DRAFT CONSULTATION PAPER

PROPOSED STRATEGY AND WORK PROGRAM FOR 2012–2014

CONTENTS

Introduction

About the IAASB

1. The International Auditing and Assurance Standards Board (IAASB) is an independent standard-setting body that develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board (PIOB), which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group (CAG), which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).[1] Other IFAC Boards and Committees interact with the IAASB and these relationships are described within this consultation paper as necessary.

2. The objective of the IAASB is to serve the public interest by setting, independently and under its own authority, high-quality standards dealing with auditing, review, other assurance, quality control, and related services, and by facilitating the convergence of national and international standards. This objective contributes to enhanced quality and consistency of practice in these areas throughout the world, and strengthened public confidence in financial reporting.

3. The IAASB consists of a full-time chairman and 17 volunteer members from around the world. It comprises an equal number of members in public practice with significant experience in the field of auditing and other assurance services, and individuals who are not in public practice ("non-practitioners"), including three public members. All board members are required to sign an annual statement declaring that they will act in the public interest and with integrity in discharging their responsibilities. Members are appointed by the IFAC Board, based on recommendations from the IFAC Nominating Committee. Member appointments are subject to the approval of the PIOB.

4. At present, the IAASB meets four times a year. The volunteer members' activities are divided between attendance and preparation time for IAASB meetings, and participation in project task forces.

5. The IAASB is supported by seven full-time technical staff.

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[1]   While the IAASB is an independent standard-setting body subject to oversight by the PIOB, it is important to acknowledge the work of other IFAC Boards and Committees that complement that of the IAASB. The cumulative work of IFAC's Board and Committees support its mission to serve the public interest by strengthening the worldwide accountancy profession and contributing to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

The IAASB's Principal Outputs as Envisioned by Its Terms of Reference[2]

The IAASB's International Standards on Auditing (ISAs) and Its Clarity Project

6. The year 2009 marked the end of the IAASB's Clarity Project, which involved the application of new drafting conventions to all ISAs, either as part of a substantive revision or through a limited redrafting, to reflect the new conventions and matters of clarity generally.

7. Improvements arising from the Clarity Project broadly comprise the following:

    *   Identifying the auditor's overall objectives when conducting an audit in accordance with ISAs;

    *   Setting an objective in each ISA and establishing the auditor's obligation in relation to that objective;

    *   Clarifying the obligations imposed on auditors by the requirements of the ISAs and the language used to communicate such requirements;

    *   Eliminating any possible ambiguity about the requirements an auditor needs to fulfill; and

    *   Improving the overall readability and understandability of the ISAs through structural and drafting improvements.

8. The suite of 36 newly updated and clarified ISAs and a clarified International Standard on Quality Control (ISQC) became effective for audits of financial statements for periods beginning on or after December 15, 2009.[3]

Other International Pronouncements[4] Developed by the IAASB

9. In addition to ISAs, the IAASB also develops the following authoritative pronouncements to deal with particular circumstances:

    *   International Standards on Review Engagements (ISREs) are to be applied in the review of historical financial information.

    *   International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements dealing with subject matters other than historical financial information.

    *   International Standards on Related Services (ISRSs) are to be applied to compilation engagements, engagements to apply agreed-upon procedures to information and other related services engagement as specified by the IAASB.

    *   ISQCs are to be applied for all services falling under the ISAs, ISAEs and ISRSs.

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[2]   The IAASB's Terms of Reference were amended by IFAC as part of its triennial review of the effectiveness of the processes of its Public Interest Activity Committees (PIACs) and were approved by the PIOB in March 2010.

[3] `   A listing of all the clarified ISAs, their full text, and other useful information about the development of the clarified ISAs, can be accessed at www.iaasb.org/clarity-center.

[4]   The term "pronouncements" includes the international standards and practice statements.

- International Auditing Practice Statements (IAPSs) are issued to provide practical assistance to auditors in implementing ISAs and to promote good practice.

10. A complete listing of these pronouncements, including those currently in development or planned for future revision, is included in Appendix 1.

Inputs to the IAASB's Processes

Setting the Strategy and Work Program

11. The process of setting the IAASB's future strategy and work program involves a formal survey of the IAASB's stakeholders to obtain views about issues that they believe should be addressed by the IAASB in the immediate future. Accordingly, a public survey was issued in April 2010, the results of which formed the preliminary basis for the IAASB's consideration in developing this consultation paper.

12. This consultation paper forms the most vital stage of the consultation process to set the IAASB's future agenda. It presents the proposed strategy for 2012–2014, possible actions to implement the proposed strategy, and the basis for them. It takes account of:

- The findings of the strategy review survey in April 2010. 101 responses were received, including responses from IFAC member bodies, regional professional accountancy organizations, organizations representing preparers of financial statements, audit firms and public sector audit organizations, and public authorities and international regulators.

- Consultation with the IAASB CAG, which has wide representation of those with an interest in auditing and assurance services, including preparers of financial statements and other information, investors, regulators and other users, including small- and medium sized entities (SMEs).

- Consultation at meetings of the IAASB—National Auditing Standard Setters, the IFAC Small and Medium Practices (SMP) Committee,[5] the International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Accounting and Disclosure, the Financial Audit Subcommittee of the International Organization of Supreme Audit Institutions (INTOSAI) (planned for September 2010), the International Forum of Independent Audit Regulators (IFIAR) (planned for September 2010), and the Forum of Firms (Forum)[6] (planned for October 2010; and

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[5]   Rapid response teams consisting of SMP Committee members endeavor to comment on IAASB's projects at key stages. The IAASB Chairman and other IAASB members may also be invited to SMP Committee meetings to discuss projects with particular relevance to SMPs.

[6]   The IAASB consults with the Forum in developing its strategy and work program and also in the context of individual projects. There are currently 21 full members of the Forum. The Transnational Auditors Committee (TAC) is the executive arm of the Forum and a committee of IFAC, providing the official link between the Forum and IFAC. Forum members promote the consistent application of high-quality audit practices worldwide, including the use of ISAs, and support convergence of national audit standards with ISAs. The Forum also discusses "best practices" in areas including quality control, auditing practices, independence, and training and development.

- Other international outreach activities with key stakeholders undertaken by the Chairman, Deputy Chair and IAASB staff. During 2010, there were [xx] meetings with, or presentations to, stakeholders in [xx] countries.

13. The proposed strategy and possible actions, amended in the light of comments received, will form the basis for the *Strategy and Work Program for 2012–2014*. The strategic plan and work program set the direction and priorities of the activities of the IAASB. They are set within the context of the overall strategy of IFAC, and respond to significant developments in the environment in which assurance services are performed and in which standards for such services are set.

14. In line with the IAASB's Terms of Reference and as illustrated in Appendix 2, the PIOB will evaluate whether due process used to develop the strategic plan and work program has been followed effectively and with proper regard for the public interest, the appropriateness of items in the work program, and the completeness of the strategy and work program from a public interest perspective. It will also consider whether to recommend, from a public interest perspective, that an item(s) be added to the work program. It is envisaged that the strategic plan and work program will be finalized by the fourth quarter of 2011.

15. The commencement of any new project, however, is subject to the IAASB approving a proposal that confirms that the project is an effective and efficient allocation of the resources of the IAASB. The IAASB is also aware of the need to be flexible in its planning process to be able to respond to new events and circumstances as they arise and the need to alter its work program to address new priorities.

Developing International Pronouncements

16. The IAASB considers its mandate to act in the public interest in all activities it undertakes. When asked what the most important component of the IAASB's work in serving the public interest was, many respondents to the survey cited its areas of strategic focus and felt the IAASB should be seen as acting in the public interest, by operating in a transparent manner following due process and with its members being seen as independent.

17. The IAASB is required to be transparent in its activities, and the development of its international pronouncements is conducted under its Due Process and Working Procedures, which have been approved by the PIOB. Before a final pronouncement can be issued, the PIOB evaluates whether due process has been followed effectively and with proper regard for the public interest. The stages of due process followed by the IAASB in developing an international pronouncement are illustrated in Appendix 2.

