for both working groups to work collaboratively to reach consensus views about the key findings revealed by the four research studies and consequent recommendations to the IAASB and ASB. He noted that there will be a joint meeting of the ASB and IAASB Working Groups in early October 2009, and that the findings from the four research projects and the Working Groups' recommendations will be presented to the IAASB at its December 2009 meeting.

#### **15. PIOB Remarks**

Sir Bryan Nicholson noted both his and Mr. Bracchi's favorable impressions of the meeting, including the depth and quality of the discussions. As the IAASB begins a number of new projects, he noted the importance of the IAASB members raising their individual points of view and gathering expertise as needed. He was confident that by doing so, it would not be likely that there would be many issues of significance that had not yet been raised.

Sir Bryan reported that the Trustees of the International Accounting Standards Committee Foundation are also discussing a rapid response mechanism. In his view, it is a very delicate balancing act between the need for due process and the need for timeliness, and he cautioned against defining too narrowly the circumstances as to when a response might be necessary, which would limit the usefulness of such a mechanism.

He supported the IAASB's initiative to enhance collaboration with the IASB and the IAASB's ongoing relationships with oversight bodies. He thanked Prof. Schilder and the IAASB members for

---

<sup>18</sup> "The Auditor's Report: A Time for Change," UK APB, December 2007.

allowing him to participate in the meeting.

## **16. Next Meetings**

The next meeting of the IAASB is scheduled for September 21-25 in Seoul, South Korea.

The next meeting of the IAASB CAG is scheduled for September 9-11 in Washington DC. Mr. Damant noted that a number of IAASB members will likely be asked to present in their capacity as Chairs of their respective task forces at that CAG meeting. In addition, at that meeting, the Representatives of the CAG will vote on his successor as Chairman.

## **17. Closing Remarks**

Prof. Schilder expressed his appreciation for the contributions of all members, technical advisors and observers to the deliberations during the week, and for the Task Forces' and Staff's support in preparing the materials. He thanked Ms. Dorothy Ofori, who was not present at the meeting, for her contributions to the meeting planning and OROC for hosting the IAASB on the Monday evening. Prof. Schilder also noted that he intends to contact each of the IAASB members to gather feedback and perspectives on the operations of the IAASB. He then closed the meeting.