

Meeting: IAASB
Meeting Location: Beijing
Meeting Date: September 19-23, 2011

Agenda Item

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Due Process

Objective of Agenda Item

1. To advise the IAASB of the status of due process for the following documents scheduled for approval at the September 2011 IAASB meeting:
 - Proposed International Standard on Assurance Engagements (ISAE) 3420.¹
 - Proposed International Auditing Practice Note (IAPN) 1000.²
 - Proposed final amendments to the Preface³ regarding the status and authority of IAPNs and International Auditing Practice Statements (IAPSs).

Background

2. The IAASB Technical Director is responsible to advise the IAASB as to whether due process has been followed effectively and with proper regard for the public interest before a final Standard or Practice Statement is approved for issue.
3. The following outlines the Technical Director's conclusion and basis thereof with respect to actions up to the September 2011 IAASB meeting for the above documents. Before final approval of the documents, the IAASB Technical Director will advise on whether due process has been followed during the course of the September 2011 meeting.

Due Process Up to the Date of the September 2011 IAASB Meeting

4. The Technical Director confirms to the IAASB that up to the September 2011 IAASB meeting, the above documents have been developed in accordance with the IAASB's due process.
5. The respective appendices to this Agenda Item summarize the due process steps for each of these documents up to the September 2011 IAASB meeting.

¹ Proposed ISAE 3420, *Assurance Engagements to Report on Pro Forma Financial Information Included in a Prospectus*

² Proposed IAPN (formerly IAPS) 1000, *Special Considerations in Auditing Financial Instruments*

³ *Preface to the International Quality Control, Auditing, Review, Other Assurance and Related Service Pronouncements*

Appendix I

Proposed ISAE 3420

1. Proposed ISAE 3420 is a new International Standard. For this document, the IAASB:
 - Approved the project proposal for the development of the new ISAE.
 - Considered but did not find need to consult further (i.e., issue a consultation paper, or hold a public forum or roundtable, or to conduct a field test of the proposals) on the proposed ISAE.
 - Approved and issued an exposure draft of the proposed ISAE for public comment, together with an explanatory memorandum highlighting, amongst other matters, the significant proposals of the IAASB.
 - Considered an analysis of the significant issues raised by respondents on the exposure draft, including an outline of their proposed disposition and, as appropriate, the reasons significant changes recommended by respondents have, or have not, been accepted.
 - Having familiarized themselves with the issues raised in comment letters, the IAASB members:
 - Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the Project Task Force, that they consider should be discussed; and
 - Amended the proposed ISAE accordingly.
 - Consulted with the IAASB Consultative Advisory Group (IAASB CAG) during the development of the proposed ISAE 3420. In particular, the IAASB CAG was consulted on:
 - The proposal to start the project;
 - Significant issues relating to the development of the proposed ISAE; and
 - Significant issues raised in comment letters on the exposure draft of the proposed ISAE and the IAASB's related responses.

Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB's attention, and the Project Task Force has reported back to the IAASB CAG the results of the IAASB's deliberations.

Appendix II

Proposed IAPN 1000

1. Proposed IAPN 1000 is a substantive revision of IAPS 1012.⁴ For this document, the IAASB:
 - Approved the project proposal for the revision of IAPS 1012.
 - Approved and issued a consultation paper in order to solicit views on matters under consideration in relation to the topic of auditing complex financial instruments, and considered the comments received on the consultation.
 - Approved and issued an exposure draft for public comment, together with an explanatory memorandum highlighting, amongst other matters, the significant proposals of the IAASB.
 - Considered an analysis of the significant issues raised by respondents on the exposure draft, including an outline of their proposed disposition and, as appropriate, the reasons significant changes recommended by a respondents have, or have not, been accepted.
 - Having familiarized themselves with the issues raised in comment letters, the IAASB members:
 - Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the Project Task Force, that they consider should be discussed; and
 - Amended the proposed document accordingly.
 - Consulted with the IAASB CAG during the development of the proposed document. In particular, the IAASB CAG was consulted on:
 - The proposal to start the project;
 - Significant issues relating to the development of the document; and
 - Significant issues raised in comment letters on the exposure draft and the IAASB's related response.

⁴ IAPS 1012, *Auditing Derivative Financial Instruments*

Appendix III

Amendments to the Preface

1. The IAASB's *Strategy and Work Program, 2009-2011* includes a project to review the status and authority of IAPs and any other implementation guidance that the IAASB may develop. Given that this project does not involve the revision or development of a Standard or Practice Statement, a formal project proposal was not developed. Instead, the IAASB established a Working Group to consider options relating to the clarification of the status and authority of IAPs, and to recommend a suitable way forward for new IAPs.
2. In summary, for the proposed amendments to the Preface, the IAASB:
 - Approved and issued an exposure draft for public comment, together with explanatory memoranda highlighting, amongst other matters, the significant proposals of the IAASB.
 - Considered an analysis of the significant issues raised by respondents on the exposure draft, including an outline of their proposed disposition and, as appropriate, the reason(s) significant changes recommended by a respondent(s) have, or have not, been accepted.
 - Having familiarized themselves with the issues raised in comment letters, the IAASB members:
 - Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the Project Task Force, that they consider should be discussed; and
 - Amended the proposals accordingly.
 - Consulted with the IAASB CAG during the development of the proposals. In particular, the IAASB CAG was consulted on:
 - Significant issues relating to the development of the proposals; and
 - Significant issues raised in comment letters on the exposure draft and the IAASB's related response.