18. To a large extent, due process dictates the time it takes to develop an IAASB pronouncement. In following due process, each project takes approximately 24 to 36 months to complete, which includes an exposure period of ordinarily 120 days. A significant component of acting in the public interest is ensuring that relevant input is obtained by the IAASB throughout the development of a pronouncement. The IAASB invests significant time discussing issues before an exposure draft is released and considers comments received on exposure at one or more meetings approximately four months after an exposure period ends, which allows the project Task Force to then revise the proposed pronouncement in response to comments.

19.   The overall time to complete a project is also dependent on the complexity of the subject matter (for example, whether a project is a revision to an existing pronouncement or the development of a new pronouncement), and planned outreach activities (including the need to hold forums or roundtables). In addition, the IAASB discusses each project with the IAASB CAG a minimum of three times (at the project inception, prior to exposure, and prior to finalization).

Issues Facing the Accounting Profession that Should Influence the IAASB's Proposed Work Program

20.   Respondents to the April 2010 public survey were asked to identify issues facing the accounting profession that should influence the IAASB's strategy. Three main themes emerged from these responses, drawn in part from stakeholders' experiences with the financial crisis:

(a)   Communication about the role of the auditor as envisioned by the current ISAs is needed, as well as a debate as to whether the role of the auditor should evolve in order for an audit to remain a valuable service.

(b)   SMPs need (a) resources to help them interpret and apply the ISAs to ensure compliance on an appropriate and proportional basis when audits are conducted, and (b) clearly defined other assurance and related services to address the needs of users when an audit is not required or requested.

(c)   Certain areas of the audit are becoming more challenging in light of the accounting standards and the economic environment, including fair value accounting, financial instruments, disclosures, going concern, impairments and risk management and evaluation of business models.

21.   These themes are consistent with the work of IFAC's Business Reporting Project Group,[7] which also highlighted issues with corporate governance of entities, the need to improve the understanding among financial reporting stakeholders of the benefits of an audit, and concerns over the usefulness of financial reports generally.

22.   The IAASB believes that a number of actions it currently has underway are responsive to the issues identified by the survey respondents and the business reporting project group. Respondents to the survey noted strong support for the projects currently on the IAASB's agenda, many of which will continue into 2011 and 2012. Accordingly, in considering the future work program, the IAASB believes it is important first to ensure that the goals of the current work program are adequately achieved before embarking on new standard-setting projects as a means of responding to the issues identified in the survey. Current initiatives that will have an ongoing effect are highlighted in this paper. Other new projects included in the possible future actions were in part selected based on comments about the accounting profession overall.
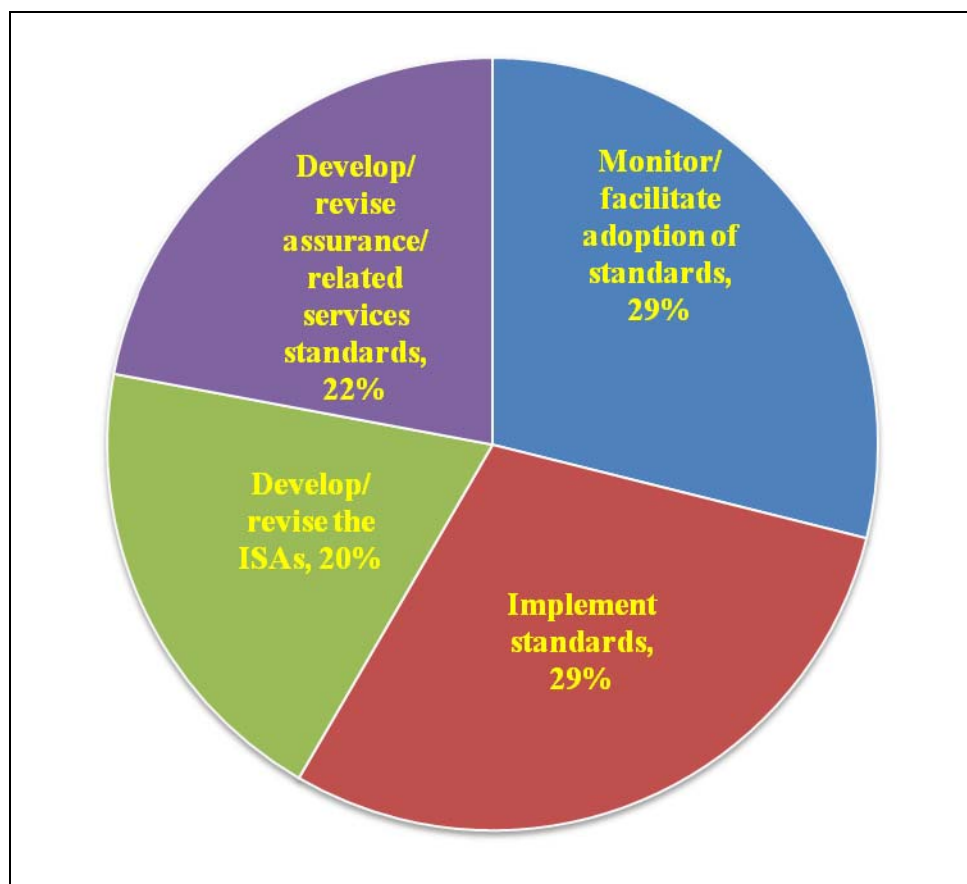
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[7]   This group plans to develop an International Good Practice Guidance, *Evaluating and Improving Business Reporting in Organizations*. Further information about the project can be found at www.ifac.org/frsc/index.php.

23. The IAASB also recognizes that accounting standard setters, regulators, and others are in the process of implementing responses to the global financial crisis. It is therefore important that the IAASB actively participate in the international debates in order to contribute its views and respond timely to any issues that may arise from an auditing perspective.

24. For example, the debate about possibly changing the role of auditors is an area in which the IAASB can influence, but not determine, the outcome of the discussions. Issues such as this need to be taken up in the broader context and should incorporate the views of, among others, users of financial statements, regulators and legislators that require audits to be performed, entities and their governance structures that pay for audit services, standard setters (including the IAASB), and the auditing profession. To the extent that the IAASB can facilitate these discussions or participate in them, it will seek to do so.

25. Finally, the IAASB's current communication and liaison activities will also be continued and, in some cases, enhanced to (a) promote adoption of the clarified ISAs and share the IAASB's views that these ISAs can be applied by SMPs, public sector auditors and others, (b) obtain feedback on implementation challenges in order to be in a position to appropriately respond, and (c) interact more directly with investors and other stakeholders to obtain their input into the IAASB's standard-setting process.
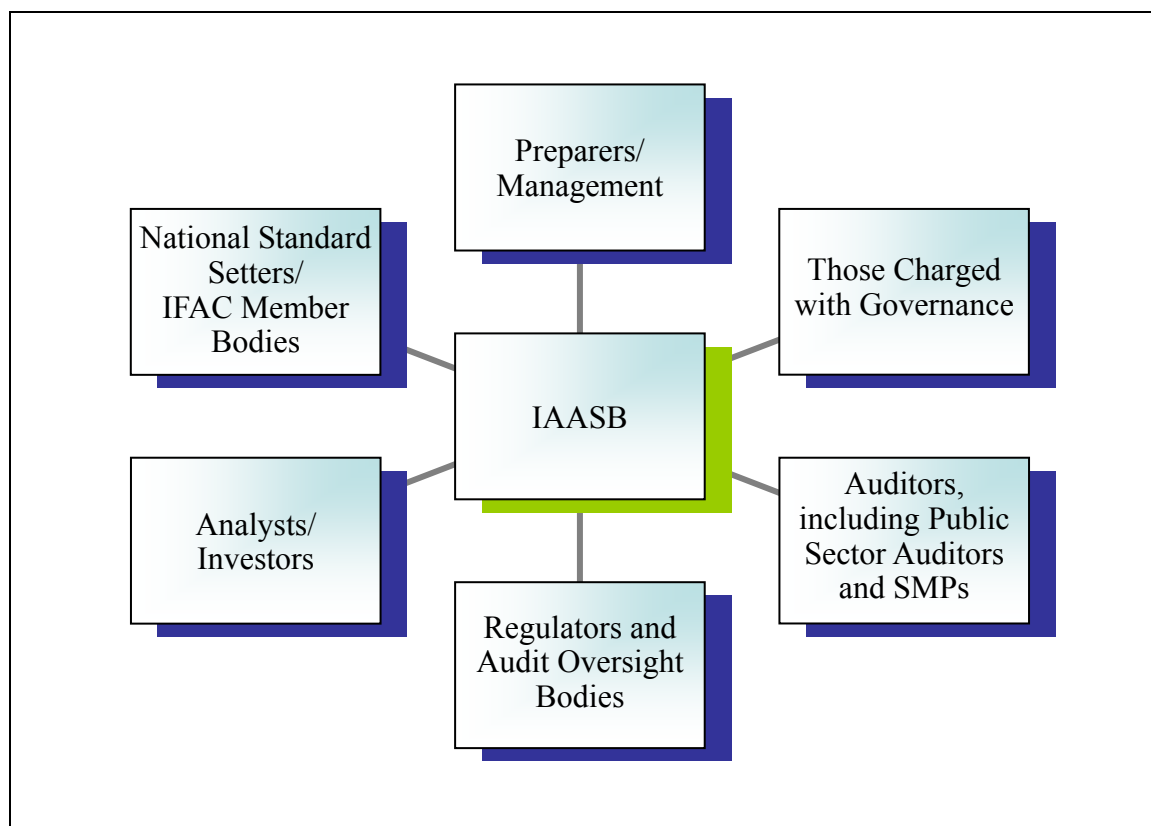
The IAASB's Strategic Focus and Current Work Program

