



Consultation Response

PREFACE TO THE INTERNATIONAL STANDARDS ON QUALITY CONTROL, AUDITING, ASSURANCE AND RELATED SERVICES – IAASB DUE PROCESS AND WORKING PROCEDURES

An Exposure Draft of the International Auditing and Assurance Standards Board

Comments from ACCA

October 2004



ACCA is the largest and fastest-growing international accountancy body. Over 320,000 students and members in 160 countries are served by more than 70 staffed offices and other centres.

ACCA's mission is to work in the public interest to provide quality professional opportunities to people of ability and application, to promote the highest ethical and governance standards and to be a leader in the development of the accountancy profession.

Further information on ACCA is available on ACCA's website, www.accaglobal.com

Executive Summary

The Association of Chartered Certified Accountants (ACCA) welcomes the opportunity to comment on the proposed amendments to the *Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures* (the proposed Preface) issued for comment by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

In the context of the wider reforms taking place at IFAC and the need to respond to calls for clarity and greater convergence to International Standards on Auditing (ISA), we welcome the proposed amendments, which will enhance the status of IAASB as a standard setter.

We have, however, suggested some further improvements where it appears to us that they are justified, taking into account the need for IAASB to make efficient use of its resources:

- We call for increased transparency in project selection, in selecting membership of Task Forces and in resolving any issues over the operation of due process.
- We recommend that full information on all IFAC bodies and their interaction be incorporated in a formal document rather than rely only on website publication.
- We want all new pronouncements to be accompanied by a 'basis of conclusions' document.

We are concerned to ensure that all IFAC standard-setting Committees adopt best practice in due process and working procedures. We are, therefore, using this opportunity to comment to those Committees on the wider issues of consistency and stakeholder responsiveness.

General Comments

The success of international standards depends on their being relevant, usable and authoritative. The latter depends generally on the characteristics of the issuing body and, for each pronouncement, on due process being observed.

In the context of the wider reforms taking place at IFAC, we welcome the proposed amendments, which will enhance the status of IAASB as a standard setter.

The Preface will be affected by the outcome of the IAASB consultations on clarifying professional requirements and improving clarity and structure. There is also a need for IAASB to consider action as proposed in the recently published *Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs*. We support its clear recommendation that IAASB develops standards in a manner that takes account of small and medium-sized audit considerations.

We note that the proposed amendments to the Preface have been prepared on the understanding that information on the membership, terms of reference and operating procedures of certain bodies will be published on the IFAC or IAASB website. Certainly, without such information the Preface does not properly explain the context in which IAASB must be seen. We believe that it is important to incorporate relevant information in a formal document (such as the IFAC Handbook) rather than rely only on its publication on a website. In addition, as well as information on each body, it is important to set out how the bodies interact.

Wider Considerations

We are sending a copy of this response to the Chairman of the IFAC Ethics Committee and the IFAC Education Committee as we are concerned to ensure that all IFAC standard-setting Committees adopt best practice in due process and working procedures.

The IAASB proposed revisions highlight differences between the way IAASB and other IFAC Committees and Task Forces operate and publish information that is of public interest. For example, in contrast to IAASB, the IFAC Ethics Committee publishes its terms of reference but does not issue an informative Preface to its pronouncements (other than a very brief 'Preface' to the Code of Ethics).

The published 'Meeting Summary' of the 20 - 21 September 2004 meeting of the IFAC Ethics Committee, states that the Committee *'discussed and approved:*

- *Planning Committee Terms of Reference; and*
- *Due Process and Operating Procedures for the Ethics Committee.'*

There is, however, no mention of exposure for comment. We believe it is important for there to be consistency between IAASB and other IFAC bodies in the manner in which operational matters are determined.

This is not to say, however, that best practice for each IFAC body has to be identical. Indeed, we would caution against putting too much emphasis on IAASB when deciding what is right for other bodies. Each body has a different stakeholder mix and should be responsive to that, for example through appropriate selection of members of a Consultative Advisory Group, or the degree to which national standard setters become involved.

Detailed Comments

Project Identification, Prioritisation and Approval

The transparency proposed for dealing with comments on exposure drafts should also extend to project origination. There should be open disclosure of the identity of those proposing projects. Once a project is proposed, there should be disclosure of the reasons for non-acceptance and for any extended delay in taking it forward.

Research, Consultation and Debate

We believe that the principal criterion for selection of Project Task Force members should be ‘best person for the job’. This is likely to be promoted through making the process public, with the IAASB Steering Committee able to consider nominations for membership of suitably expert external candidates.

Paragraph 27 states that Project Task Force meetings are not open to the public. We recognise that the nature and intensity of Project Task Force work argues against the need for full public access. The working procedures should, however, allow for the possibility that some meetings might be open to the public. This could be for reasons of inviting comment, in a similar way to a public forum, or simply to allow access to the public and the press in a location not regularly used by IAASB for meetings.

We note that, for more than two years, IAASB has made its detailed agenda papers publicly available. We support this practice but suggest that the commitment to provide minutes of the immediately preceding meeting in advance of each IAASB meeting (paragraph 28) be extended to mention the valuable document which is also currently produced - the ‘Meeting

Summary'. A commitment to continue to produce such a summary, within say ten working days of each meeting, would be welcome.

Public Exposure

We do not believe that a commitment to 'ordinarily' expose proposed Practice Statements for public comment is sufficient. All pronouncements should be exposed for comment.

We welcome the commitment to publish an explanatory memorandum with each exposure draft. Where an exposure draft is re-exposed, the explanatory memorandum should include the reasoning for re-exposure and sufficient information to allow users to understand the changes made as a result of the earlier exposure.

We do not believe that a 90-day exposure period is sufficient to allow for comment from jurisdictions where linguistic translation of proposals is necessary or where a national standard setter wishes to expose for comment national supplementary material. A 90-day period is, in any case, relatively short for representative bodies to consult and achieve consensus on their comments with due process. We note that the exposure draft of ISA 230 (Revised) *Audit Documentation*, has a four-month exposure period and see no reason why a minimum of 120 days or more could not be adopted as the norm.

Re-exposure

Paragraph 37 should state unambiguously that the Project Task Force is required to recommend for all pronouncements, whether re-exposure is necessary or not. Where re-exposure takes place, the explanatory memorandum should be used to document the reasons. Where there is no re-exposure, the 'basis of conclusions' document should explain that decision.

Final International Standard or Practice Statement

Paragraph 41 states that, except in rare circumstances, IAASB will not issue a separate document explaining its basis of conclusions. We believe that a ‘basis of conclusions’ document is best practice for a standard setter and that the need for issue is not removed by the proposed features and transparency of IAASB’s due process. The commitment to show appropriate reasoning in agenda papers is not absolute (Paragraph 34 states that, after an exposure period *‘the IAASB is **ordinarily** provided with a revised proposed International Standard or Practice Statement and an Issues Paper that analyzes the comments received’* [emphasis added]). Moreover, the publication of a formal document at the time of issue of a pronouncement is qualitatively different from, and superior to, making working documentation available on a website.

Matters of Due Process

We welcome the inclusion of material relating to the adequacy of the due process itself. Consideration should be given, however, to making the resolution of issues fully transparent and referring to the role of other IFAC bodies in such matters.

Unchanged Paragraphs 2 to 22

Although not reproduced in the exposure draft, we have identified some issues arising in relation to unchanged paragraphs 2 to 22.

The Forum of Firms is mentioned in paragraph 2 and further information is given in a footnote. We suggest that the method of providing further information on the Forum of Firms be the same for other bodies in the new paragraphs. Paragraph 24 refers to the IFAC Transnational Auditors Committee. The relationship between the Forum of Firms and the Transnational Auditors Committee should be made clear.

Paragraph 6 contains almost-duplicated text as follows: *‘Candidates put forward, including the Chair of the IAASB, are considered for appointment by IFAC’s Nominating Committee. Candidates put forward, including the Chair of the IAASB, are considered by IFAC’s Nominating Committee.’* This error should be corrected.

Paragraph 17 refers to departure from an Engagement Standard. The Preface should also deal with circumstances where there may be a necessary departure from an International Standard on Quality Control.

TECH-CDR-428

ACCA

29 LINCOLN'S INN FIELDS LONDON WC2A 3EE UNITED KINGDOM

tel: +44 (0)20 7396 7000 fax: +44 (0)20 7396 7070 www.accaglobal.com

The Auditing Practices Board

Independent Regulation of the Accountancy Profession

117 Houndsditch
London
EC3A 7BT

Telephone +44 (0)20 7293 7931
Facsimile +44 (0)20 7293 7940

www.auditingpracticesboard.com

6 October 2004

Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York
New York 10017
USA

Dear Sir

Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures

The APB observes that the proposed changes to IAASB's due process and working procedures are largely consequential to arrangements that were agreed between IFAC and the Monitoring Group as to how IAASB can best be seen to serve the public interest. The APB was not involved in the discussions that led to these arrangements and makes no comment on them in this letter.

