

## MARK-UP CHANGES TO THE EXPOSURE DRAFT, AMENDMENTS TO PREFACE— IAASB DUE PROCESS AND WORKING PROCEDURES

*Agenda Item 3-B presents the proposed revised IAASB Due Process and Working Procedures for IAASB discussion purposes. The following, however, shows in mark-up the proposed changes in relation to the material contained in the Exposure Draft. It is presented for information purposes only.*

### Public Interest Oversight of the IAASB

- xx. The Public Interest Oversight Board (PIOB) oversees IFAC's standard setting activities in the areas of independence and other ethical standards, quality control, auditing, review, other assurance and related service standards, and IFAC's compliance program. The PIOB's objective is to increase the confidence of investors and others that IFAC's public interest activities (including the setting of standards by IFAC boards and committees) respond properly to the public interest. Its current membership, terms of reference and operating procedures are published on the IFAC website.
  
- xx. IFAC works with a group known as the Monitoring Group, whose primary purpose is liaison with IFAC in relation to current regulatory and audit practices issues. The Monitoring Group is a group of regulatory and international organizations that have a responsibility to protect and advance the public interest and are committed to supporting the development of high quality international auditing and assurance standards by IFAC and of related high quality implementation practices by the international auditing profession.
  
- xx. The IAASB has set up a Consultative Advisory Group (CAG) to provide it with more direct assistance in serving the public interest. The CAG provides a forum where the IAASB can obtain views on its agenda, timetable and priorities; technical advice on projects; and views on other matters of relevance to the IAASB's activities. The CAG comprises individuals and representatives of organizations who have an interest in the development of high quality international standards on quality control, audits, reviews, other assurance and related services. Its current membership, terms of reference and operating procedures are published on the IAASB's website.

## IAASB Due Process and Working Procedures

### IAASB's Standards and Practice Statements

#### *Project Identification, Prioritization and Approval*

- 23. The IAASB identifies new projects based on a review of national and international developments and on comments and suggestions from those who have an interest in the development of assurance and related services or of international standards covering those services. The PIOB and the IAASB CAG are consulted to help establish the IAASB's project priorities. Projects to develop new, or revise existing, International Standards or Practice Statements are identified based on international and national developments, input from IAASB

~~members and their technical advisors, or recommendations received from interested parties including, but not limited to, audit oversight authorities, regulators, national standard setters, the IAASB Consultative Advisory Group<sup>+</sup> (CAG) and the Public Interest Oversight Board<sup>2</sup> (PIOB).~~

24. ~~Based on research and appropriate consultation with the IAASB CAG, A~~ a project proposal to start a new project is prepared for first consideration by the IAASB Steering Committee.<sup>3</sup> ~~The project proposal is based on research and on appropriate consultation with the IAASB and the IAASB CAG. It is also~~ Project proposals are circulated to other IFAC Committees and IFAC Task Forces;<sup>4</sup> ~~including the IFAC Ethics Committee, the IFAC Transnational Auditors Committee, the IFAC Small and Medium Sized Practices Task Force and the IFAC Developing Nations Task Force,~~ to identify matters of possible relevance to the project.
25. A project proposal identifies, where applicable, who has recommended the project for consideration by the IAASB and any proposed assignment of responsibility for the project to a Project Task Force. It addresses, where appropriate, specific areas of expertise or geographical representation that may be needed on the Project Task Force. The identification of Project Task Force members focuses on finding the best person for the job.

25(a) As appropriate, t~~The IAASB Steering Committee recommends to the IAASB either that a project proposal be determines whether to recommend the project proposal for approved or that no new project be initiated at that time~~al by the IAASB. If a project proposal is recommended to the IAASB, t~~The IAASB discusses the 's~~considers and prioritizes the project proposal having regard to the public interest. As appropriate, the IAASB approves, amends or rejects the project proposal in an open meeting open to the public~~and if it accepts the proposal, approves the commencement of the project. The IAASB Chair determines the priorities of approved projects~~