26. Since the completion of the Clarity Project, the IAASB has been working in accordance with its *Strategy and Work Program, 2009–2011* (current Strategy or current Work Program). Developed after an extensive consultation process, the current Strategy focuses on the following three areas:

    (a) Development (and revision) of standards (and pronouncements); with focus on, amongst others, standards that facilitate the effective operation of the world's capital markets, those that respond to demand for other assurance services, and those that address the needs of SMEs and SMPs;

    (b) Monitoring and facilitating adoption of those standards; and

    (c) Responding to concerns about the implementation of the standards by activities designed to improve the consistency with which they are applied in practice.

27. Respondents to the strategy survey confirmed these areas of strategic focus remain appropriate, and were asked to suggest how the IAASB's time could be allocated across these three areas. While individual classes of stakeholders had differing views about the allocation,[8] in particular about the time to be spent developing ISAs versus other standards, the message was clear—their expectation is that the IAASB needs to do more with respect to adoption and implementation of its standards.

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[8] Ranges for the allocations were as follows: Developing/revising ISAs –1–53%; Developing/revising assurance and related services standards –5–60%; Monitoring/facilitating adoption of standards –10–60%; and Implement standards –5–75%.

28. This is not an unexpected result, in particular because adoption and implementation are at the forefront of stakeholders' minds as the clarified ISAs are now effective. It also is not taken to mean a need for a fundamental shift in the IAASB's longer-term standard-setting mandate, as the IAASB acknowledges its public interest mandate is to set high-quality standards. However, this allocation represents the circumstances and conditions in the medium-term to which the IAASB should respond in order for the goals of the Clarity Project to be realized—enhancing the consistency and quality of audits worldwide.

29. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. To do so, the IAASB sets requirements in ISAs aimed at ensuring that the auditor's opinion as to whether the financial statements achieve fair presentation is formed only after robust audit procedures have been performed, taking into account risks of material misstatement and with professional skepticism applied throughout the audit engagement. Assurance may also be requested or required on other information presented in accordance with regulatory requirements, such as carbon emissions information and pro forma financial information. By developing assurance standards addressing these new services, and defining what assurance means in relation to the subject matter, the IAASB believes the level of reliability of the information that is reported will be increased.

30. In addition, while national standard setters (NSS), legislators and regulators are typically responsible for developing adoption and convergence plans or requiring compliance with the ISAs, their successful implementation cannot be achieved without the efforts of IFAC member bodies, accounting firms, audit practitioners and others. Accordingly, an important part of the IAASB's work is outreach and mutual collaboration with these stakeholders broadly and at key stages of the IAASB's projects, including the following:

Audit Quality

31. Audit quality is intrinsic to the work of the IAASB. The pursuit of audit quality is at the core of the IAASB's efforts to develop high-quality auditing standards, recognizing the external audit's vital role in supporting the quality of financial information on which users and markets depend, and therefore its role as an activity of significant public interest. The IAASB believes that auditors can only meet their public interest obligations through high-quality audits.

32. The ISAs are – and remain – the IAASB's most important single product. The pivotal role that they play in contributing to audit quality is a key message that the IAASB will continue to emphasize in promoting their adoption around the world. Importantly, the IAASB believes that the recent improvements to the ISAs brought about by the Clarity Project will further enhance the consistency and quality of practice, particularly in areas such as accounting estimates (including fair value accounting estimates), materiality, use of an auditor's expert, communication with those charged with governance, and related parties—some of which have been the foci of attention as a result of the global financial crisis.

33. Nevertheless, while the ISAs form an important pillar in supporting high-quality audits, it is essential that they be placed in the proper context as they are but one component of the audit quality concept. While the inputs (of which auditing standards are one) to audit quality are important, user perceptions of output also matter. Equally, the IAASB believes that audit quality and indeed the role of the auditor should not be viewed in isolation, but rather as a critical element of corporate governance and high-quality financial reporting. The following illustrates some components that the IAASB believes are key to audit quality.

Environmental Factors	• **Governance and Accountability Arrangements** • **Regulation and Oversight** • **Players and Perceptions; Markets**
Outputs & Responses	• **Auditor's Report** • **Other Auditor Communications and Disclosures** • **User Responses and Interactions, e.g. Audit Committees** • **A Professional Service (Client Service and Audit Fees)**
Inputs & Indicators	• **Audit Process and Quality Control** • **Audit Evidence and Auditor Judgment** • **Auditing Standards** • **People: Education, Ethics, Mindsets, Culture** • **External Expectations (also an environmental factor)**

34. As a precursor to the IAASB engaging more fully with stakeholders on the topic of audit quality, IAASB Staff plans to finalize a thought piece by the end of 2010 aimed at raising awareness of the concept of audit quality and its main components, including how the ISAs fit into the broader context. The intent is that this project will spark a broader debate about audit quality, which may affect the IAASB's future work program, in particular as it relates to whether and, if so, how the ISAs could be further improved in order to promote audit quality to the greatest possible extent. For this reason, time will be needed in 2012 and possibly beyond to further the IAASB's discussions on this topic.

Auditor Communications

35.   Other projects on the IAASB's current agenda are closely linked to audit quality. In 2009, the IAASB began its discussions on the findings from four academic research projects, commissioned jointly by the IAASB and the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA). The purpose of commissioning this research was to help inform whether the standard auditor's report needs to be improved and, if so, how. The research findings stimulated good debate, and it is clear there is continuing demand for enhanced auditor communications that are relevant and meaningful to user needs. Respondents to the strategy survey echoed these views, and suggested that the IAASB's focus on auditor communications, both within the auditor's report and more broadly with those charged with governance, is necessary.

36.   While it is not yet clear how the IAASB's debates in this critical area may evolve, and the potential outcome of this project cannot be predicted yet, the IAASB believes it is prudent to allow for the possibility that ISA 700[9] may need to be revised. It is also important for the IAASB to liaise closely with IOSCO's Technical Committee, which has issued a *Consultation Report on Auditor Communications*, to enhance its debate. Finally, broader discussions on the role of the auditor may also influence the nature and content of the auditor's report.

ISA Implementation Monitoring

37.   Over 125 countries[10] are using or are in the process of adopting or incorporating ISAs issued by the IAASB into their national auditing standards, or using them as a basis for preparing national auditing standards. ISAs are intended for use in all audits, including publicly traded companies, private business of all sizes, and government entities at all levels.