As you know the APB has recently issued exposure drafts of ISAs (UK and Ireland) which add UK specifics to the text of ISAs. It is our intention to adopt new or revised ISAs as they are finalised and to apply new standards from the effective dates established by IAASB. To facilitate this harmonisation we plan to issue exposure drafts of ISAs (UK and Ireland) in parallel with the IAASB exposure process. In this context we are concerned that the proposed change to paragraph 32 of the Preface seems to suggest a shortening of the IAASB exposure process. We believe the reverse is necessary and that the IAASB exposure period should be extended to a minimum 4 months to allow national standard setters to translate and, if necessary, to add national specifics. We ask the IAASB to reconsider the exposure period to better accommodate the convergence of countries such as the UK with international standards.

If you would like to discuss this comment please contact our Executive Director, Jon Grant.

Yours faithfully

Richard Fleck
Chairman

Mr. John KELLAS
IFAC
Chairman of IAASB
545 Fifth Avenue
14th Floor
New York N.Y. 10017
Etats-Unis

Paris, 28 October, 2004

MT.CG.1108

By mail and facsimile (00 1 212 856 9420)

Dear Sir,

Re: Exposure Draft “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures”

The Compagnie Nationale des Commissaires aux Comptes and the Conseil Supérieur de l’Ordre des Experts-Comptables are pleased to submit to the IAASB their comments on the Exposure Draft on “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures”

General comment

Readability and understandability

The two French Institutes consider that the preface, as currently drafted, is too detailed and is therefore very difficult to read and understand.

The frequent use of acronyms referring to the many groups put in place by the IFAC reform makes the preface very difficult to understand for anyone who is not extremely familiar with the organisation.

The preface, as drafted in the ED, therefore runs the risk of failing to meet the objective of demonstrating to the public the existence of a transparent due process in the IAASB.

The two French Institutes therefore recommend that the drafting of the preface be simplified as much as possible, either by defining at the beginning of the document each of the various committees it refers to or, perhaps, by inserting a diagram to explain the interrelationships between the various Committees and Boards, similar to the way in which the handbook explains the hierarchy of the ethics committee, the quality control standards and the various other standards (ISAs, ISREs...).

Interpretations Committee

The French Institutes note the absence in the proposed due process of the IAASB, of a “structure” or “due process” dealing with emerging or urgent issues.

Although it could be argued that there are fewer emerging or urgent issues in the auditing field than in the accounting field because new issues generally arise in auditing from changes in laws or regulations, there may be a need for an Interpretations Committee to deal with the interpretation of the standards. Does the IAASB plan to create such a structure?

Detailed comments

The footnote 2 to paragraph 23 mentions the fact that the objective of the CAG is to provide a forum where the IAASB can obtain, amongst other things, technical advice on projects.

The French Institutes consider that the role of the CAG should not be to provide technical advice on projects but rather to provide strategic views on the orientations and priorities of the IAASB as stated in (a) and (c) of footnote 2 to paragraph 23.

In paragraph 26 it is stated that “in addition, a separate group of experts may be established to advise a Project Task Force”, whilst in the preceding sentence it is explained that experts who are not members of the IAASB can be members of a Task Force.

The French Institutes agree with the proposal that experts who are not members of the IAASB should be allowed to join Task Forces but question whether it is necessary in this case to provide for the creation of a separate group of experts to advise the Task Force.

The French Institutes therefore recommend that the sentence “In addition, a separate group of experts may be established to advise a Project Task Force” be deleted.

In the same paragraph 26, it is stated that “the IAASB may also conduct projects jointly with a national standard [...]”. The French Institutes consider that there is a risk in a project conducted jointly with a national standard setter that the discussions and deliberations of the Task Force be overly influenced by the national debate in the country participating in the joint project.

The French Institutes therefore recommend that in the case of a joint project the Task Force should always be chaired by a member of the IAASB and should not be chaired jointly.

Furthermore the French Institutes consider that the progress of the joint project at the IAASB should not be dependent on the progress of the same topic at the national level. In other words the IAASB should not be prevented from approving a project at the international level, even though it may not have been approved in the country with which the project was jointly conducted.

In paragraph 33, the last sentence which states that “a number of ...rather than electronic copies” deals with administrative and secretarial matters which do not have their place in the description of a due process and should therefore be deleted.

In paragraph 48, the French Institutes agree that the steering committee should investigate matters dealing with a breach of due process. However, the French Institutes also consider that, if there has been a breach of due process, the steering committee should bring the issue to the Board, for it to take a decision on the resolution of the problem.

Finally, the French Institutes consider that the proposed Preface should clearly state, given that all documents (including drafts) which are discussed at the IAASB meetings are made available to the public through the website, that all drafts prepared in the process of the development of a standard have no value once the standard is issued and they cannot be used to subsequently interpret the meaning of a standard. This point links back to the earlier point we made regarding the setting up of an interpretations committee.

The French Institutes hope that their comments will be useful to help the IAASB finalise the revised preface.

Yours faithfully,

Michel TUDEL
President of CNCC

William NAHUM
President of OEC

15 October 2004



Mr Jim Sylph
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York NY 10017
UNITED STATES OF AMERICA
By E-mail: Edcomments@ifac.org

**Office of the Chief Executive
Gregory J. Larsen, FCPA**

CPA Australia
ABN 64 008 392 452

CPA Centre
Level 28, 385 Bourke Street
Melbourne VIC 3000 Australia
GPO Box 2820AA
Melbourne VIC 3001 Australia

T +61 3 9606 9689
F +61 3 9602 1163

W www.cpaaustralia.com.au

E greg.larsen@cpaaustralia.com.au

Dear Jim

Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services - IAASB Due Process and Working Procedures

Thank you for the opportunity to comment on the proposals to strengthen the IAASB's due processes and working procedures. We strongly support the proposed changes and note that many of them have been implemented.

Australia has had a policy of harmonising with ISAs since 1994, however recent changes to our Corporations Act has given the Australian Auditing and Assurance Standards Board two years to approve legally enforceable auditing standards. We understand that there are other countries around the world in this same situation. Given the impact that this will have, we acknowledge the importance of the CAGs role and the valuable input from bodies such as IOSCO. We believe that Australia can assist this process as we face the challenge of giving auditing standards legal backing under statute.

In addition to the reforms in Australia, we also acknowledge the impact of the US Sarbanes Oxley Act. This in effect has created another international audit standards setter (PCAOB). We would like to encourage the IAASB to promote active involvement and cooperation on joint projects with the PCAOB. Our ultimate goal is eliminating any significant differences whilst maintaining a principles-based approach. We encourage the IAASB to enter into an agreement with the PCAOB, similar to the Norwalk agreement, between the FASB and the IASB.

Successful development of auditing standards requires active participation from the reporting community in the development and application of standards, and we consider that active participation can only arise when the standard-setter is open to comment from its constituency.

There are a number of areas where we support enhancements to the IAASB's processes in order to enhance the dialogue between the IAASB and its constituency. In general, given the IASB has recently strengthened their deliberative processes, we encourage the IAASB to consider the improvements that the IASB has made and benchmark any further enhancements accordingly.

First, we would prefer that all Exposure Drafts are open for comment for at least four months. This will provide time for the proposals to be analysed and comments to be prepared whilst also allowing for regional differences such as the timing of major reporting deadlines and holiday periods. It will also allow National Standard Setters (NSS) the opportunity to consider fully the views of their local constituents, for whilst some countries are harmonising with the IAASB standards, some countries still add paragraphs to take account of local regulations and practices. An extended exposure period may allow this to occur as part of the global exposure process and therefore would provide for a more robust due process. We consider that an extended comment period is especially appropriate for those jurisdictions using a language other than English.

Second, the IAASB should explore ways to improve access to its meetings that are both cost effective and technologically feasible. We agree that the agenda papers, including the issues papers and draft standards and practice notes should be published on the website, but believe that interested parties are currently prevented from attending the meeting due to the expenses and time involved in travel. We believe that the IAASB should develop the appropriate technology to allow interested parties to observe meetings in the not-too-distant future.