<sup>+</sup> ~~The objective of the IAASB Consultative Advisory Group (CAG) is to provide a forum where the IAASB can consult with individuals, or representatives of organizations, interested in the development of high quality international standards on quality control, audits, reviews, other assurance and related services designed to serve the public interest in order to obtain: (a) views on the IAASB's agenda and project timetable (work program), including project priorities; (b) technical advice on projects; and (c) the views of CAG on other matters of relevance to the activities of the IAASB. The membership, terms of reference and operating procedures of CAG are published on the IAASB website.~~

<sup>2</sup> ~~The Public Interest Oversight Board (PIOB) oversees IFAC standard setting activities in the areas of audit standards, independence, and other ethical standards for auditors, audit quality control and assurance standards. It also oversees IFAC's proposed Compliance Program. The objective of the PIOB is to increase the confidence of investors and others that the public interest activities of IFAC (including the setting of standards by IFAC boards and committees) are properly responsive to the public interest. The membership, terms of reference and operating procedures of the PIOB are published on the IFAC website.~~

<sup>3</sup> ~~The IAASB Steering Committee (Steering Committee) is a standing committee of the IAASB. Its~~ The purpose of the Steering Committee is to formulate views and advise the IAASB on matters of strategic and operational importance to the IAASB. It, while ~~also relieving~~ also relieving the IAASB of the need to address certain administrative matters that do not necessarily require deliberation by the IAASB. The membership, terms of reference and operating procedures of the IAASB Steering Committees are published on the IAASB website.

<sup>4</sup> ~~The membership, terms of reference and operating procedures of IFAC Committees and Task Forces are published on the IFAC website.~~

~~in consultation with the IAASB Steering Committee.~~ Where the PIOB or the IAASB CAG or the PIOB has recommended a project for consideration by the IAASB, the IAASB Chair informs the PIOB and the IAASB CAG ~~and the PIOB~~ of the decisions of the IAASB.

*Development of Proposed International Pronouncements* ~~Research, Consultation and Debate~~

26. ~~The IAASB may assign responsibility for a project to a Project Task Force. After approval of a project proposal and appropriate consultation with the IAASB as necessary, the~~ A Project Task Force is IAASB Steering Committee assigns responsibility for the project to a Project Task Force established for that purpose. The Project Task Force will ordinarily be chaired by a member of the IAASB and may contain participants, such as external experts, who are not members of the IAASB but have experience relevant to the subject matter being addressed by the Project Task Force. ~~In addition, a separate group of experts may be established to advise a Project Task Force. Members of a Project Task Force are identified in the project summaries contained on the IAASB website.~~ The IAASB may also conduct projects jointly<sup>5</sup> with a national standard setter(s) or other organizations with relevant expertises. In such cases, ~~the joint Project Task Force is ordinarily chaired by~~ a member of the IAASB chairs the joint Project Task Force, or chaired jointly. Where practicable, joint projects are conducted on a multi-national basis whereby two or more national standard setters or national organizations are involved in the joint project.
27. The Project Task Force has ~~the~~ initial responsibility for the preparation of a draft International Standard or Practice Statement. Draft International Standards and Practice Statements are developed ~~The Project Task Force develops its positions~~ based on ~~appropriate~~ research and consultation, which may include, ~~depending on the circumstances:~~ conducting commissioning research; consulting with the IAASB or the IAASB CAG, practitioners, regulators, national standard setters and other interested parties; ~~and, as well as~~ reviewing professional pronouncements issued by IFAC member bodies and other parties. Project Task Force meetings are not open to the public.
28. Meeting a Agenda papers, including issues papers and draft International Standards or Practices Statements prepared for the IAASB's review and debate prepared by Project Task Forces, for the IAASB's review and debate are published on the IAASB website ordinarily no later than three weeks in advance of each IAASB meeting.<sup>6</sup> IAASB meetings to discuss the development, and to approve the issue, ~~and~~, of International Standards and Practice Statements are open to the

<sup>5</sup> Joint projects are subject to the due process ~~of the IAASB described in this paper~~. If exposed separately both internationally and by the national standard setter(s) with whom the project is being jointly developed, and where applicable, IAASB may additionally have regard to comments received by the national standard setter(s), where they may be relevant internationally, and to the extent the process does not result in unnecessary delay in the finalization of the pronouncement. The final ~~pronouncement document~~ approved by IAASB becomes an International Standard or Practice Statement in the normal way. It may differ from the corresponding document(s), if any, approved by the collaborating national standard setter(s).