38.   The IAASB recognizes that the revisions and clarifications of the now-effective clarified ISAs have resulted in substantial change at a time of considerable pressure on the audit profession from oversight, regulatory and financial reporting changes and, hence, there is a strong sense of regulatory overload. It is acknowledged that the short-term effect of the revisions and clarifications of ISAs within countries newly adopting ISAs (either as written or locally adapted) may create practical implementation and educational challenges greater than those experienced by auditors responding to changes in ISAs. They also particularly affect SMEs and their auditors, who are typically SMPs.

39.   Recognizing the need to stay informed about the progress of implementation efforts globally, the IAASB has begun the development of a process for monitoring the implementation of the clarified ISAs, referred to as the "ISA Implementation Monitoring" project. The purpose of such a process is to assist the IAASB in determining whether there is any need for further refinement in its standards in order to achieve their intended objectives. In the longer term,

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9   ISA 700, *Forming an Opinion and Reporting on Financial Statements*

10   The IFAC Compliance Advisory Panel oversees the implementation and operation of the IFAC Member Body Compliance Program, which provides information about adoption and convergence efforts with respect to the ISAs. Information gathered by the IFAC Member Body Compliance Program about adoption of the extant ISAs can be accessed at web.ifac.org/isa-adoption/chart.

the process would become a standing part of the IAASB's effort to seek continuous improvement in its standards. The project Task Force intends to publish a summary report by November 2010 on the findings from the first phase of the project. Liaison with key stakeholder groups will continue throughout 2010 and 2011.

40.   However, because the clarified ISAs have only recently become effective, it will be some time before the results of this implementation monitoring project become known. In addition, audit oversight bodies will likely not have findings on which to report about the consistency with which the clarified ISAs have been implemented until one or two audit and corresponding inspection cycles are completed. The project Task Force is currently liaising with IFIAR to ensure that they are given, and indeed take, opportunities to highlight concerns noted as part of individual country inspection programs; this cooperation will be critical to the IAASB's ability to influence audit quality.

Academic Research

41.   Research is a fundamental input to high-quality standards. In addition to research on the auditor's report, the IAASB has also collaborated with the International Association for Accounting Education and Research (IAAER) and the Association of Chartered Certified Accountants (ACCA) to commission four new research projects directed at informing the work of the IAASB. Research teams from Australia, Germany, the Netherlands, the United Kingdom, and United States will investigate such matters as:

- The consistency in the application of ISAs;

- The implications of eXtensible Business Reporting Language (XBRL) for financial statement audits;

- The audit methodology of smaller firms; and

- The nature of professional judgments in audits.

It is possible that the IAASB's debate following these areas may result in the prioritization of one or more projects in the period 2012–2014.

Outreach and Communication Activities

42.   The three most commonly cited barriers to adoption of the ISAs in the survey were the challenges in adopting auditing standards into law or regulation, difficulties with translation, and the length and complexity of the standards themselves. Respondents to the survey believed the IAASB should take a more active role in promoting the adoption of the ISAs, in particular the adoption of the ISAs by the European Commission (EC) and promotion of their use by SMPs, public sector auditors, and in developing nations and emerging economies. It was also suggested the IAASB should continue to liaise with the US Public Company Accounting Oversight Board (PCAOB) to work towards further convergence of auditing standards.

43.   Adoption of ISAs for statutory audits in the European Union (EU) under the EC's 8th Company Law Directive remains an important strategic objective. The IAASB has been engaging with key EC representatives to progress this important initiative. In this regard, the

EC has announced its plans to publish a Green Paper later this year that will consult on a broad number of audit-related issues, including the role and the governance of auditors, the concentration in the audit market and its implications on financial stability, the emergence of SMPs, the audit of SMEs and ISAs. In spite of the delay in adoption of the ISAs by the EC, a number of individual Member States have moved ahead with adoption plans. At the time of writing this paper, at least 15 Member States have set out their initiatives to adopt the ISAs within their jurisdictions.

44.   While acknowledging that the IAASB regularly engages key stakeholders, including NSS, in promoting the adoption and implementation of the ISAs, many respondents to the strategy survey cited communications as an area on which the IAASB could improve. The IAASB has a number of communications activities aimed at keeping its stakeholders informed of its activities that it intends to continue, but it will also consider new activities designed at enhancing its core messages and ensuring the IAASB is viewed as an international standard-setter with expertise on key matters. The IAASB's current outreach and communication activities are included in Appendix 3.

45.   As an example of outreach activities, the IAASB's observer status at the PCAOB's Standing Advisory Group meetings allows the IAASB to keep in touch with PCAOB developments, and provide the PCAOB with an international view on a number of their auditing standards projects. The PCAOB also participates in the IAASB CAG as an observer, and participates in the annual IAASB-NSS liaison meeting. The IAASB continues to look for ways to work together with the PCAOB more closely as appropriate, in particular on projects of mutual interest.

46.   Communication about the value and benefit of an audit, in particular an audit conducted in accordance with the clarified ISAs, was suggested as a necessary future communication to better explain the role of audit. The current work program includes plans for the discussion of a publication on the "Meaning of an Audit," which will be tailored to further address the expectation gap and communicate on the nature and purpose of an audit, including educational material that lays out the objectives and procedures of a financial statement audit and describes how an audit is done. The timing of this publication is currently linked to the finalization of the review and compilation standards in order to more clearly differentiate the various services (planned for late 2011). The IAASB is of the view that this timing remains appropriate, but may reconsider this timing after more fully considering the effect of expanding its scope and its importance relative to other priorities.

Public Sector Considerations

47.   In developing the clarified ISAs, the IAASB gave particular attention to develop considerations specific to SMEs and the public sector. Respondents from these stakeholder groups were of the view that more could be done to promote the adoption of the ISA with these two groups. In the case of the public sector, INTOSAI uses the ISAs as the basis for their International Standards of Supreme Audit Institutions (ISSAIs, which incorporate additional guidance on applying ISAs when auditing public sector entities. The IAASB commends INTOSAI on finalizing its set of ISSAIs, as it supports the IAASB's views that public sector audits of financial statements can and should be carried out in accordance with

ISAs. However, the IAASB recognizes there is more do be done in our mutually beneficial relationship to ensure that public sector auditors understand why the same auditing standards can be applied for both private and public sector entities.

Outreach with Investors and Others

48. Respondents to the survey also widely supported the IAASB expanding its communications with users, including investors. Some suggested that additional communications are also necessary between auditors and those charged with governance and shareholders outside of the auditor's report. Suggestions to how to further engage investors in the work of the IAASB include roundtables and regional forums conducted with regulators and NSS; investor working groups; webcasts; surveys; user-focused newsletters and web publications.

49. Respondents also suggested the IAASB could strengthen liaison with stock exchanges, CFOs and controllers, corporate governance organizations, and shareholder associations. While a number of these organizations are represented on the IAASB CAG, it may be necessary for activities with these groups to be expanded.

50. These suggestions mirror efforts underway by the International Accounting Standards Board (IASB) and the PCAOB. The IAASB intends to explore additional communication and outreach efforts that could be employed in the context of individual projects, so that all available methods of outreach and communication are considered and the approach is tailored to the project.

51. It may also be possible for the IAASB to leverage work being undertaken by the IASB and other key players in the financial reporting supply chain, such as the Financial Stability Board, IOSCO, IFIAR, donor agencies like the World Bank, regional accountancy organizations, and other IAASB CAG Member Organizations to hold joint events or expand IAASB participation in their events beyond the Chairman's speaking engagements.

Possible Actions to Implement the Proposed Strategy

Key Assumptions

52. The IAASB's future work program will be based on the following key assumptions:

   - The existing staff structure of seven full-time technical staff remains unchanged.

   - The IAASB meets for five days, four times per year. Approximately six projects can be discussed at each IAASB meeting, depending on the stage of the project.

   - Detailed work on projects is undertaken by task forces drawn from the membership of the IAASB and which may include representatives nominated by INTOSAI or from other relevant organizations.

   - The development of all standards and pronouncements (e.g., ISAs, ISAEs, ISREs, ISRSs, and IAPSs) is done following due process. Accordingly, each project takes approximately 24 to 36 months to complete. This includes consultation with the IAASB CAG, IFAC SMP Committee and public exposure for comment.