Thirdly, we encourage increased broad consultation related to setting the priorities and reviewing the processes of the IAASB, such as is done through this consultative document. Some standard-setters or their oversight bodies provide an opportunity for the broader community to comment on priorities and other matters of general interest. For example, the former AuASB (now AUASB) surveys its constituency seeking input on its priorities and other matters. We acknowledge that the IAASB has an extensive range of formal channels for soliciting comments, but we consider that some individuals may find it difficult to use these channels to provide comments other than on particular documents. For example, whilst the IAASB holds a NSS meeting yearly (10 countries) and a European NSS meeting (21 standards setters), some NSS are not included in this consultation process. We believe that all countries that have adopted, converged or have indicated that they are intending on adopting or converging with ISAs in the future, should have the opportunity to provide input into identifying, prioritizing and approving projects. Such individuals would be able to express their views through a broad consultative mechanism, whether it is part of the wider NSS meeting or through regional NSS meetings such as the European NSS, but extended to regions such as Asia- Pacific, America and Africa.

Furthermore, in the interests of a robust and transparent due process, we also feel that the IAASB should:

- Provide basis of conclusions with the published standard;
- Document where Board members have dissented from a Pronouncement or an Exposure Draft, with the reasons therefore in the appropriate document; and
- Expose Practice Statements for public comment.

We appreciate the opportunity to comment at this time and look forward to continuing the dialogue with the IAASB. Should you have any queries in relation to the above, please do not hesitate to contact either Naomi Carroll by e-mail Naomi.Carroll@cpaaustralia.com.au or myself.

Yours sincerely

Greg Larsen, FCPA
Chief Executive
CPA Australia

c.c. N Carroll

October 15, 2004

Mr. James M. Sylph
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017
USA

Dear Mr. Sylph:

Re: Proposed Amendments to the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures

The global organization of Ernst & Young is pleased to comment on the above-referenced proposed amendments to the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures.

We are supportive of the proposed amendments as they will serve to increase the transparency of the IAASB standard setting process. We have some comments on the proposed amendments, which we have summarized below for your consideration.

Paragraph 34

The due process outlined in paragraph 34 would be strengthened if the last sentence were modified to read: 'In addition to the thorough study of the Issues Paper, IAASB members review the key points made by respondents in their comment letters.'

Paragraph 38

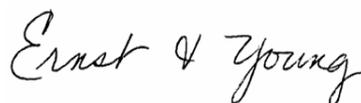
The criteria to be used by IAASB to determine the need for re-exposure should be clearly stated in the Preface. Clearly stated criteria will assist IAASB in its assessment of the need for re-exposure and in its documentation of the process in the IAASB minutes.

Paragraph 48

Consideration should be given to having the IAASB Steering Committee report back to IAASB on the result of its assessment of all issues raised on due process.

We would be pleased to discuss our comments with members of the International Auditing and Assurance Standards Board or its staff.

Sincerely,

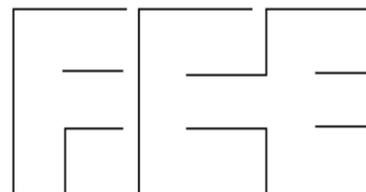


Date
11 October 2004

Secrétariat
Général

Fédération
des Experts
Comptables
Européens
AISBL

Rue de la Loi 83
1040 Bruxelles
Tél. 32 (0) 2 285 40 85
Fax : 32 (0) 2 231 11 12
E-mail : secretariat@fee.be



Mr. J. Sylph
Technical Director
International Auditing and Assurance Standards Board (IAASB)
545 Fifth Avenue, 14th Floor
New York, New York 10017
USA

Edcomments@ifac.org

Dear Mr. Sylph,

Re: Exposure Draft - Proposed Amendments on the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures

As the representative organisation of the European accountancy profession, FEE is pleased to comment on the Exposure Draft - Proposed Amendments on the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedure (the “Proposed Preface”).

FEE is supportive of the proposals made as the amendments are an improvement in comparison with the existing preface and will increase the transparency in the IAASB standard setting process which we consider is in the public interest. The perceived quality of the due process at IAASB is particularly important at this time as the adoption of ISAs is being considered in the European Union.

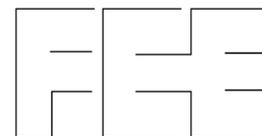
We believe that our detailed comments which follow would further enhance the Proposed Preface.

General Comments

Readability and understandability of the Proposed Preface

In our opinion the Proposed Preface is currently difficult to read and understand. The main reasons are the use of a lot of abbreviations and acronyms and the consolidation of an overwhelming amount of information in one document. To adequately understand the Proposed Preface and the due process it promotes, a very good pre-existing understanding of IAASB’s structure is required.

For example, the composition, the objectives, terms of reference, etc of the Monitoring Group, the IAASB Consultative Advisory Group, the Public Oversight Interest Board, the IAASB Steering Committee and other IFAC Committees and Task Forces, as well as the distinction between these different groups, are not clearly stated.



We recommend that the IAASB gives further information on the many committees and task forces referred to in the Proposed Preface, as well as on the meaning of the abbreviations and acronyms used. As a minimum, this could be by cross-reference to other parts of the IFAC Handbook. These modifications would enhance the readability and understandability of the Proposed Preface.

Small and medium size entities

We encourage IAASB to include in the Preface specific mention of the applicability of pronouncements to the audit of small and medium size entities. FEE recognises that it is difficult for IAASB to prepare standards that are appropriate to a wide variety of different sizes and types of entities and economic environments. However, the principle-based standards issued by the IAASB should be readily and efficiently usable by auditors of small and medium-sized entities.

Ease of translation of International Standards on Auditing

In the light of the clarity project of the IAASB, we believe that the Proposed Preface should set out a clear policy on the standard of written English IAASB intends to achieve in its output. For example, avoidance of long, complex sentences and idiomatic phrases would facilitate translation into the 20 languages of the European Union.

The IFAC Website

There are multiple references to information on the IFAC and IAASB websites (information which often cannot be readily located without detailed knowledge of the website). Consideration should be given to including part of that information in the Proposed Preface itself. Inclusion of the membership, terms of reference and operating procedures of the IAASB Consultative Advisory Group, the Public Oversight Board, the IAASB Steering Committee, the Monitoring Group and IFAC Committees and Task Forces in the Proposed Preface might require a division of the exposure draft into different parts.

In any event the user-friendliness and structure of the IFAC website should be enhanced and the website should be made more transparent. For example, the presentation of the standards, the “how to get to” links and the links between related areas could all be improved.

Knowledge of the structure and experience with the use of the website is often required to find a particular item. For example, terms of reference of some IFAC groups can be found under that group’s header whereas terms of reference of other IFAC groups are included under the more difficult to find “Members/Source Files/Auditing Related Services” directory.

Comments on specific paragraphs

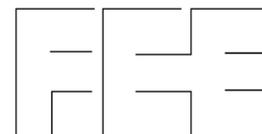
1. In respect of footnote 2 in paragraph 23, FEE will also comment on the IAASB Consultative Advisory Group (IAASB CAG) Chair Memorandum on “The Future of the Consultative Advisory Group” which includes the proposed objectives of the IAASB CAG. In particular we include in that letter our recommendation that the IAASB CAG should not be expected to provide detailed technical advice but that a form of words such as “strategic and directional advice on technical and other issues” more closely reflects the CAG’s role (item b).
2. FEE recommends that IAASB should make the project proposal process more transparent and open. In particular, the stage between the general identification of projects as described in paragraph 23 and the project proposal selection by the IAASB Steering Committee as described in paragraph 24, needs to be more transparent. This should explain the methods of selection of projects for further consideration by the IAASB Steering Committee from the pool of projects identified. There should be appropriate communication with all those who make an initial recommendation for a project as to whether the project was accepted, and if not, the reason(s) for rejection. The transparency promoted by the process described in paragraphs 34, 35 and 48 should also be reflected in paragraphs 23 and 24.