<sup>6</sup> Historical copies of agenda papers are retained on the IAASB website and highlights of each meeting and u Updated project summaries and meeting highlights are posted to the website after each meeting. Agenda papers are retained on the IAASB website for at least three years from the date of the meeting. Only the final International Standards or Practice Statements issued by the IAASB are authoritative.

public.<sup>7</sup> Where practicable, IAASB meetings are broadcast over the Internet or recorded and archived on the IAASB website. The mMeetings and agenda papers are in English, which is the official working language of IFAC. Draft meeting mMinutes of the immediately preceding meeting of the IAASB are published on the IAASB website ordinarily within six weeks after in advance of each IAASB meeting. Final minutes are retained on the website indefinitely.

29. ~~The Project Task Force recommend~~The IAASB considers whether to s, and the IAASB specifically considers, whether there is a need to hold a public forum or roundtable, or issue a consultation paper, in order to solicit views on a matter under consideration. The decision to do so may be made ,soliciting views on a matter under consideration at any stage, ~~whether~~ before or after a draft International Standard or Practice Statement is issued for public exposure. ~~Web east technology may be used to conduct a public forum or roundtable in an economic and efficient manner.~~ In deciding upon the need to hold a public forum or roundtable or to issue a consultation paper, the IAASB considers whether the subject of the International Standard or Practice Statement, the level of interest within and outside the profession, the likely or actual existence of a significant and controversial divergence of views, the need for additional information in order to further the IAASB's deliberative process, or some other reason indicates that wider or further consultation would be appropriate. ~~Comments received through a public forum or roundtable, or the issue of a consultation paper, are considered in the same manner as comments received on an exposure draft.~~

29(a) When the Project Task Force is satisfied that it has a proposed draft International Standard or Practice Statement that is ready for exposure, it presents the draft to the IAASB for approval in accordance with the IAASB's voting procedures.

#### *Public Exposure*

30. ~~When a~~Approved draft , the IAASB exposes proposed International Standards and Practice Statements are exposed for public comment, ~~and ordinarily exposes proposed Practice Statements for public comment.~~
31. Each exposure draft is accompanied by an explanatory memorandum that highlights the objective(s) of, and the significant proposals contained in, the draft International Standard or Practice Statement. The explanatory memorandum may also direct respondents to aspects of the draft International Standard or Practice Statement on which specific comments feedback are is sought.
32. Exposure drafts are placed on the IAASB's website where they can be accessed free of charge by the general public. Notice of the issuance of exposure drafts is -and are widely distributed to: ~~member bodies of IFAC,~~ regulatory bodies; organizations that have an interest in quality control, auditing, review, other assurance and related services standards and practice statements; member bodies of IFAC; and the press and the general public. To allow adequate time for due consideration and comment from all interested parties, the exposure period will ordinarily be 120 90 days. A shorter or longer exposure period, however, may be set when considered appropriate. A longer exposure period may be set, for example, where complex or pervasive changes might affect translation or to make wider consultation possible. A shorter exposure

<sup>7</sup> Matters of a general administrative nature or with privacy implications may be dealt with in closed sessions.

period may be set, for example, where in the public interest there is a need to conclude on a matter more quickly, the exposure draft is relatively simple or short, or where the IAASB decides to re-expose all or only part of a draft pronouncement. Exposure drafts indicate that the IAASB cannot undertake to consider comments and suggestions received after the close of the exposure period.