   - Each project is discussed approximately eight times by the IAASB. Additional

development time has been factored into the future work program to allow for research activities, expanded outreach and direct interaction with interested stakeholders, and development of additional communications relating to individual projects.

53. A number of projects on the IAASB's current agenda are expected to extend into 2012 and beyond, and are incorporated into the table below to give context to the level of the IAASB's activity during 2012–2014. They are indicated in a bulleted list. Project histories for these projects, including their objectives, can be found at www.iaasb.org/Projects.php.

54. Based on the projects currently underway, the IAASB will be able to commence approximately 6–8 new projects from the list of possible actions during 2012–2014. Substantial progress on new projects will not be achieved until 2013 to allow for the projects carried over from the 2009–2011 agenda to be completed.

55. Regarding projects included in the 2009–2011 work program that have not yet started, based on the responses to the survey the IAASB concluded it would be appropriate to continue to plan to consider a project to develop an ISAE on sustainability reporting after the finalization of proposed ISAE 3410, *Assurance on a Greenhouse Gas Statement*. The IAASB has not yet concluded on the matter of revising ISAE 3400, *The Examination of Prospective Financial Information*, but intends to do so after further progress is made towards the finalization of proposed ISAE 3420, *Assurance on the Proper Compilation of Pro Forma Financial Information Included in a Prospectus*. Feedback to date has indicated that extant ISAE 3400 does not provide for the opinion that many regulators require, and the IAASB's experience in developing ISAE 3420 is likely to provide information relevant to determining whether ISAE 3400 can be meaningfully revised or whether it should be withdrawn.

Balance of Resources between the IAASB, Its Chairman and Its Staff

56. As the IAASB members participate on a volunteer basis, it is important to recognize the limitations on the available board time that can be devoted to particular projects. The due process associated with standard-setting projects involves full board deliberation in public meetings, as well as discussions with the IAASB CAG.

57. Project task forces, which are chaired by IAASB members, and comprise IAASB members, IAASB technical advisors, and others with relevant expertise typically meet at least once between each IAASB meeting. Each IAASB member ordinarily participates in two or more project task forces.

58. Board members may be asked to participate in outreach activities in their capacity as Task Force Chairs on particular projects or in their particular jurisdictions. In addition, IAASB members may also elect to participate in the IAASB's liaison activities with the IASB via working groups formed to discuss accounting standards in development with the goal of providing the IASB with timely inputs on aspects of its proposed standards that may have potential verifiability or auditability issues. These activities take place outside of the IAASB's quarterly meetings. Board members may also be asked to participate in the IAASB CAG meetings and liaison meetings with NSSs.

59. The full-time IAASB Chairman undertakes a significant level of outreach activity, speaking at conferences and meetings of organizations interested in the work of the IAASB, engaging

in one-on-one dialogue with key stakeholders moving ahead with adoption of the ISAs, participating in discussions about the regulatory environment in which auditors operate, and furthering the work of the IAASB in a number of forums.

60.   In addition to managing projects, IAASB Staff develop publications such as Staff Audit Practice Alerts, Staff Questions and Answers, press releases and project updates for individual projects, explanatory memorandums that accompany exposure drafts, and bases for conclusions that accompany final pronouncement. They are also involved in liaison activities and prepare relevant materials to support the Chairman's outreach efforts. Finally, Staff organize the agendas and relevant material for the IAASB CAG and IAASB-NSS liaison meetings, and have responsibility for reporting to IFAC and the PIOB.

61.   It is in the context of all these activities that the list of possible actions has been prepared and final decisions about activities to be undertaken are made, recognizing the limitations on resources, the time necessary to develop high-quality pronouncements, and the need to ensure that the IAASB has the capacity to respond to new issues on a timely basis.

Possible Actions

62.   The IAASB is of the view that the possible actions in the table below will assist it in achieving the proposed strategy in light of the focus described in paragraphs 26–30. Paragraphs 65–83 provide the basis for the possible actions.

63.   The table includes the potential projects that the IAASB may commence during 2012–2014. **While the IAASB expects to finalize the projects that are currently underway (indicated with bullets), the IAASB does not anticipate that it will be able to undertake all of the potential projects listed in the table**. The IAASB will select projects from the list of possible actions based on the views of respondents to this consultation paper about the merits of the possible actions, and available resources. Appendix 3 contains a list of current (ongoing) actions, which the IAASB intends to continue during 2012–2014. While not necessarily activities on which the Board currently spends a significant amount of time, meaningful Staff time is devoted to these efforts, which in turn reduces the amount of time available for technical projects.

Guide for Respondents

64.   The IAASB invites comments on any aspect of the proposed strategy and possible actions. In particular, it would be helpful if respondents' comments could include the following:

(a)   Whether the list of possible actions is consistent with the IAASB's three areas of strategic focus and whether it responds to issues facing the accounting profession;

(b)   Whether the list is complete, and how those actions should be prioritized; and

(c)   How additional actions identified by respondents, if any, should be prioritized.

Respondents are specifically asked to select the top three projects either from, or in addition to, the list of possible actions which they believe would best meet the IAASB's public interest mandate. Doing so will assist the IAASB in selecting the most appropriate projects to be undertaken during 2012–2014 in light of the constraints on its resources.

Overview of Possible Actions to Implement the Proposed Strategy, Including Current Projects

A.	Development and Revision of Its Standards

A.1 Maintaining a Commitment to the ISAs and the Audit

Current Projects

- Finalize the revision of ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.*

- Conclude on actions to be taken as a result of the research on the standard auditor's report (ISA 700, *Forming an Opinion and Reporting on Financial Statements*).

- Continue to monitor developments in accounting standards to determine whether these may lead to a need for new or revised auditing standards, or further guidance.

New Projects

A.1.1 Undertake a new project (project #1) to respond to findings of the ISA Implementation Monitoring project, in consultation with the IAASB CAG—output in the form of a revised ISA(s), new ISA, IAPS, or other form, as deemed appropriate.

A.1.2 Undertake a new project (project #2) to respond to findings of the ISA Implementation Monitoring project, in consultation with the IAASB CAG—output in the form of a revised ISA(s), new ISA, IAPS, or other form, as deemed appropriate.

A.1.3 Develop a new ISA or guidance on auditing financial statement disclosures.

A.1.4 In consultation with banking regulators and supervisors, consider incorporating relevant material in IAPS 1004, *The Relationship between Banking Supervisors and Banks' External Auditors*, and IAPS 1006, *Audits of the Financial Statements of Banks*, in a new guidance document for the audit of banks.

A.2 Enhancing Public Confidence through the Development or Revision of Assurance and Other Standards that Respond to Demands of Users of Financial Information

Current Projects

- Finalize the revision of ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information.*

- Finalize the development of new ISAE 3410, *Assurance on a Greenhouse Gas Statement*.

- Finalize the revisions of ISRE 2400, *Engagements to Review Financial Statements*, and ISRS 4410, *Engagements to Compile Financial Statements*.

- Conclude on actions to be taken as a result of consultations on XBRL.

- Determine whether to revise or withdraw ISAE 3400, *The Examination of*

Prospective Financial Information.

- Develop a new ISAE addressing assurance on sustainability reporting.

New Projects

A.2.1 Revise ISRS 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*.

A.2.2 Redraft ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* in the clarity format.

A.2.3 Evaluate whether to develop a new ISAE addressing assurance on corporate governance statements.

A.2.4 Evaluate whether to develop a new ISAE addressing assurance on internal control.

B.   Monitoring and Facilitating Adoption of Its Standards

B.1   Communicating about the Benefits of Adopting the ISAs

Current Projects

- Continue work on the audit quality initiative.

- Continue communication and other outreach initiatives described in Appendix 3.

New Projects

B.1.1 Develop an overall publication explaining the benefits of adopting the ISAs, with a specific focus on explaining how ISAs can be applied by SMPs and in the public sector.

B.1.2 Work with donor agencies, the IFAC Compliance Advisory Panel, the IFAC Professional Accountancy Organization Development Committee (PAODC),[11] and others to engage key stakeholders who can influence adoption efforts in particular countries. Consider whether the material contemplated in B.1.1 could be used in these discussions or whether it is necessary to develop additional materials to ensure a consistent message is reiterated in these discussions.