3. With regard to paragraph 24, we support IFAC in considering the involvement of other IFAC Committees and Task Forces in the project proposal process. Although we understand that it is not the purpose to provide a complete list of groups to consult with, we are in favour of increased consultation and we recommend that, for example, the involvement of the Sustainability Expert Panel and regional organisations is also considered.
4. In paragraphs 24, 25 and 26, responsibilities which might be expected to be assumed by the full International Auditing and Assurance Standards Board (the “Board”), have been transferred to the IAASB Steering Committee. These paragraphs appear to indicate that the IAASB will give up control over its own project initiation and preparation processes. It appears that every relevant body – both internal and external to IFAC – is consulted in relation to the initiation and preparation of projects except for the IAASB. In our view, effective due process requires that the body ultimately responsible for pronouncements – the IAASB – must retain final authority over the project initiation and preparation processes and be consulted throughout all phases of these processes. In this regard we are of the opinion that the Board should be charged with the power to consider project proposals, the recommendation of the project proposals and their prioritisation. Also, we believe that the responsibilities of the Board and IAASB Steering Committee as proposed in Article 26 should be reversed whereby the Board consults with the IAASB Steering Committee and assigns responsibility for the project to a Project Task Force.
5. In respect of paragraph 26, we encourage IFAC to enhance the transparency of the composition of each Project Task Force by making its origination or formation public. Interested parties should be offered the possibility to put forward names of possible candidates.
6. Paragraph 26 also addresses the possibility of joint projects with national standard setter(s) or others. FEE is supportive to the possibility of joint projects because this would allow pooling of technical and professional resources to carry out important projects that the IAASB cannot resource on its own. However, as the IAASB’s standards are more important to those jurisdictions where these standards have been or will be adopted, at least one of the national standard setters involved ought to be from a jurisdiction where IAASB standards have been adopted or will be adopted in the near future. In addition, it should be considered to involve not just one but a number of different standard setters in these joint projects.
7. Although we are not in favour of making the meetings of Project Task Forces public as to do so may militate against their effective working, we believe that their working processes should be fully transparent. Therefore, we encourage IFAC to demonstrate in paragraph 27 of the Proposed Preface how full transparency will be achieved while the meetings of the Project Task Force are not public.
8. We believe that the process as described in paragraph 28 could be improved by publishing a bullet point summary including all Board decisions within two weeks following each meeting of the Board. Such a summary should include sufficient information to understand the decisions taken at the Board meeting.
9. In paragraph 30, the exposure for public comment of Practice Statements is qualified. As this could be seen as a lack of transparency, the Proposed Preface should explain the limited circumstances where exposure may not take place.
10. Related to paragraph 31, we welcome the initiative to send an exposure draft to all interested people. We recommend IAASB include with the exposure draft a cumulative summary of all significant decisions made by IAASB on matters related to this project.

11. In respect of paragraph 32, there should be an explanation of the circumstances which might result in a shorter or longer exposure period than 90 days. For instance for complex or pervasive changes, more time than 90 days might be needed for translation of the exposure draft into the national language to make wider consultation possible. As far as a shorter exposure period is concerned, we consider this to be appropriate only in exceptional circumstances, for instance for a very short exposure draft for which translation is readily available.
12. The Issues Paper, that analyses the comments received including a summary of the main issues raised and the recommendation of the Project Task Force as described in paragraph 34, should be a public document for which the chairman of the Project Task Force takes ultimate responsibility.
13. In addition to the Issues Paper (or as part of it) as discussed in paragraph 34, IAASB could usefully introduce a feedback statement to discuss the main comments and the reasons why they are rejected (as far as not yet discussed in the Issues Paper). Our experience with feedback statements issued by the Committee of European Securities Regulators (CESR) and the European Commission is very positive in this respect.

Feedback statements avoid lack of transparency as they make it possible to determine the reasons behind acceptance or rejection of suggestions from comments submitted or whether they have been accorded consideration in terms of their validity or importance. They also allow to determine whether particular emphasis is given to the consideration of comments submitted by specific bodies.

14. Regarding paragraph 35 and the decision to discuss comments with respondents, we believe that the process would be improved by requiring the IAASB to consider and decide systematically whether it needs to contact and discuss with respondents their letters of comment or explain the reason for not having accepted their proposals. Clarity on the consideration of comments is especially important in Europe and for the European Commission in the light of the expected adoption of International Standards on Auditing (“ISAs”) into European legislation. This will also become important in other regions where ISAs will be adopted.
15. Related to paragraphs 37 and 38 on re-exposure, we believe that the most important issue is the decision of the IAASB on the need to re-expose. Where the Project Task Force recommends re-exposure or consideration of re-exposure by IAASB, it is important that the circumstances surrounding the IAASB decision on re-exposure are made public for reasons of transparency.
16. In respect of paragraph 39, the Technical Director should not only confirm to the IAASB that the IAASB’s stated due process has been followed but explain how the due process was followed as this will depend on the circumstances of each project.
17. Paragraph 40 could be enhanced by explaining in further detail the reasoning behind the determination of an effective date for a standard or the date from which a practitioner should be aware of a Practice Statement. Also, the effective date should be set taking into account the reasonable expected minimum period needed for effective and professional implementation and the need for translation into national languages. When deciding on consultation periods, IAASB should have regard to the need for the exposure draft itself to be translated into national languages. It would also be beneficial to include a planned effective date in the exposure draft. Alternatively, it would be useful to include the principles to be followed for determination of the effective date in the Proposed Preface.



18. In respect of paragraph 41, the requirements for the preparation and issuance of a separate document explaining the IAASB basis for conclusions should be stronger and should be the norm rather than the exception. An increasingly important part of due process is assuring commentators that their comments have been taken into account. The publication of a basis of conclusion would be the most efficient and effective method of providing such assurance. This is increasingly common practice at many standard setters. It contributes to dealing with criticism on the decision-making process. Although the relevant papers of the last IAASB meetings are published on IFAC's Website, it cannot be assumed that all relevant information regarding the basis for conclusions will be retained on the IFAC website over a longer period. It would facilitate transparency if the basis of conclusion were also published together with the standards in the IFAC Handbook, following the example of the IFRS Handbook.
19. Paragraph 48 is too short to deal adequately with the raising of issues over due process, issues should also be considered by IAASB itself. Further information is needed on how IAASB will be made aware of such matters. Minutes should be available to record the resolution of issues and any associated action.
20. Another matter which we believe should be clarified in the Proposed Preface is the legal status of the material which is archived by IAASB. In court cases where the correct interpretation of an IAASB standard might be crucial, plaintiffs and defendants may make reference to archived material which contributed to the development of the standard under scrutiny.

If you have any further questions about our views on these matters, please do not hesitate to contact us.

Yours sincerely,

David Devlin
President

Barry Barber

Worldwide Director of Audit and Quality Control
399 Thornall Street
Edison, New Jersey 08837
732-516-5500
732-516-5550 Direct
732-516-5502 Fax
email barry.barber@gt.com



8 October, 2004

Mr. Jim Sylph
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017

Via email – Edcomments@ifac.org

Dear Mr. Sylph:

We appreciate the opportunity to comment on the proposed amendments to the Preface to the International Standard on Quality Control, Auditing, Assurance and Related Services approved for exposure by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The IAASB's issuance of the proposed amendments is appreciated and we welcome the Board's intention to consider modifications in the light of comments received before issuing the final form. The comments made in this submission are designed to encourage the IAASB in its attempt to operate with working procedures that are rigorous and transparent. At the same time we would like to call on the IAASB to ensure that this transparency is well-balanced with the Board's need for involvement and timely decision making.

The IAASB has necessarily and appropriately responded to the IFAC reforms, whereby new bodies or groups have been established, and the Preface now refers to these groups or bodies and their importance for the process of developing International Standards or Practise Statements. Grant Thornton International is also pleased that the preface stresses the requirement for appropriate consultation with the IAASB CAG during the preparation of project proposals which allows input from individuals as well as representatives of organisations interested in the development of high quality standards. However, we also feel the need to express our concern that extensive consultation at an early stage, such as the preparation of proposals, could be in contradiction with the IAASB's desire to balance the nature of its working procedures with the need for timely decision-making. This could be amplified due to the circulation of project proposals within IFAC committees and Task Forces (refer paragraph 24). The IAASB will need to monitor the operation of its due process to ensure that the balance between working procedures and timely decision-making is kept appropriate.

We support the idea of having the possibility to establish separate groups of experts to advise a Project Task Force. The present Exposure Draft however does not give any indication as to who will have the right or responsibility for establishing such a group of experts and under which operating procedures it will function.

Jointly chaired Project Task Forces give rise to concern as they run the risk of being ineffective due to missing guidelines of how to solve disputes or disagreements among their joint leaders (refer paragraph 26).

Grant Thornton International considers the availability of extended meeting agenda material a further enhancement to the IAASB's due process and working procedures. It is worth mentioning that while English stays the only official language, availability of such material will need to be made well in advance (refer paragraph 28).

The concept of holding public forums or roundtables or to issue a consultation paper, soliciting views on a matter under consideration at any stage seems a sensible approach. However, the Project Task Forces will need to be very careful when recommending such action. The IAASB's obligation to consider the need for such additional consultation should be weighed against its need to avoid unnecessary delays in its due process (refer paragraph 29).

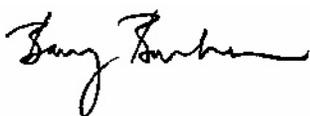
While we accept the wish for paper copies of Exposure Drafts being available to IAASB and Task Force members it seems unnecessary to explicitly state this in the Board's due process and working procedures (refer paragraph 33).

