

IAASB — IASB Liaison**Draft Terms of Reference and Working Procedures—September 2009**

The following identifies the objective of the International Auditing and Assurance Standards Board (IAASB) – International Accounting Standards Board (IASB) liaison initiative and the working procedures to be followed by the IAASB working groups in monitoring the development of IASB projects.

I. Objective

1. The objective of the initiative is to implement a process to help the IAASB better monitor the developments of IASB projects so as to enable it to:
 - (a) Identify potentially significant verifiability and auditability issues; and
 - (b) Provide timely inputs on aspects of the IASB's proposals to help ensure that relevant auditing considerations are part of the input to the development of IASB pronouncements.
2. 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 the pronouncements of the IAASB or create a need for new auditing pronouncements.

II. Structure and Responsibilities**A. Role of Liaison Representatives**

3. The IAASB and IASB will each designate a board member to be the liaison representative.
4. The functions of the liaison representatives include the following:
 - Being the first line of communication for matters raised by the working groups.
 - Being the link into the progress of working groups for their respective Boards.
 - Consulting with their respective Boards to determine the on-going liaison program.
5. Liaison between the representatives from both Boards will routinely be held, typically by means of teleconferences or, where practicable, face-to-face to discuss matters in connection with the initiative. Examples of such matters may include developments on IASB projects and progress of working groups.

B. Role of IAASB Rapporteurs and Working Groups

6. An IAASB working group will be set up for each IASB project selected to be monitored by the IAASB.
7. Each working group will be lead by a rapporteur and should consist of no less than two IAASB members or technical advisors or, where relevant, observers or Representatives of the Consultative Advisory Group.

8. The objective of the working groups is to monitor the development of the IASB project for which they are responsible with a focus on identifying potentially significant verifiability or auditability issues – that is, 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.
9. Working groups are not expected to concern themselves with the technical merits of the proposals from an accounting perspective.
10. The functions of the IAASB rapporteur include the following:
 - Planning and coordinating the work of the working group;
 - Leading the discussions of the working group;
 - Preparation of required documentation as necessary, for example, working group discussion papers, recommendations to the IAASB Steering Committee and/or the IAASB etc.;
 - Consultation with liaison representatives on matters in connection with the work of the working group; and
 - Where appropriate, consultation with other relevant parties on the way forward for the working group.

III. Working Procedures

A. Identifying Projects to be Monitored by the IAASB

11. Due to resource and time constraints, it is clearly not practical for the IAASB to consider all projects on the IASB's work program. In deciding which of the projects the IAASB should give its attention, the following three factors are relevant:
 - (a) *Stage of Development* – Projects that are at an earlier stage of the IASB's due process are more relevant to the IAASB's objective of providing timely input than the projects nearing finalization.
 - (b) *Nature of the Project* – Projects with a broader remit are likely to be more relevant compared to those with a narrower focus.
 - (c) *Relation to the Work of the IAASB* – Projects with linkages to the IAASB's current and future work program are of greater relevance.
12. IAASB Staff will, in consultation with the IAASB liaison representative, monitor new and proposed IASB project proposals to determine whether these projects should be added to the list for monitoring by the IAASB.

B. Monitoring IASB Projects

13. Working groups will keep abreast of the progress of the IASB project through relevant documents put out by the IASB such as meeting papers, discussion papers etc., and where relevant, other resources to which the members have access.¹

C. Bring Identified Issues to the IASB's Attention

14. In the first instance, working groups would consult with the liaison representatives to assess whether subsequent actions are required and if so, what alternatives are available and likely most appropriate for communicating the identified verifiability or auditability issues to the IASB.
15. Examples of actions that may be undertaken are provided below. One, or a combination, of these actions may be considered:
- Early, informal dialogue between the working group and relevant parties from the IASB (depending on the circumstances, this may be Board or Staff members) for sharing of preliminary thoughts and gaining an understanding of the IASB's deliberations and views on identified issues.
 - Consultation with the IAASB Steering Committee and/or the IAASB as appropriate. Matters raised are typically for the purpose of obtaining viewpoints on whether and what type of subsequent action would be most suitable under the circumstances.
16. Where appropriate, informal communication with the IASB can be followed by more formal written comments to the IASB that would be on the public record.

D. Annual Strategic Review

17. A strategic review may be undertaken by the IAASB of its liaison with the IASB on an annual basis, for example at year-end. The focus of such a review will be on trends in financial reporting for purposes of identifying early more pervasive broader implications of accounting proposals on the work of the IAASB.
18. Such review could, for example, focus on the work program of the IASB in the aggregate, with a view to identifying significant verifiability or auditability issues that do not pertain merely to a single matter but have implications across a number of areas. Consideration may also be given to other matters of strategic importance to the IAASB, such as emerging financial reporting trends.

E. Modification and Review of Working Procedures

19. The working procedures herein may be modified, as considered necessary, to respond to changes in circumstances.

¹ The IASB makes available the agenda papers on projects under consideration in advance of its public meetings on its website (<http://www.iasb.org/home.htm>). These documents will better serve the purpose, in this regard, of monitoring international financial reporting developments in advance of exposure.

20. A review of the working procedures may also be undertaken at a future time, as appropriate, for enhancements on aspects of the initiative as more experience is gained.