C.   Responding to Concerns about Implementation of Its Standards

C.1   Developing Implementation Guidance

C.1.1 Through the ISA Implementation Monitoring project and other outreach activities, take a proactive role in identifying implementation challenges and seek to develop materials aimed at addressing these challenges, working with NSS, IFAC member bodies and others.

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[11] The PAODC, formerly the Developing Nations Committee, supports capacity building of the accountancy profession in all regions of the world and, through its outreach activities, assists the IAASB in obtaining the views of developing nations seeking to adopt or implement the ISAs.

C.1.2   In connection with the SMP Committee and other interested parties, consider what further actions can be taken to assist in the implementation of ISQC 1, *Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, for smaller firms.

C.2   **Monitoring Implementation of Other Standards**

C.2.1   Seek feedback from service organizations, service auditors, user entities, user auditors, and others on their experiences with the implementation of ISAE 3402, *Assurance Reports on Controls at a Service Organization*.

Basis for Possible Actions

A.   **Development and Revision of Its Standards**

A.1   *Maintaining a Commitment to the ISAs and the Audit*

A.1.1   Undertake a new project (project #1) to respond to findings of the ISA Implementation Monitoring project, in consultation with the IAASB CAG—output in the form of a revised ISA(s), new ISA, IAPS, or other form, as deemed appropriate.

A.1.2   Undertake a new project (project #2) to respond to findings of the ISA Implementation Monitoring project, in consultation with the IAASB CAG—output in the form of a revised ISA(s), new ISA, IAPS, or other form, as deemed appropriate.

A.1.3   Develop a new ISA or guidance on auditing financial statement disclosures.

A.1.4   In consultation with banking regulators and supervisors, consider incorporating relevant material in IAPS 1004, *The Relationship between Banking Supervisors and Banks' External Auditors*, and IAPS 1006, *Audits of the Financial Statements of Banks,* in a new guidance document for the audit of banks.

65.   Although a number of respondents highlighted the view that the ISAs that were not revised as part of the Clarity Project (see Appendix 4) should be addressed, there was no clear consensus on the ISAs in this category in need of updating and the reasons why they should be updated. Previous discussions have indicated there may be scope for improvements to ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*; ISA 530, *Audit Sampling*; and ISA 570, *Going Concern*. An initial Staff review of comments received on those ISAs that were only redrafted did not indicate an urgent need to revise any other ISAs. However, the IAASB recognizes that it is through the Implementation Monitoring project that any implementation challenges warranting revision of the ISAs or the development of further guidance to promote consistent implementation of the ISAs will be identified. It may be that discussions with regulators, audit oversight bodies, or those adopting the ISAs may identify individual ISAs that could benefit from a revision, though equally a number of these stakeholders have indicated that a stable period would be welcomed.

66. Particularly important to note in the Phase 1 results of the ISA Implementation Monitoring project are the questions relating to the development of guidance on materiality and group audits. Respondents to the survey note that further guidance is likely to be necessary. Respondents also supported the project on the current work program to consider whether to develop further certain conceptual aspects of ISAs, such as audit evidence and professional judgment, and suggested additional communications on professional skepticism and reasonable assurance would be worthwhile.

67. Accordingly, the IAASB plans to undertake two new projects that emerge as the most pressing issues in the ISA Implementation Monitoring project, subject to a clear and compelling need for the projects and a discussion with the IAASB CAG. The output of these projects could be revisions to the ISAs (either individual ISAs or limited amendments as part of a broader improvements project), new ISAs, new IAPSs, Staff publications, or other output. The proposed outputs for these two projects will be considered in the context of the IAASB's discussion of project proposals before such projects are commenced. In addition, due to the timing of Phase 2 of the ISA Implementation Monitoring project, additional time may need to be devoted in 2015–2017 to projects resulting from the feedback received.

68. An emerging theme in a number of liaison meetings, stakeholder discussions, and in the survey results was the increasing importance being attributed to financial statement disclosures, as evidenced by the fact that accounting standard setters are being encouraged to develop specific disclosure frameworks, and an increasing role being given to the auditor's role regarding the quality of those disclosures. While the ISAs do address the auditor's role in relation to disclosures, there are challenges being faced by auditors in considering the meaningfulness, completeness, adequacy, and understandability of disclosures, and in securing a common understanding of the judgments necessary in applying the concept of materiality to them. The IAASB intends during 2010 to begin discussions in this area, primarily by seeking to liaise with accounting standard setters, regulators and prudential supervisors.

69. Finally, regulators expressed particularly strong views for the IAASB to update guidance contained in IAPS 1004 and IAPS 1006. In their view, this guidance remains useful and should be supplemented with lessons learned in addressing financial crisis issues. They also believed including a program on the IAASB's agenda would respond to concerns of audit regulators, audit firms and supervisory agencies that audit procedures may need to be strengthened in areas such as risk assessment, impairments, disclosures, and going concern. NSS, however, have previously indicated the view that developing international guidance in a highly nationally-regulated industry may not be effective.

70. At its June 2010 meeting, the IAASB agreed to withdraw all of the extant IAPSs, including IAPS 1004 and IAPS 1006, given that they are out-of-date, subject to the views of stakeholders on consultation.[12] This consultation also explains that IAPSs do not establish

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[12] The IAASB's proposals on the status and authority of new IAPSs, including the withdrawal of the extant IAPSs, will be exposed in October 2010 concurrently with the exposure of proposed IAPS 1012, *Auditing Complex Financial Instruments*.

additional requirements beyond those in the ISAs and proposes IAPSs only be developed in particular circumstances. The IAASB agrees that an IAPS may be a practical way forward to provide guidance on key audit considerations for banks, but has not concluded on the matter. The decision whether the guidance material will remain in the form of an IAPS or take on another form remains to be seen. In addition, due to the specialized nature of the topic, the inclusion of this project on the IAASB's work program is contingent upon the assistance that can be given by the banking regulators and supervisors, as well as firm experts.

A.2   *Enhancing Public Confidence through the Development or Revision of Assurance and Other Standards that Respond to Demands of Users of Financial Information*

A.2.1   Revise ISRS 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*.

A.2.2   Redraft ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* in the clarity format.

A.2.3   Evaluate whether to develop a new ISAE addressing assurance on corporate governance statements.

A.2.4   Evaluate whether to develop a new ISAE addressing assurance on internal control.

71.   Discussions with SMPs and responses to the survey, for example in relation to developing nations, have indicated that international donors, banks, and other sources of capital often request an entity to have agreed-upon procedures performed by a practitioner in lieu of an audit or in order to ensure specific procedures are performed on key account balances. The Task Force dealing with the revisions to ISRE 2400 and ISRS 4410 has also highlighted the need for revision to ISRS 4400 to enhance the suite of engagement standards available to practitioners to meet the needs of entities that do not require an audit but find value in having the practitioner involved in some way. Work to revise ISRS 4400 may also be meaningfully leveraged for the XBRL initiative, as there is currently a demand in some jurisdictions for agreed-upon procedures that deal with the completeness, accuracy, and consistency of XBRL-tagged data. Finally, a revision to ISRS 4400 would bring it in line with other improvements made to through the Clarity Project regarding the auditor's compliance with relevant ethical requirements.

72.   In considering changes to revised ISRE 2400, the IAASB's discussions have indicated that clarifying ISRE 2410 would likely enhance the quality of interim reviews performed by auditors. Doing so will clarify the nature and extent of the auditor's procedures in an interim review and would allow the IAASB to better explain the distinction between an interim review and reviews as envisioned by revised ISRE 2400, in particular as regards the auditor's report on an interim review engagement. A more substantive revision of ISRE 2410 would not be contemplated at this time, as it is generally used in practice without significant difficulties.

73.   A number of respondents were of the view that the global financial crisis has demonstrated that robust, transparent governance practices need to be embedded in all organizations, along with a re-evaluation of remuneration structures, board level expertise and training, and risk management. Corporate governance statements, providing increased transparency for

investors and other stakeholders, have gained in importance in the aftermath of the crisis. Assurance by independent qualified accountants enhances the credibility of the information. As this is an area which is of public interest and is a global topic that is becoming more relevant to those charged with governance demonstrating responsibilities for monitoring and risk assessment, the IAASB will evaluate whether a new ISAE on assurance on corporate governance statements should be developed.