It is the IAASB's undertaking to give due consideration to comments received within the exposure period. The due process is designed in a way that significant decisions made by the IAASB are recorded in the minutes of the meeting of the IAASB. The Task Force's issue paper will include the reasons why significant changes recommended by a respondent were or were not accepted. Therefore the opportunity for respondents to discuss the acceptance or non-acceptance of their comments with the IAASB should not be part of the Board's due process explicitly. We also feel that there is no need to make this a regular practise for comments received from members of the monitoring group (refer paragraph 35). The IAASB must act in the public interest. This includes difficult and critical decisions and therefore the Board will frequently not meet the concerns of all those who comment on its proposals. Stating the requirement explicitly in the Preface runs the risk of the IAASB being subject to political interference and stalling tactics.

We offer a few specific comments on the proposed amendments in Appendix A.

We would be pleased to discuss this letter with you or another member of the IAASB staff. Please contact me at (732) 516-5550, if you have any questions.

Yours sincerely

A handwritten signature in black ink, appearing to read "Barry Barber". The signature is fluid and cursive, written in a professional style.

Grant Thornton International
Barry Barber
Worldwide Director of Audit and Quality Control

APPENDIX A

The following offers general and editorial comments for your consideration. Suggested new language is shown in boldface; suggested deleted language is shown by strikethrough.

- Footnote 3 -~~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, AUDITING, REVIEW, and OTHER assurance AND RELATED SERVICES standards. It also oversees IFAC's proposed Compliance Program.~~
- Paragraph 23 - The need to improve the due process and to increase transparency comes from interested and affected parties such as oversight authorities etc. We would therefore change the sequence and phrase the sentence as follows: "... **BASED ON INTERNATIONAL AND NATIONAL DEVELOPMENTS, RECOMMENDATIONS RECEIVED FROM INTERESTED PARTIES INCLUDING THE PIOB ... OR INPUT FROM IAASB MEMBERS AND THEIR TECHNICAL ADVISORS**" in order to demonstrate the importance that the IAASB assigns to these parties.
- Paragraph 28 - Minutes of the immediately preceding meeting of the IAASB are published on the IAASB website **WELL** in advance of each IAASB meeting.
- Paragraph 33 - ~~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.~~
- Paragraph 35 - ~~The IAASB may decide to discuss with respondents their letters of comment or to explain to them the reason(s) for not having accepted their proposals. It is expected that this will be regular practice for comments received from members of the Monitoring Group. 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.~~

THE BOARD DOES NOT HAVE THE RESOURCES TO REPLY TO EACH INDIVIDUAL COMMENT LETTER. Before a final International Standard or Practice Statements is issued, the IAASB gives due consideration to comments received. **PROJECT UPDATES WILL BE POSTED ON THE BOARD'S WEBSITE ON A REGULAR BASIS.**

- **Headline Paragraph 43 – Voting AT IAASB MEETINGS**



Institut der Bedrijfsrevisoren
Institut des Reviseurs d'Entreprises
Koninkrijk Instituut - Institut royal

Mr. Jim SYLPH
Technical Director
IFAC
545 Fifth Avenue, 14th Floor

New York, NY 10017

The President

Correspondent
+32/509.00.01
Dries Schockaert
d.schockaert@ibr-ire.be

Our reference
DS/DSch/01.10.04

Your reference

Date
October 4, 2004

Dear Mr. Sylph,
Dear Jim,

Subject : Comments on the exposure draft on IAASB Due Process and Working Procedures

The Belgian *Institut des Reviseurs d'Entreprises* (IRE) welcomes the proposition of the *International Auditing and Assurance Board* (IAASB) to further improve its due process and working procedures, and wants to comment on the exposure draft (ED) on the IAASB's proposed amendments to the "Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services - IAASB Due Process and Working Procedures" of July 2004.

Our overall impression is that this paper contains the following essential elements for the understanding of professional accountants:

- the explanatory memorandum contained in the draft international standards or statement (paragraph 31 of the ED);
- the possible discussion of IAASB with certain members on the reasons for not having accepted their proposals for amendment, following the exposure draft comment submission period (paragraph 35 of the ED);
- the basis of opinion, to be provided with each final standard or statement (paragraph 41 of the ED).

/..

Our letter dated October 4, 2004

Page 2

Further, the IRE would like to comment on the following paragraphs:

- page 9, paragraph 27 of the ED : it could be beneficial to provide some wording to explain transparently why the Project Task Force meetings are not open to the public;
- page 9, paragraph 27 of the ED : the draft Eight European Directive on statutory audit (March 16, 2004) contributes to the reporting of and the transparency related to the additional national audit requirements on top of International Standards on Auditing (ISAs). To be able to eliminate in time these additional national audit requirements, IFAC Member bodies have the opportunity to participate in the exposure draft process set up by the International Auditing and Assurance Standards Board (IAASB). The IRE believes that European IFAC Member bodies that have decided or will decide shortly to incorporate ISAs directly and for 100% into their national standards, should be preferred candidates for joining the Project Task Force meetings, to be able to discuss *ab initio* the incorporation of those “plusses” into the international standards;
- page 9, paragraph 28 of the ED : the IRE favours a publication of the draft minutes of the IAASB meetings on IFAC’s website earlier than “in advance of each IAASB meeting” as mentioned in the ED. We believe that a swift publication of the draft minutes will contribute to a more effective reporting on the decisions taken by the IAASB;



./..

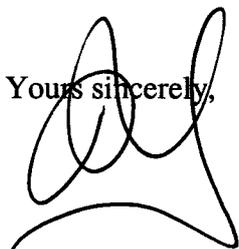
Our letter dated October 4, 2004

Page 3

- Furthermore, the IRE believes that other initiatives can contribute to more transparency in dealing with standard setting issues. For instance, in providing the necessary understanding of the structure, the working, the decisions and the final standards of the IAASB, we believe that an important contribution to this end would be to enhance the structure of IFAC's website. At present, the IAASB projects at hand are not clearly linked to the related standards and meetings, as well as to draft standards as developed by IAASB's Task Forces with the support of the staff members. Persons who do not have any experience with accessing IFAC's website find it most difficult to access the information in a transparent and direct way. We believe that a restructuring of the website content would be beneficial towards a more global understanding of the working of the IAASB.

If you have any further questions about our views on these matters, do not hesitate to contact us.

Yours sincerely,



André KILLESSE



Mr J. Sylph
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017
USA

12 October, 2004

Dear Mr Sylph

Exposure Draft: Preface to the International Standards on Quality Controls, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to respond to the IAASB's consultation on amendments to its due process and working procedures. The Institute is the largest accountancy body in Europe, with more than 126,000 members operating in business, public practice and within the investor community. The Institute operates under a Royal Charter, working in the public interest.

General

In general, we welcome the proposals which should serve to enhance the transparency of IAASB processes and the perception thereof. The perceived quality of due process at IAASB is particularly important at this time in the UK and elsewhere in Europe as the adoption of ISAs is being considered.

In general, we support the proposals which are largely unobjectionable and reflect common sense and current best practice in standard setting. But we urge that IAASB consider the possibility of taking some of the proposals further, as set out below. We are aware of the amount of work involved in implementing such suggestions even where they might appear, to those not familiar with the standard setting process, to be 'minor' points of procedure. But we believe that taking these additional steps would help avoid the need to re-consider due processes and working procedures within a relatively short time period.

1. Transparency of the audit trail, and basis for conclusions

Paragraphs 33 to 35 of the ED deal with the disposition of comments received. Whilst the procedures set out seem sensible, it seems likely that many of those outside IAASB and its task forces will remain unclear as to how their comments have been dealt with. We appreciate the logistical and other problems associated with showing exactly how comments have been dealt with, particularly where comments are many and varied. However, we believe that assuring commentators that their comments have been taken account of is an increasingly important part of due process. There are two ways of achieving this. The first is to make public a detailed summary of all

comments received and how they were disposed of before a final document is issued. The second is to issue a basis for conclusions. We do not agree with the statement in paragraph 41 that due process obviates the need for the issue of a basis of conclusions, unless IAASB follows the first course of action described above (making public a detailed summary of all comments received and how they were disposed of before a final document is issued). We imagine that the latter course of action (publication of a basis of conclusions) would be the most efficient and effective method of providing assurance to commentators. This is an increasingly common practice at many standard setters. It imposes a necessary discipline which helps avoid criticism, hasty and confused decision making (particularly where there are time pressures), and forces clarity of thought regarding the need for re-exposure (see below). **We therefore strongly suggest that IAASB publish a basis for conclusions in all cases.**

We also believe that a basis for conclusions is an appropriate document in which to describe *how* due process has been followed, rather than the proposed simple statements to the effect that due process *has* been followed.

