



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

Agenda Item

5

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

IAASB — IASB Liaison

Objectives of Agenda Item

1. The objectives of this Agenda Item are:
 - To provide an update on the IAASB — International Accounting Standards Board (IASB) liaison initiative and to discuss experience gained on aspects of the initiative to date; and
 - To consider a draft Terms of Reference and Working Procedures.

Background

2. At its June 2009 meeting, the IAASB considered a proposed initiative designed to enable the IAASB to provide timely input on aspects of the IASB's proposals which, in the IAASB's view, could pose difficulty in an auditing context. It is aimed at helping ensure relevant auditing considerations are part of the input to the development of IASB pronouncements. These are matters where the IAASB believes its expertise can add value and its views should be shared with the IASB.
3. The initiative is envisaged to deliver benefits: to the IASB in terms of contribution to the quality of its standards; and to the IAASB in terms of strengthening its ability to identify financial reporting developments that may affect existing IAASB pronouncements or create a need for new ones. The IAASB was generally supportive of the proposal.

Key Aspects of the Initiative in Brief

4. As reported in June, IAASB Member Ms. Diana Hillier has been identified as IAASB's liaison representative for purposes of the initiative.
5. Small working groups are being set up to monitor the progress of selected IASB projects. The working groups are asked to focus on identifying potential verifiability or auditability issues (i.e., where it may be difficult for preparers to obtain sufficient support for the underlying assertions implicit in the proposals, or for auditors to obtain sufficient appropriate audit evidence in relation to them, and thereby are likely to also pose difficulty in an auditing context). Working groups may also identify financial reporting developments that may affect IAASB pronouncements or create a need for new

pronouncements. The groups are however not expected to concern themselves with the technical merits of the proposals from an accounting perspective.

6. In recognition of the importance of looking at trends in financial reporting in order to identify early more pervasive broader implications, the initiative also contemplates a strategic review to be undertaken by the IAASB of its liaison with the IASB annually.

Activities since Last IAASB Discussion

Communication with the IASB

7. In July 2009, the IAASB Chair wrote to Sir David Tweedie, IASB Chair, regarding this initiative. Sir David Tweedie indicated general support for the proposal and appointed IASB board member Prabhakar Kalavacherla to act as IASB's liaison representative with the IAASB in this regard.
8. As the designated liaison representatives, Ms. Hillier and Mr. Kalavacherla will consult with their respective boards to determine the on-going liaison program. They will also be the first line of communications for matters raised by the working groups and in doing so be the Boards' links into the progress of these groups. This does not however mean that the liaison representatives will be the only point of contact between the two Boards but they will be responsible for making sure that appropriate connections between IAASB's working groups and the IASB take place.
9. In this regard, initial contact has since been made with Mr. Kalavacherla to further discuss the proposal and his role in facilitating this initiative. Mr. Kalavacherla has also been invited to deliver an update on the IASB's work plan at a future IAASB meeting.

IASB Projects and IAASB Working Groups

10. Due to resource and time constraints, it is clearly not practical for the IAASB to consider all projects on the IASB's work program. Based on an assessment of the nature and stage of development of the IASB projects, and their relation to the IAASB current and future work program, seven IASB projects have been shortlisted for monitoring.
11. IAASB board members and technical advisors have been allocated to working groups based on the IASB project(s) for which they have indicated an interest. The composition of the working groups is outlined in the Appendix to this paper. Each working group is led by a rapporteur and is made up of no less than two members.
12. All seven working groups for the IASB projects selected for monitoring to date have since been set up. The respective rapporteurs, in consultation with the IAASB liaison representative, are presently in the process of kicking-off the work of the groups.
13. In this regard, given the IASB's progress with its Fair Value Measurement and Financial Instrument projects, the Fair Values working group has made a head start with its activities. Notably, the working group has had the opportunity to discuss verifiability/auditability matters identified in connection with the projects with the IASB liaison representative. Based on discussions to date, it is likely necessary that comments on the IASB's exposure drafts in this regard be put in a formal comment letter to the

IASB. The IAASB Steering Committee will be considering a draft letter of comment at its meeting after the September 2009 IAASB meeting.

Terms of Reference and Working Procedures

14. A draft *Terms of Reference and Working Procedures* for the initiative is presented in **Agenda Item 5-A**. The working processes for aspects of the initiative are in many ways still evolving and being refined as greater experience is being obtained. The overall objective however is to facilitate effective dialogue with the IASB so that IAASB is able to provide useful input to the IASB from an audit perspective at as early a stage of the development of a proposal as possible.
15. Experience to date with regard to the Fair Values projects has demonstrated the value of early, informal dialogue between relevant parties from the two boards (depending on the circumstances, this may be Board or Staff members) to share preliminary thoughts and gain an understanding of the IASB's deliberations and views on identified issues.
16. Where significant verifiability or auditability issues are identified, in most cases, it is likely important that they be on the public record, in addition to informal communication with the IASB. The Steering Committee and/or the full Board will be consulted as appropriate in the circumstances to determine whether and what type of subsequent action would be most suitable. Given the nature and extent of materials relevant to each IASB project, it is not anticipated that there be discussion by the full Board on every project. On this note, IAASB members and technical advisors who have an interest in being involved in the discussion on any particular IASB project are encouraged to participate in the working group for that project.

Material Presented

Agenda Item 5-A Draft Terms of Reference and Working Procedures

Action Requested

17. The IAASB is asked to consider and comment on the draft Terms of Reference and Working Procedures present in **Agenda Item 5-A**.

APPENDIX

Composition of IASB Working Groups

No.	IASB Project	Rapporteur	Members
		M-IAASB Member TA-Technical Advisor	
1	Conceptual Framework	Sylvia Smith (TA)	<ul style="list-style-type: none"> • Diana Hillier (M) • Bill Kinney (M) • David Damant (CAG Chair) • Wolf Boehm (TA)
2	Emissions Trading Schemes	Caithlin McCabe (M)	<ul style="list-style-type: none"> • Bill Kinney (M) • Amarjit Chopra (TA) • Chuck Landes (TA) • Greg Shields (TA)
3	Fair Value Measurement & Financial Instrument	John Fogarty (M)	<ul style="list-style-type: none"> • Diana Hillier (M) • Bill Kinney (M) • Tomo Sekiguchi (M) • Jianhua Tang (M) • Abdullah Yusuf (M) • Greg Shields (TA)
4	Income Taxes	Dan Montgomery (M)	<ul style="list-style-type: none"> • Ashif Kassam (M) • Abdullah Yusuf (M) • Jon Rowden (TA)
5	Leases	Chuck Landes (TA)	<ul style="list-style-type: none"> • Ashif Kassam (M) • Tomo Sekiguchi (M) • Sylvia Smith (TA)
6	Management Commentary	Josef Ferlings (M)	<ul style="list-style-type: none"> • Cédric Gélard (M) • Jon Grant (M) • Bill Kinney (M) • David Swanney (M) • Isabelle Tracq-Sengeissen (TA)
7	Revenue Recognition	Diana Hillier (M)	[TBA]