74. A number of respondents to the survey also indicated that internal control and risk management over financial reporting are key factors of corporate governance as well as reporting thereon. While the audit of internal control over financial reporting is not required by regulation in many jurisdictions,[13] some respondents were of the view that there will be a growing demand for this service. As those charged with governance become more aware of their own responsibilities in this area, respondents predicted that they might voluntarily turn to their auditors to provide assurance in this area. Others believed the global financial crisis has also highlighted the need for auditors and users of financial statements to have an in-depth understanding of an entity's risk management processes in place to identify, classify, and account for transactions. Regulators in particular indicated a desire for a standard to address this topic. At this stage, it is not envisioned that this would become part of the ISAs (that is, the IAASB does not propose moving towards an integrated audit model) absent broad regulatory requirements to do so.

B.   Monitoring and Facilitating Adoption of Its Standards

B.1   *Communicating about the Benefits of Adopting the ISAs*

B.1.1	Develop an overall publication explaining the benefits of adopting the ISAs, with a specific focus on explaining how ISAs can be applied by SMPs and in the public sector.
B.1.2	Work with donor agencies, the IFAC Compliance Advisory Panel, the IFAC Professional Accountancy Organization Development Committee (PAODC), and others to engage key stakeholders who can influence adoption efforts in particular countries. Consider whether the material contemplated in B.1.1 could be used in these discussions or whether it is necessary to develop additional materials to ensure a consistent message is reiterated in these discussions.

75. Respondents to the survey believed communicating about the benefits of adopting the clarified ISAs is critical to their global adoption. The IAASB, in cooperation with IFAC's Communications Department,[14] will explore whether basic publications highlighting why the IAASB believes the clarified ISAs should be adopted could be developed and tailored to key groups considering adoption such as legislators, regulators, public sector auditors and SMPs, citing the expected benefits including improved consistency, comparability and quality. These publications could acknowledge the initial costs required for adoption but highlight the work

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[13]   The U.S. and Japan have already implemented requirements for auditors on internal control over financial reporting.

[14]   The Communications department assists the IAASB in reaching its target audience, through the issuance of press releases and eNews, website enhancements and other communications initiatives.

IFAC has undertaken to facilitate quality translation[15] of the ISAs and the work of the SMP Committee to develop guides to the application of the clarified ISAs and ISQC 1, *Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, in addition to the modules developed by the IAASB on the ISAs that had been substantively revised during the Clarity Project. This work is important to explain why ISAs can be used in both audits of publicly-listed entities and private entities.

76.   As work on the ISA Implementation Monitoring project continues, including the planned liaison with SMPs who are adopting the ISAs, there may be further opportunities for the IAASB to share "success stories" of those adopting the ISAs to educate those considering whether to adopt the ISAs about how ISAs contribute to audit quality.

77.   During 2010, outreach activities were undertaken with jurisdictions that have committed to adopting the ISAs, and meetings have been conducted with NSS, regulators and audit oversight bodies, investor groups, academia, and lawmakers. This important activity is expected to continue in 2011 and beyond. In addition to the ongoing activities to encourage the adoption of the ISAs for statutory audits by the EC, leveraging contacts of other IFAC Boards and Committees, in particular the PAODC and its relationship with the World Bank, will allow the IAASB further opportunity to promote the adoption of its standards and engage in a dialogue about barriers to adoption in the hopes of eliminating or minimizing those barriers.

C.   Responding to Concerns about the Implementation of Its Standards

C.1   *Developing Implementation Guidance*

C.1.1   Through the ISA Implementation Monitoring project and other outreach activities, take a proactive role in identifying implementation challenges and seek to develop materials aimed at addressing these challenges, working with NSS, IFAC member bodies and others.

C.1.2   In connection with the SMP Committee and other interested parties, consider what further actions can be taken to assist in the implementation of ISQC 1, *Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* for smaller firms.

78.   The IAASB believes that communication is a two-way process that enables the IAASB to hear others' concerns about practice, and what standard setters can do about them; hear concerns about standards; be aware of recent developments in practice; and be aware of relevant regulatory developments. This communication is particular necessary in regard to implementation of the IAASB's standards. Once adopted, successful implementation of standards is vital to ensure professionals understand and apply those standards appropriately. A wide range of activities needs to be undertaken to facilitate implementation by jurisdictions and auditors, for example, communications, translation, revision of audit methodologies,

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[15]   IFAC's Translation function works to promote the use of the IAASB's materials by permitting interested parties to reproduce and translate them. It maintains a database of translation of key publications by external parties, and has been working closely with the EC to ensure one quality translation of the clarified ISAs per language.

audit software updates, and auditor training. While the ISA Implementation Monitoring project will assist in identifying issues noted in implementing the clarified ISAs, outreach activities with NSS and member bodies, as well as SMPs, can further inform the IAASB about activities it could take to assist implementation.

79. To date, IAASB Staff has developed the Clarity Center website, video modules, and staff publications to communicate about implementation, but it is likely there are more activities that could be undertaken both at a Board and Staff level to address the challenges noted in implementation. Respondents to the survey suggested explaining key considerations to be applied in the application of the audit risk standards, in particular for SMEs, and further efforts with regulators and audit oversight bodies, could lead to more consistent application of these standards in practice and address concerns that persist regarding the extent of documentation needed to comply with the ISAs.

80. In order to increase the transparency with which the IAASB operates, it was also suggested the IAASB could invite speakers from stakeholder groups to present to the IAASB, conduct meetings between the full IAASB and the IAASB CAG, and enhance dialogue with academics, audit oversight bodies, training organizations and small business associations. The IAASB will consider doing so, in particular when stakeholder groups can serve to educate the board at the commencement of a project, for example in specialized areas on which assurance is required or requested, such as XBRL, sustainability, and corporate governance. There may also be opportunities for the findings of academic research (such as that described in paragraph 41) to be presented to the IAASB to inform its deliberations.

81. Materials that can help people understand the reasons for IAASB's decisions and how a new or revised standard can be implemented were also suggested as useful outputs. The IAASB believes the pilot of the impact analysis approach[16] may assist in this regard, and there may be opportunities for enhancements to the Staff Basis for Conclusions and other overview communications designed to either promote the standard-setting proposals when exposure drafts are issued or assist with implementation of final standards.

82. Respondents explicitly suggested that the ISA Implementation Monitoring work should also seek to obtain feedback from SMPs regarding their adoption experiences, in particular with respect to ISQC 1. The standard has raised concerns for SMPs particularly with regard to cost constraints and availability of technical resources and expertise to conduct engagement quality control reviews. Although the SMP Committee has provided guidance material on the topic, the IAASB will consider what further action could be taken to encourage knowledge-sharing and partnership by SMPs as part of their obligation to comply with the standard.

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[16] As contemplated in the current work program, the IAASB is piloting a broader IFAC initiative to provide a uniform and consistent approach to the analysis of impacts that will help prepares, users, and regulators understand the factors considered and conclusions reached when developing standards.

C.2   *Monitoring Implementation of Other Standards*

> C.2.1   Seek feedback from service organizations, service auditors, user entities, user auditors, and others on their experiences with the implementation of ISAE 3402, *Assurance Reports on Controls at a Service Organization*.

83.   ISAE 3402, issued in 2009, is effective for service auditor's assurance reports covering periods ending on or after June 15, 2011. With ISAE 3402 being the first new assurance standard, other than the ISAs, developed under the IAASB's *International Framework for Assurance Engagements*, the IAASB has decided to actively seek feedback in 2013 on the experiences of service auditors and others with its implementation. In addition, the current revision of ISAE 3000 may identify matters for revision in ISAE 3402 that will be considered.