2. Re-exposure

Re-exposure is often a contentious issue and we strongly suggest that IAASB make public an explanation of the decision to re-expose a document, and, more importantly, the decision not to re-expose a document where this has been considered.

3. Oversight

The ED refers to several different bodies working with and/or overseeing the work of IAASB. These include the CAG, the Monitoring Group, the PIOB and various different steering groups. The interaction of these bodies is complex and their purposes could be set out more clearly. We suggest that the Preface would be greatly enhanced by a chart or diagram showing the interaction of these bodies with the IAASB, supplemented by a statement of the purpose of each body and a description of the individuals and groups represented on each body. This material currently appears in footnotes which are difficult to follow.

4. Public forums, roundtables, consultation papers

We support the decision to consider the need for public forums, roundtables and consultation papers. But the criteria listed in paragraph 29 for making that decision are high level and somewhat vague. We believe that more specific criteria will be needed in practice to make such decisions, such as, for example, the likely level of interest outside the profession, the likely level of dissent, and the extent to which the proposals are likely to significantly increase costs for a large number of practitioners.

5. SMEs and the quality of written English

The majority of practitioners are those serving SMEs which are the backbone of most developed economies. The standards issued by the IAASB should be accessible and useful to practitioners serving small and medium sized entities. The Preface should therefore include a statement to the effect that IAASB

standards are developed in a manner that facilitates their efficient use by practitioners serving SMEs.

The Preface should also set out a clear policy on the quality of written English IAASB intends to achieve in its output. The benchmark should be standards that are ‘readily comprehensible to the audience for which they are intended and, wherever possible, are kept as simple as possible in order to facilitate translation’. The standards are used by many jurisdictions in which English is not the first language and in which the standards themselves need to be incorporated into law. Convoluting wording and complex sentences act as a significant bar to the proper adoption of IAASB standards in many such jurisdictions, as recognised in the IAASB’s current work on clarity.

6. The use of the word ‘ordinarily’

Paragraph 30 states that IAPSs are ordinarily exposed for comment. Paragraph 32 states that the exposure period will ordinarily be 90 days. We believe that IAASB should set out criteria for the circumstances in which it is possible or likely that IAPSs will not be exposed, and in which the comment period is likely to be less than 90 days. The decision to issue a document as an ISA or an IAPS may be controversial and a decision not to expose an IAPS may attract unwarranted criticism from those who believe that the subject matter should have been dealt with as an ISA. Setting out clear criteria for the non-exposure of an IAPS would help deflect such criticism. Short consultation periods also often attract criticism that might also be deflected if clear criteria were in place.

7. Publication of Minutes of Meetings

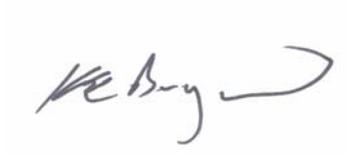
We believe that IAASB should commit to publishing minutes of meetings on the IAASB web-site within a given period after the relevant meeting, rather than simply ‘in advance’ of the following meeting. This would be of considerable help to those with responsibility for updating audit systems in planning their workload.

8. Other Points

- a. The title to this document, like other titles of some other documents recently issued by IAASB would more clearly indicate to readers the subject matter dealt with if it were shorter. *Preface to the IAASB International Standards* would suffice, would not be technically incorrect and would allow for flexibility going forward. The types of standard issued could then be dealt with in an introductory paragraph.
- b. Footnote 3 should briefly explain the nature of IFAC’s Compliance Program.
- c. Paragraph 33 should be altered to make it clear that comments will be made available on the web-site to IAASB members, technical advisors and task force members *before* they are made available to the public at the end of the comment period, if that is what is intended.
- d. Paragraph 44 should make it clear that its provisions apply ‘except where voting is by ballot’, to avoid the impression of contradicting paragraph 46.

- e. Paragraph 48 should refer to issues ‘other than those that are clearly frivolous (or vexatious)’ similar to paragraph 90 of ISQC 1.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'K Bagshaw', with a large, sweeping flourish extending to the right.

Katharine Bagshaw
Technical Manager
Audit and Assurance Faculty
ICAEW
+44 (0)20 7920 8708
kbagshaw@icaew.co.uk



Technical Director
International Auditing and Assurance Standards Board
535 Fifth Avenue
26th Floor
New York
New York 10017
USA
Dear Sir,

21 October 2004

IAASB Exposure Draft - Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures

We acknowledge this opportunity to set out our response to the International Auditing and Assurance Standards Board (IAASB) on the above IAASB Exposure Draft.

We recognise the Reform Proposals unanimously approved by the Council of the International Federation of Accountants (IFAC) are designed to strengthen international audit standard setting processes, achieve convergence to international standards and ensure that the international accountancy profession is responsive to the public interest.

The 'Reform Proposals' indicated that the public interest in the effective functioning of capital markets, and the importance of audited financial statements to those markets means the development of international standards of auditing is a public interest activity. Furthermore, it was recognised that there were a number of ways in which the process could be changed, to provide additional assurance that it will operate transparently and in the public interest.

We welcome the work carried out by the IAASB to achieve greater transparency and believe that the amendments contained in the exposure draft are consistent with IFAC's Reform Proposals and other published material. We therefore support the proposed changes and consider that they will assist in ensuring that IAASB's process is rigorous, transparent and properly responsive to the public interest. We have a number of comments on the exposure draft:

- 1) We believe that in order to fully understand the proposed preface it is necessary to have a good knowledge of the IAASB's structure. It would be helpful to provide further detail on the structure and indicate how the various components of it interact with each other in the revised preface.
- 2) Paragraphs 23 – 25 deals with Project Identification, Prioritisation and Approval. We are a little concerned that projects may become more reactive than pro-active if too great an emphasis is given to recommendations from certain interested parties. Additionally, it is unclear as to the length of time, which will elapse between project

initiation and approval. It is important to balance wide research and consultation at the initial stages with the advancement of projects on a timely basis.

- 3) Paragraphs 30 – 41 deals with the public exposure of a proposed standard. It is envisaged the exposure period will ordinarily be 90 days, however, it is unclear the length of time targeted for consideration of respondents comments and the issue of a final international standard. Additionally, it would be helpful if clarification could be given when the exposure period will be less than or greater than 90 days. Also it would be beneficial if the process of discussing comments with contributors is clarified.
- 4) We suggest that IAASB make public an explanation of the decision to re-expose a document.

If you would find it helpful to discuss any aspects of our comments in more detail, please contact Anne Sykes on +353 1 637 7313 or by e-mail at anne.sykes@icai.ie.

Yours sincerely,



PP **Ronan Nolan**
Chairman
Auditing Standards Committee



Institute of
CHARTERED ACCOUNTANTS
of New Zealand

16 October 2004

Mr. Jim Sylph
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017
United States of America

EDcomments@ifac.org

Dear Jim

Exposure Draft: Proposed Amendment to the International Standards on Quality Control, Auditing Assurance and related Services-IAASB Due Process and Working Procedures

Thank you for the opportunity to comment on the proposed amendments to the IAASB Preface regarding due process and working procedures of the IAASB.

We believe it is important that matters such as these are reviewed on a regular basis, and that they are subject to a transparent due process.

Overall we agree with the amendments proposed and do not have any specific matters to raise.

If you require any further information or comments regarding this issue please contact me or Simon Lee (simon_lee@icanz.co.nz).

Yours sincerely

Craig Fisher
Chair – Professional Practices Board
Email: craig.fisher@hayesknight.co.nz



20 Aljunied Road, #06-02,
CPA House, Singapore 369805
Tel 65 6749 8060 Fax 65 6749 8061
cpasingapore@icpas.org.sg
www.icpas.org.sg

11 October 2004

IAASB Technical Director
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017
USA

(By fax +1-212-286-9570)

Dear Sirs,

COMMENTS ON THE IAASB ED, PROPOSED AMENDMENTS TO THE PREFACE TO THE INTERNATIONAL STANDARDS ON QUALITY CONTROL, AUDITING, ASSURANCE AND RELATED SERVICES – IAASB DUE PROCESS AND WORKING PROCEDURES

The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the exposure draft *Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures*.

2. We strongly support the work of the IFAC and IAASB in their efforts to enhance its due process and working procedures.
3. The exposure draft considers current procedures and draws upon best practices followed by other standard setters, mainly by strengthening the deliberative process and enhancing the responsiveness to comments made on proposed standards. We support the proposals in the exposure draft on the basis that the enhancements will strengthen public confidence in the global auditing profession and serve the public interest.
4. Please contact Mr Walter Ng (Assistant Manager, Technical Division) via email at walter.ng@icpas.org.sg should you require further information. Thank you.