*Responses to Exposure Drafts and Consideration of Respondents' Comments*

33. An acknowledgement of receipt is sent to every respondent to an exposure draft. Respondents' comments are ~~considered~~ a matter of public record and are posted in a readily accessible format on the IAASB website after the end of the exposure period. IAASB members, their technical advisers, IAASB observers, and task force members who are not members of the IAASB are notified when comment letters have been made available on the IAASB website. A number of printed copies of the exposure draft and comment letters are also made available for the reference purpose of IAASB members at the IAASB meeting in which the project is scheduled for discussion. ~~Task Force members may request such printed copies at any time if they prefer to work with this format rather than electronic copies.~~
34. The comments and suggestions received within the exposure period ~~as a result of public exposure~~ are read and considered by the Project Task Force. To facilitate the deliberative process, the Project Task Force provides the IAASB ~~is ordinarily provided with a revised proposed International Standard or Practice Statement and an Issues Paper, as part of IAASB's public agenda papers, with an that analyzes the comments received that~~ summarizes the main issues raised by respondents, and outlines their proposed disposition and, as appropriate, explains the reason(s) significant changes recommended by a respondent(s) are, or are not, to be accepted. recommendations of the Project Task Force. The Issues Paper also includes the rationale of the Project Task Force in arriving at its conclusions and, as considered appropriate by the Task Force, the reason(s) why significant changes recommended by a respondent(s) were or were not accepted. In addition to careful study of the Issues Paper, IAASB members make themselves aware of key points made by respondents within the context of the response letters.
35. IAASB members familiarize themselves with the issues raised in comment letters on exposure drafts such that they are able to make well informed decisions as they finalize a pronouncement. Before a final International Standard or Practice Statement is issued, the IAASB gives due consideration to comments received.<sup>9</sup> The IAASB deliberates significant matters raised in the comment letters received, with significant decisions made by the IAASB recorded in the minutes of the meeting of the IAASB.
- 35(a) The IAASB does not enter into debate or discussion with respondents on individual comment letters. The IAASB may decide, however, to discuss with respondents their letters of comment with the respondent to seek clarification on a matter or to explain to them the reason(s) for not having accepted their proposals. For It is expected that this will be regular practice for comments received from members of the Monitoring Group,<sup>8</sup> if and as requested, the IAASB will explain

<sup>8</sup> ~~The Monitoring Group includes representatives of the International Organization of Securities Commissions, the Basel Committee on Banking Supervision, the Financial Stability Forum, the European Commission, the International Association of Insurance Supervisors and the World Bank. The Monitoring Group's responsibilities~~

to them the reason(s) for not having accepted their proposals. The nature and outcome of such discussions are reported and recorded in the minutes of the IAASB meeting at which the related project is discussed.

36. Project agenda papers contain a cumulative summary of the significant decisions made by the IAASB on matters relating to the project, including its position on the main points raised in comment letters. When an exposure draft has been subject to many changes, a summary comparative analysis is presented to the IAASB. This analysis shows, to the extent practicable, the differences between the exposure draft and the proposed ~~In circumstances where several iterations of significant changes to an exposure draft are made, and where practicable, a summary comparative analysis of the proposed revised final International Standard or Practice Statement to the exposure draft is provided to the IAASB.~~

*Re-exposure*

37. The IAASB Technical Director, in consultation with the IAASB Chair and the chair of the Project Task Force, advises ~~recommends to the IAASB~~ on whether a draft International Standard or Practice Statement, or part thereof, needs to be re-exposed~~whether re-exposure is necessary and explains the basis for the recommendation.~~ After approving the content of an exposed International Standard or Practice Statement, the IAASB assesses whether there has been substantial change to the exposed document that may warrant re-exposure. If so, ~~The IAASB formally votes on a resolution in favor of whether re-exposure that~~ is required, subject to the same voting rules as a vote on the issue ~~requirements as the publication of an exposure draft or the issuance of a final International Standard or Practice Statement.~~
38. In determining the need to re-expose an International Standard or Practice Statement, the IAASB assesses whether, as a result of the comments received on exposure, there has been substantial change to the exposed International Standard or Practice Statement and, if so, whether those changes warrant the need to re-expose. Situations that constitute potential grounds for a decision to re-expose may include, for example: substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the IAASB; ~~or aired in the exposure draft,~~ or substantial change to the substance of an International Standard or Practice Statement.
- 38(a) When an exposure draft is re-exposed, the explanatory memorandum accompanying the re-exposure draft includes the reasoning for re-exposure and sufficient information to allow an understanding of the changes made as a result of the earlier exposure.