Appendix 1

The IAASB's Other International Pronouncements

Type of Pronouncement	Catalogue of Existing Pronouncements and Those in Development
International Standards on Review Engagements (ISREs)	ISRE 2400, *Engagements to Review Financial Statements*
	ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*
International Standards on Assurance Engagements (ISAEs)	ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
	ISAE 3400, *The Examination of Prospective Financial Information*
	ISAE 3410, *Assurance on a Greenhouse Gas Statement*
	ISAE 3420, *Assurance on the Process to Compile Pro Forma Financial Information Included in a Prospectus*
International Standards on Related Services (ISRSs)	ISRS 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*
	ISRS 4410, *Engagements to Compile Financial Statements*
International Auditing Practice Statements (IAPSs)[17]	IAPS 1000, *Inter-bank Confirmation Procedures*
	IAPS 1004, *The Relationship between Banking Supervisors and Banks' External Auditors*
	IAPS 1006, *Audits of the Financial Statements of Banks*
	IAPS 1010, *The Consideration of Environmental Matters in the Audit of Financial Statements*

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[17] At its June 2010 meeting, the IAASB agreed that all extant IAPSs will be withdrawn, subject to the views of stakeholders on consultation. The IAASB's proposals on the status and authority of new IAPSs, including the withdrawal of the extant IAPSs, will be exposed in October 2010 concurrently with the exposure of proposed IAPS 1012, *Auditing Complex Financial Instruments*.

	IAPS 1012, *Auditing Complex Financial Instruments*
	IAPS 1013, *Electronic Commerce—Effect on the Audit of Financial Statements*

Appendix 2

Key Elements of Due Process

International Developments

Consultation with Public

Consultation with IAASB, CAG, PIOB, others

Survey, roundtable or public forum

Review Feedback and Develop Consultation Paper on Proposed IAASB Strategy*

Respondents' comments

Revisions

Consultation with IAASB, CAG, PIOB, others

Exposure

Review Comments and Develop Draft Strategy & Work Program*

Respondents' comments

Revisions

Consultation with IAASB, CAG, PIOB, others

Final Strategy and Work Program*

PIOB Review of Due Process Applied

Release of Final Strategy and Work Program and Basis for Conclusions

Individual Projects

(over)

* Document developed by staff in consultation with Steering Committee

Individual Projects

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        ┌─────────────────────────────────────┐
        │  Strategy and Work Program, and      │                    Consultation with Public
        │  International Developments           │
        └─────────────────────────────────────┘
                        │
                        ▼
        ┌─────────────────────────────────────┐
        │  Prepare and Approve Project Proposal*│
        └─────────────────────────────────────┘
                        │
   Revisions            ▼
        ┌─────────────────────────────────────┐
        │  Consultation with task force, IAASB,│
        │  CAG, others                          │
        └─────────────────────────────────────┘
                        │
                        ▼                            Optional    ┌──────────────────────┐
        ┌─────────────────────────────────────┐ ◄ - - - - - -    │ • Roundtable          │
        │  Develop Issues Paper(s)*            │                  │ • Public forum        │
        └─────────────────────────────────────┘                  │ • Consultation paper  │
                        │                                         │ • Survey              │
   Revisions            ▼                                         └──────────────────────┘
        ┌─────────────────────────────────────┐
        │  Consultation with task force, IAASB,│
        │  CAG, others                          │
        └─────────────────────────────────────┘
                        │
                        ▼                            Optional    ┌──────────────────────┐
        ┌─────────────────────────────────────┐ ◄ - - - - - -    │ Request to test       │
        │  Develop Exposure Draft of Proposed  │                  │ practical application │
        │  Standard and Explanatory Memorandum*│                  │ of proposals          │
        └─────────────────────────────────────┘                  └──────────────────────┘
                        │
   Revisions            ▼                                         ┌──────────────────────┐
        ┌─────────────────────────────────────┐ ───────────────► │ Exposure             │
        │  Consultation with task force, IAASB,│                  └──────────────────────┘
        │  CAG, others                          │                            │
        └─────────────────────────────────────┘                            ▼
                        │                                         ┌──────────────────────┐
                        ▼                              ◄────────── │ Respondents'          │
        ┌─────────────────────────────────────┐                  │ comments              │
        │  Review Comments and Develop Draft   │                  └──────────────────────┘
        │  Standard                             │
        └─────────────────────────────────────┘
                        │
   Revisions            ▼
   If needed ┌─────────────────────────────────────┐
        │  Consultation with task force, IAASB,│
        │  CAG, others                          │
        └─────────────────────────────────────┘
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                        ▼
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        │  Final Standard and Basis for        │
        │  Conclusions                          │
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        │  PIOB Review of Due Process Applied  │
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        │  Release of Final Standard & Basis   │
        │  for Conclusions                      │
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* Document developed by staff in con-
sultation with project task force

Appendix 3

Current (Ongoing) Actions the IAASB Intends to Continue

D.   **Global Acceptance, Convergence and Partnership**

D.1   Continue active discussions with the IAASB CAG and NSS (including the PCAOB), public authorities (in particular the EC), audit oversight bodies and international regulators (including the Basel Committee on Banking Supervision, European Group of Auditors' Oversight Bodies, International Association of Insurance Supervisors, IFIAR and IOSCO) aimed at achieving common agreement on the content and breadth of any proposed new standards to meet the common needs of all parties and lead to global acceptance and endorsement of the standards.

D.2   Continue to cooperate with the INTOSAI, promoting the use of ISAs as the basis for audits in the public sector.

D.3   Continue to seek regular consultation with the IFAC SMP Committee on issues of relevance to SMEs and practices regarding audit and quality control standards.

D.4   Continue to seek regular consultation with the IFAC Professional Accountancy Organizations Developments Committee on issues of relevance to developing nations regarding audit and quality control standards.

D.5   Continue the IAASB-IASB liaison, aimed at providing the IASB with timely inputs on aspects of its proposed standards that may have potential verifiability or auditability issues and other matters that may affect the pronouncements of the IAASB or create a need for new pronouncements.

D.6   Continue to take steps to address the issues of translation; the frequency, volume and complexity of changes; and the setting of effective dates.

E.   **Communication**

E.1   Continue to issue a press release, communicating the approval of each proposed or final IAASB pronouncement and any other major activity of the IAASB.

E.2   Continue to issue IAASB eNews communications (three to four times per year), using these vehicles to encourage responses to the IAASB's consultation and publicize adoption and implementation support vehicles available.

E.3   Continue to publish an annual report written to a broad interested audience on the performance of the IAASB, including a report on progress against this action plan and on how IAASB has complied with its stated due process.

E.4   Continue to promote the activities and publications of the IAASB through the IAASB website (this include agenda material, audio records of meetings, meeting highlights, proposed pronouncements and related comment letters, final pronouncements and bases for conclusions) and evaluate how technology may be better used to reach a broader audience.

E.5   Continue to enhance communications with NSS (including the annual meeting with 13 NSS), regulators, IFAC member bodies, the Forum of Firms, academics and conference organizers.

Appendix 4

ISAs and ISQCs Redrafted but Not Revised as Part of the Clarity Project

ISA 210, *Agreeing the Terms of Audit Engagements* (Issued March 1994)

ISA 220, *Quality Control for an Audit of Financial Statements* (Issued February 2004)

ISA 230, *Audit Documentation* (Issued September 2005)

ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* (Issued February 2004)

ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* (Issued March 1994)

ISA 300, *Planning an Audit of Financial Statements* (Issued June 2004)

ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* (Issued October 2003)

ISA 330, *The Auditor's Responses to Assessed Risks* (Issued October 2003)

ISA 500, *Audit Evidence* (Issued October 2003)

ISA 501, *Audit Evidence—Specific Considerations for Selected Items* (Issued March 1994)

ISA 510, *Initial Audit Engagements—Opening Balances* (Issued November 1993)

ISA 520, *Analytical Procedures* (Issued June 1993)

ISA 530, *Audit Sampling* (Issued November 1997)

ISA 560, *Subsequent Events* (Issued November 1993)

ISA 570, *Going Concern* (Issued June 1999)

ISA 610, *Using the Work of Internal Auditors* (Issued March 1994)

ISA 700, *Forming an Opinion and Reporting on Financial Statements* (Issued December 2004)

ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements* (Issued March 1996)

ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* (Issued November 1993)

ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (February 2004)