Yours sincerely,

Janet Tan
Executive Director

September 22, 2004

Mr. Jim Sylph
Technical Director
International Federation of
Accountants (IFAC)
545 Fifth Avenue, 14th Floor
New York, NY 10017
USA

By E-mail: EDComments@ifac.org

Dear Jim,

Re: Exposure Draft of the Proposed Amendments to the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures

We would like to thank you for the opportunity to provide the International Auditing and Assurance Standards Board (IAASB) with our comments on the Exposure Draft “Proposed Amendments to the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures”.

Overall, we welcome the IAASB’s effort to clarify its due process and make that process more transparent. In fact, we agree with almost all of the proposed amendments. However, we have two major concerns and a few minor concerns that we would like to address. Of course, the comments in this letter concentrate on those areas with which we have concerns, rather than dwelling on the matters with which we agree. We have addressed, by paragraph, minor issues in an appendix to this letter

Matters of Major Concern

Final Authority of, and Consultation With, the IAASB

Paragraphs 24 to 27 address the decisions that need to be made and the consultations that need to take place in proposing, accepting, rejecting, and preparing projects. In particular, these paragraphs address which parties take these decisions and with whom the consultations take place. Our review of these paragraphs appears to indicate that the IAASB has lost control over its own project initiation and preparation processes. Furthermore, with the exception of the consultation of the Steering Committee with the IAASB over the assignment of responsibility for a project to a Project Task Force after approval of the project proposal, it appears that every relevant body – both internal and external to IFAC – is consulted over the initiation and preparation of projects except for the IAASB!

In our view, effective due process requires that the body ultimately responsible for pronouncements – the IAASB – must retain final authority over the project initiation and preparation processes and be consulted throughout all phases of these processes. In this context, the IAASB Steering Committee should not issue documents on its own authority to third parties outside of the IAASB (whether within or outside of IFAC) without having first obtained the approval of the IAASB (whether within a meeting, or by less formal means, such as an e-mail ballot) that such documents may be issued to third parties for the purpose(s) specified.

In line with these recommendations, we suggest the following wording changes to paragraphs 24 to 27:

24. “Based on research and appropriate consultations with the IAASB and the IAASB CAG, a project proposal is prepared for consideration by the IAASB Steering Committee. The IAASB Steering Committee consults with the IAASB to determine whether the project proposal ought to be circulated to other IFAC bodies, the PIOB and major national standards setters, to identify matters of possible relevance to the project. These other IFAC bodies include the IAASB CAG and other IFAC Committees and Task Forces, such as IFAC Ethics Committee, the IFAC Transnational Auditors Committee, the IFAC Small- and Medium-Sized Practices Task Force and the IFAC Developing Nations Task Force, and their respective CAGs, if applicable.”
25. “Based upon the consultations relating to the project proposal circulated, the IAASB Steering Committee recommends to the IAASB either that a project proposal leading to the commencement of a new project be approved or that no new project be initiated at that time. A

recommendation by the IAASB Steering Committee to commence a project encompasses the IAASB Steering Committee's recommendations in relation to the priorities of approved projects and any proposed assignment of responsibilities for the project to a Project Task Force established for that purpose. The IAASB discusses the IAASB Steering Committee recommendation in an open meeting and either approves or amends the recommendation of the IAASB Steering Committee as appropriate. Where the IAASB CAG or the PIOB has suggested a project for consideration by the IAASB, the IAASB Chair informs the IAASB CAG and the PIOB of the decisions of the IAASB."

26. "The IAASB Project Task Force assigned responsibility for the project 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. ..."[See our comments below for our suggested wording in relation to the last two sentences of this paragraph].
27. "The Project Task Force has initial responsibility for the preparation of a draft International Standard or Practice Statement. The Project Task Force develops its positions based upon appropriate research and consultations, which may include, depending on the circumstances: commissioning research, consulting with the IAASB or its CAG, practitioners, regulators, national standards setters and other interested parties, as well as reviewing professional pronouncements issued by IFAC member bodies and other parties. Project Task Force meetings are not open to the public."

Joint Projects With National Standards Setters

Paragraph 26 addresses the possibility (of which the IAASB has already availed itself, both in the past and currently) of joint projects with national standards setter(s) or others. Since joint projects allow a pooling of technical and professional talent and other resources to carry out important projects that the IAASB may not be able to carry out on its own given its heavy project schedule, as a matter of principle, the IDW supports the concept of joint projects. However, we believe that the term "joint projects" does not imply "bilateral" projects. The performance of bilateral projects involves the danger that the nature of the project, the structure of any resulting pronouncement and the content of such pronouncement may be heavily influenced by a

single standards setter or other party – especially if the standards setter involved is a strong standards setting organization. In these circumstances, the development of a pronouncement in a joint project may then be subject to greater bias reflecting the views of the particular jurisdiction in which the participating standards setting organization resides than if the project had been undertaken by the IAASB alone. We are not convinced that the IAASB will always be able to counteract this kind of bias by means of the due process mechanisms and the final determinations of the IAASB described in the amended Preface because such bias is often of a subtle, yet significant, nature.

In our view, all joint projects of the IAASB involving national standards setters or others ought to be on a multilateral basis – that is, at least two national standards setting organizations ought to be directly involved to ensure that no one standards setting body exercises undue influence over the development of a pronouncement. Furthermore, the IAASB's standards are more important to those jurisdictions where these standards have been, or will be, adopted, compared to those jurisdictions where not. This means that at least one of the national standards setters involved in joint projects ought to be from jurisdictions where IAASB standards have been adopted or will be adopted in the near future. An additional consideration in these circumstances to ameliorate potential bias may be to ensure that there be at least one standards setter from a jurisdiction with a legal framework that differs from the other standards setter(s) directly involved in the project (e.g., common law vs. civil law jurisdictions). Given these considerations, we also believe that it is doubtful whether, generally, a non-IAASB chair (whether alone or jointly with an IAASB member) would be appropriate to lead task forces for IAASB projects.

To this effect, we suggest the following amended wording for the last two sentences of paragraph 26:

“The IAASB may also conduct joint projects on a multilateral basis with national standards setters or others. Such multilateral task forces involving the participation of national standards setters or others should include at least one national standards setter from a jurisdiction that has adopted, or soon will be adopting, IAASB standards and include standards setters or others from jurisdictions with differing legal frameworks. Joint Project Task Forces are ordinarily chaired by a member of the IAASB.”

If you have any further questions about our views on these matters, we would be pleased to be of further assistance.

Yours truly,



Gerhard Gross
Executive Director



Wolfgang P. Böhm
Special Advisor to the Executive Board

494/500

Enclosure: Appendix

Appendix: Comments on Minor Issues and Editorial Matters

23. Footnote 2: We do not believe that the CAG is necessarily in a position to provide “technical advice” to the IAASB. Rather, the CAG’s composition means that its advice would be of a political or general nature. We therefore suggest that the term “technical” be replaced with “general”, or that no adjective be applied to the term “advice”.
40. We consider it to be important that the IAASB inform users of IAASB standards of the reasoning behind the determination of an effective date for a standard or the date from which a practitioner should be aware of a Practice Statement. Consequently, we suggest that in the IAASB’s communication announcing the approval of a standard, the IAASB provide reasons for the selection of a particular effective or “awareness” date:
- “In the IAASB’s communication announcing the approval of an IAASB pronouncement the IAASB will provide the reasons for the selection of a particular effective date for a Standard or a date from which professional accountants need to be aware of and consider a relevant Practice Statement.”

From: lynannn [lynannneri@ifac.org]
Sent: Friday, October 22, 2004 9:17 AM
To: 'James Gunn'
Cc: 'Bryan Hall'
Subject: FW: Comments on the Exposure Draft on "Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services - IAASB Due Process and Working Procedures"

-----Original Message-----

From: INCP [mailto:incpcol@cable.net.co]
Sent: Thursday, October 21, 2004 7:27 PM
To: EDComments@ifac.org
Subject: Comments on the Exposure Draft on "Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services - IAASB Due Process and Working Procedures"

To the Technical Director International Auditing and Assurance Standards Board:

Dear Sir,

We apologize for the delay to provide our comments. We welcome the opportunity to comment on the Exposure Draft on "Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services - IAASB Due Process and Working Procedures".

The Instituto Nacional de Contadores Públicos, Colombia, International Committee has analyzed the document and has found it appropriate and applicable. However, the Institute considers that documents that contain the Board's basis for conclusions are very useful to understand the Boards rationale. Although the information will be available, a centralized document would be a better source of information. For this reason, the Institute considers that the document should not be obviated as suggested in paragraph 41.