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~~include briefing the PIOB regarding significant events in the regulatory environment, and among other things, acting as the vehicle for dialogue between regulators and the international accountancy profession. The membership, terms of reference and operating procedures of the Monitoring Group are published on the IFAC website.~~

*Final International Standard or Practice Statement*

39. The IAASB Technical Director is responsible for advising the IAASB whether At the point of approval of a final International Standard or Practice Statement, the IAASB Technical Director confirms to the IAASB that the IAASB's stated due process has been followed before a final International Standard or Practice Statement is approved for issue.
40. When the revised draft is approved, it is issued as a definitive International Standard or Practice Statement. The IAASB will set an effective date for the application of its International Standards. The IAASB will set a date from which professional accountants should be aware of and consider a relevant Practice Statement. In setting such dates, the IAASB considers the reasonable expected minimum period for effective implementation, including the need for translation into national languages.
41. For each International Standard, tThe IAASB features and transparency of IAASB's due process ordinarily obviate the need for the IAASB to issue a separate document explaining its basis offor conclusions with respect to comments received on an exposure draft. In the rare circumstance where the IAASB decides that additional communication is necessary, however, such a document may be issued. The document is circulated to the IAASB for comment and is issued after clearance by the IAASB Chair and Technical Director. The issue of the document is not subject to voting approval by the IAASB and therefore does not constitute part of the final International Standard and is non-authoritative. It is retained for an indefinite period on the IAASB website.

**Other Papers Published by the International Auditing and Assurance Standards Board**

42. For other papers, the IAASB Chair will appoint a review group of four IAASB members to consider whether a draft paper has sufficient merit to be added to the IAASB's assurance and auditing literature. The draft paper may come from any source and the IAASB need not have specifically commissioned it. If the review group believes that the paper has sufficient merit it recommends to the IAASB that the paper be published and added to its literature.

**Meeting Quorum**

43. Each IAASB meeting requires the presence, in person or by simultaneous telecommunication link, of at least twelve appointed members.

**Voting****Voting Rights**

445. Each member of the IAASB has the right to one vote. Where a member is unable to attend an IAASB meeting, theA member may has the right to appoint his or her technical advisor, the IAASB Chair or another IAASB member as a proxy. When voting, the proxy takes account of the outcome of the IAASB's discussions and any guidance provided by the member in relation to voting, and, where practicable, consults with the member before voting. in writing. The proxy may be the member's technical advisor or another IAASB member. The appointment of a proxy is made in writing to the IAASB Chair and is disclosed-disclosed at, and recorded in the minutes of, the at an IAASB meeting and recorded in the minutes of the meeting.

### Voting At IAASB Meetings

454. The affirmative votes of at least two thirds of the members present at a meeting in person or by simultaneous telecommunications link or by proxy, but not less than twelve, is required to approve exposure drafts, re-exposure drafts, International Standards and Practice Statements. Dissenting votes, including the reason(s) therefor, will be included in the minutes of the meeting.

### Voting By Ballot

46. The IAASB may also use ballots where exposure drafts or final International Standards and Practices Statements are discussed at an IAASB meeting and a final draft is distributed and approved electronically subsequent to the meeting. Ballots may also be used where final discussion of the exposure draft or final International Standard or Practice Statement yields a significant number of changes and additional time for further consideration is considered necessary.

47. The affirmative ballot votes of at least two thirds of the members of the IAASB, but not less than twelve, is required to approve exposure drafts, re-exposure drafts, International Standards and Practice Statements by ballot. Dissenting ballot votes, including the reason(s) therefor, will be included in the minutes of the subsequent meeting.

### **Other Matters**

487. IAASB's annual report describes the manner in which the IAASB has complied with its due process during the period.

### **Matters of Due Process**

498. If an issue over due process is raised with the IAASB (other than one that is clearly frivolous or vexatious), whether by a third party or otherwise, the IAASB Steering Committee assesses the matter and, ~~should it agree to pursue it,~~ obtains relevant information from all parties concerned. The Steering Committee brings the issue to the attention of the IAASB with a recommendation on whether the alleged breach has merit and, if so, an appropriate resolution. The IAASB assesses the matter and communicates its decision. If, based on the information so obtained, the Steering Committee concludes that there was a breach of the IAASB's stated due process, an appropriate resolution thereof is sought and communicated to the party raising the matter. Alleged breaches of due process and the resolution thereof are communicated by the IAASB to the PIOB.

### **Language**

5049. The sole authoritative text of an exposure draft, International Standard, Practice Statement or other paper is that published by the IAASB in the English language.