



International Federation of Accountants

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Agenda Item 12

Committee: IAASB
Meeting Location: Lima
Meeting Date: March 7-11, 2005

The Audit of Group Financial Statements

Objectives of Agenda Item

1. To review the proposed revised standards and guidance on the audit of group financial statements and, if considered appropriate, approve it for public exposure.

Background

2. The task force members are as follows: Jan Bo Hansen (Chair), John Fogarty, Gen Ikegami, and Ian Plaistowe.

3. The project timetable is as follows:

March 2005	Approval of proposed exposure draft
December 2005	Consideration of summary of significant comments
March 2006	Full review of comments received and first read of proposed final standard
June 2006	Approval of proposed final standard

Activities Since Last IAASB Discussions

4. The task force met in San Diego on January 30-31, 2005.
5. The task force believes that it has responded to the comments of the IAASB raised at the December 2004 meeting. Agenda Item 12-E shows the changes processed since the December 2004 IAASB meeting in mark-up format.

Matters for Consideration by the IAASB

6. The proposed explanatory memorandum (Agenda Item 12-D) contains a summary of significant comments received on the exposure draft published in December 2003 and the task forces related proposals.
7. In addition, the IAASB is asked to consider the matter set out below.

GUIDANCE IN IAPS – TASK FORCE OF OPINION THAT IT SHOULD BE IN ISA

8. Based on the direction received from the IAASB at the December 2004 meeting, certain standards and guidance have been moved to a proposed IAPS (see Agenda Item 12-C). The proposed IAPS XXX, “The Application of International Standards on Auditing in an Audit of Group Financial Statements,” marked as Agenda Item 12-C, should be read in conjunction with the proposed ISA XXX, “The Audit of Group Financial Statements,” marked as Agenda Item 12-B. The IAASB will note that the proposed IAPS (Agenda Item 12-C) contains shaded text. The shaded text contains standards and guidance that the task force believes should be in the proposed ISA (Agenda Item 12-B).

STANDARDS AND GUIDANCE IN SINGLE ISA

9. The task force remains of the view that the standards and guidance should be presented in a single ISA under the title “The Audit of Group Financial Statements.” As a result, a single ISA has also been prepared for consideration by the IAASB (see Agenda Item 12-A). Following the *Audit Risk Standards*, significant parts of the guidance have been moved to appendices.
10. The task force is of the view that users of the ISAs may find it difficult to understand the interrelationship between the proposed ISA and the proposed IAPS. A single document eliminates the need for repetition, leads to a shorter document, and provides a clearer picture of the application of the audit risk model to the audit of group financial statements.
11. Task force members also had differing views of how the guidance should be split between the ISA and IAPS, depending on their views on the IAASB’s project to improve the clarity of its pronouncements. Some favored most of the guidance being presented in the ISA (and a very short IAPS) and some the reverse. A decision at this time could mean that the guidance would need to be reallocated following decisions on the clarity project. It is therefore proposed that the standards and guidance is exposed as a single ISA and that this position is reconsidered based on the outcome of the clarity project.
12. Should the IAASB remain of the opinion that the standards and guidance should be presented in an ISA and IAPS, consideration should be given to presenting the complete standards and guidance, appropriately referenced to the ISA, in the IAPS. This will provide users of the ISAs with a complete guide to the audit of group financial statements, while the standards will be established in an ISA.

Material Presented

Agenda Paper 12-A (Pages 369 – 406)	Proposed ISA XXX, “The Audit of Group Financial Statements” (ISA ONLY)
Agenda Paper 12-B (Pages 407 – 428)	Proposed ISA XXX, “The Audit of Group Financial Statements” (ISA AND IAPS SPLIT)
Agenda Paper 12-C (Pages 429 – 450)	Proposed IAPS XXX, “The Application of International Standards on Auditing in an Audit of Group Financial Statements” (ISA AND IAPS SPLIT)
Agenda Paper 12-D (Pages 451 – 458)	Proposed Explanatory Memorandum
Agenda Paper 12-E (Pages 458.1 – 458.48)	Proposed ISA XXX, “The Audit of Group Financial Statements” (ISA ONLY) – Showing changes processed since December 2004 IAASB meeting in mark-up format

Action Requested

The IAASB is asked to review and, if considered appropriate, approve the proposed revised standards and guidance for public exposure.

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