

Meeting: IAASB
Meeting Location: Teleconference
Meeting Date: May 11, 2010

Agenda Item

1

International Auditing Practice Statements (IAPSs) – Review of Status and Authority

Objective of Agenda Item

1. To discuss revised wording to clarify the status and authority of future IAPSs (including the proposed revised IAPS 1012¹ under development), and to obtain views on the direction to be taken to further consult on how this clarification might be effected.

Working Group

2. The Working Group comprises:
 - John Fogarty, Chair, IAASB Deputy Chair
 - Jon Grant, IAASB Member
 - David Swanney, IAASB Member
 - Marc Pickeur, IAASB CAG Representative for the Basel Committee on Banking Supervision
 - Greg Shields, IAASB Technical Advisor
3. The Working Group held a teleconference to finalize the matters included in the agenda material.

Background

4. At its March 2010 meeting, the IAASB discussed issues relating to the status and authority of its IAPSs. The IAASB agreed with the Working Group's view that it must look forward and adopt a clean slate approach for any future IAPSs. It therefore supported the Working Group's proposal to withdraw the six existing IAPSs, and considered an approach to clarify how auditors should consider material in future IAPSs, including the proposed revised IAPS 1012, when performing audits. The IAASB asked the Working Group to further refine wording to clarify the status and authority of the IAPSs, incorporating suggestions made during the March 2010 meeting, and consult with the IAASB-National Standard Setters (NSS) Liaison

¹ Proposed revised IAPS 1012, *Auditing Complex Financial Instruments*

group in order to further inform the IAASB's considerations.

5. Participants of the NSS liaison group have been asked to give views on the matters highlighted in **Agenda Item 1-A** in advance of this IAASB meeting. The IAASB will also receive an oral update on comments received. At the June 3-4, 2010 IAASB-NSS meeting, NSS participants will be asked to share views on the IAASB's June 2010 agenda material on this topic, which will include a summary of the IAASB's discussions during the May 11 teleconference.
6. The IAASB will be asked at its June meeting to approve for exposure the proposed IAPS 1012. However, because its status and authority is essential to determining the form and content of IAPS 1012, the issue of deciding on the status and authority of future IAPSs, along with plans with respect to the six extant IAPSs, will form part of the public consultation on proposed revised IAPS 1012.
7. Kindly note in particular that the description of the authority of the IAPS included in Agenda Item 1-A makes reference to "examples of procedures that may be appropriate in the circumstances." While IAPS 1012 as currently drafted does contain examples of procedures, referring to this in the status and authority may unnecessarily limit the IAASB in regard to future IAPSs. The IAASB is asked for its views on whether this formulation may be too narrow and perhaps could usefully be expanded to require the auditor to "consider whether any examples or matters illustrated in the IAPS provide useful guidance in the circumstance." The reference to an IAPS not imposing requirements for auditors to perform any procedures contained in an IAPS would remain. In addition, it has been suggested that the authority of the IAPS could more usefully be described in relation to how such material assists the auditor in making judgments about its risk assessments. During the meeting, as indicated in Agenda Item 1-A, IAASB members are encouraged to share suggestions as to how the description could be clarified.

Material Presented

Agenda Item 1-A IAPS Review of Status and Authority – Issues and IAASB Working
Group Proposals dated April 2010

Action Requested

8. The IAASB is asked for its views on the options and proposals presented in **Agenda Item 1-A**. IAASB input is essential at this time to allow the Working Group to advance the development of materials for IAASB consideration at its June 2010 meeting.