Please contact Ana L. López at 571 6188 007 or alopez@kpmg.com if you have any question.

Yours faithfully,

INCP



Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores

October 14, 2004

Mr. James Sylph
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, NY 10017

Re: Proposed Amendments: “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services—IAASB Due Process and Working Procedures”

Dear Mr. Sylph:

IOSCO’s Standing Committee No. 1 on Multinational Disclosure and Accounting appreciates the opportunity to comment on the Exposure Draft (“ED”), “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services—IAASB Due Process and Working Procedures”. As securities regulators representing the public interest, we are committed to enhancing the integrity of international markets through promotion of high quality accounting, auditing, and professional standards. Our comments herein reflect those matters on which we have achieved a consensus among members of Standing Committee No. 1 and are not intended to include all the comments that might be provided by individual members on behalf of their respective jurisdictions in the future.

We note that the IAASB has made a number of significant enhancements in its transparency and due process over the last two years and want to acknowledge this progress. It has been very useful to have the Board Agenda papers posted on the IAASB website, and to have Board meetings open to the public. We are pleased to see further efforts to aid transparency and improve the Board’s due process as evidenced in this ED, and we encourage ongoing improvement. We have a number of comments about how the process and procedures described in this ED might be further improved, as outlined in the remainder of this letter.

Mix of information on “due process” and “working procedures”

We understand that the intent of this ED is to expand the information presently provided, in order to increase a reader’s understanding about operations of the IAASB. This transparency is desirable; however, the mix of different types of information in this document raises the

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: (34.91) 417.55.49 • Fax:
(34.91) 555.93.68
mail@oicv.iosco.org
• www.iosco.org

question of whether all information included should be presented in the same way and should appear to have the same weight.

For example, in paragraph 33, it is stated that “an acknowledgement of receipt will be sent to every respondent.” This is an example of a desirable operating procedure which, because it is included in this preface may be considered to be part of the principles or elements of due process. As such, one could argue that a failure to send an acknowledgment is a violation of due process, but, it would seem disproportionate to suggest that the failure to acknowledge one receipt from one correspondent is a failure of due process.

Paragraphs in the preface which are more in the nature of detailed administrative information and day-to-day working procedures might be more appropriately placed in an operations document, one that could be more easily modified as the need arises. Such a document could be posted on the IFAC website to provide the necessary transparency. Much of the remainder of this section (paragraphs 34-36) might more appropriately be placed in a working procedures document.

Broad statements of policy, principles, and elements of due process, are the types of matters that should be included in the Preface, if it is intended to be an overarching part of all the auditing standards. Detailed working procedures could be presented in another way that provides more flexibility for change when the need arises, while retaining the benefit of transparency

Clarity of standards, including the Preface

Paragraphs 2 – 22 of the Preface, addressing the format and typeface of the standards and other matters, will be significantly affected by the outcome of the Clarity project that is underway. As we have previously commented, the Board needs to address and resolve the issues of bold and grey lettering, use of language and other aspects of the clarity of standards as soon as possible. The clarity of standards is a fundamental issue for all of the guidance issued by the Board, including the Preface to the international standards, and we strongly encourage the Board to move forward as rapidly as possible on this project. Meanwhile, care should be taken to be clear about requirements for due process that are included in the Preface.

Project identification, prioritization and approval

Though the heading for this section, as noted above, states that there is information on project prioritization, there is little coverage in this section on how prioritization would be made. Paragraphs 23 and 24 would be improved by including some reference to criteria that are considered in establishing priorities for selection of Board projects. We believe that the Chair should not solely determine the project priorities and that, in particular, the Consultative Advisory Group (“CAG”) should have an opportunity to provide input before Board project priorities are finalized. This process should be clearly stated in the operating procedures guidance.

Research, consultation, public exposure

It would aid transparency for paragraph 26 to explain fully how project task forces are constituted and how experts may be brought on to a task force. Information on who is

serving on and assisting the task forces should be public information that is posted on the IFAC website.

In paragraph 29, we are pleased to see discussion of the need to hold a public forum or roundtable, whether before or after the drafting of an ISA or practice statement. We encourage such roundtables for significant projects, especially when responses to an Exposure Draft show a significant and controversial divergence of views.

Responses to Exposure Drafts and Consideration of Respondents' Comments

There is an unclear sentence in Paragraph 34 that states "...IAASB members make themselves aware of key points made by respondents within the context of the response letters."

The standards should state what the expectations are for board members, rather than making a rather general statement like this.

Standards setting in the public interest is an important activity that carries with it the obligation to do whatever is required to develop standards of high quality. We believe that such work includes the obligation to be aware of, and consider fully, comment letters that have been developed by outside parties to provide views about proposed standards.

In our view, it is essential that Board members thoroughly familiarize themselves with the issues raised in comment letters on proposed standards, so that they are able to make well informed decisions as they finalize the standards. The description now contained in the ED does not adequately describe the responsibilities and commitments involved. Furthermore, saying only what the Board and its members "do" as opposed to stating clearly what they "should do" could make it difficult to confirm that due process was in fact followed.

Paragraph 41 states that a basis for conclusions is not published as a part of the standards because the Board's discussion papers throughout a project will make the Board's decisions clear without such an explanation. We believe that some form of explanation of how the Board has reached its conclusions is very important to have when a final standard is issued.

It would often be difficult for the broad base of users, and successive generations of users, to trace the path of discussions and conclusions that have occurred over the course of a project. It is unlikely that such information would be sought or accessed after some time has passed since issuance of a standard. As such, interested parties may not receive a clear understanding of how the IAASB reached its conclusions. We believe the Board should identify a way to provide clear and adequate explanation of the basis for its conclusions when a final standard is issued, so that each standard can stand fully on its own and be clearly understandable.

Confirming Due Process

As we considered this section of the ED, the view arose that it would be more appropriate for the full-time IAASB Chairman to confirm that the IAASB's stated due process has been followed. We would see proper execution of the Board's due process to be a fundamental part of the Chairman's responsibility.

Prior to focusing on this as the Chairman's responsibility, we had observed that Paragraph 39 should be strengthened to state the responsibilities of the IAASB Technical Director more fully. For example, it might say "The IAASB Technical Director is responsible for ensuring that the steps and elements of due process are followed throughout the development of a standard, and for confirming that required procedures have been followed before the final standard is approved for issuance."

Regardless of whether it is the Chairman or the Technical Director that confirms that due process has been followed, we believe that it is the Chairman who is ultimately responsible. We note that the requirement to confirm is very interactive with whatever steps and elements are defined as part of due process. If something is included as a requirement of due process and a person must certify that due process has been followed, that person must have the means to determine that each requirement has been satisfied.

Voting

Paragraph 44 deals both with voting requirements for passage of a standard and with the ability of an absent Board member to use either the member's Technical Advisor or another IAASB member as a proxy for voting purposes. We believe these two topics should be separated. One statement should deal clearly with a meeting quorum requirement and the minimum votes needed to approve an ED or a standard. Another should address the use of proxies. Combining the two subjects has produced a sentence which is unclear as it seems to allow for passage of a standard with only eight votes.

We are aware that the IAASB has previously made use of proxies, but our discussion of this subject within Standing Committee No. 1 produced some concern about allowing another member to cast a vote without the absentee member having the benefit of hearing the latest deliberations and making a final decision. This has the potential effect of giving the attending member with the proxy two votes. Some of our members suggested that the Technical Advisor of a member should be the only person authorized to hold a proxy. The reason was two-fold: the Technical Advisor would likely be more thoroughly familiar with the nuances of the absent Board member's views on the subject, and would often be closer to the details of technical issues and/or task force activities. We encourage the Board to examine the use of proxies and determine if a greater restriction would be desirable.

Alleged Breaches of Due Process

Paragraph 48 should be revised to require that the resolution of alleged breaches of due process be reported to the PIOB or its staff as well as the party raising the matter. The guidance should be expanded to cover what steps are taken when the IAASB Chairman, Steering Committee, or Technical staff receive a complaint, who investigates and how, what happens when the IAASB Steering Committee decides that a complaint has no basis and is further challenged, what alternatives exist for resolution of a complaint (e.g., from denial of a complaint to finding that a complaint is valid and taking remedial action, and how a resolution is documented.)

As this is information of a detailed working procedures nature, it would seem most appropriate to include the description in an operations document rather than in a Preface to the standards.

Consideration of Differences between IASB and IAASB Processes

We do not know if an IAASB analysis has been performed to compare the processes of the IASB and the IAASB. If this has not been done, we believe it would be useful to do so, and to consider whether the experience of the IASB suggests any further improvements that might also be appropriate for the IAASB.

Thank you for the opportunity to comment on this ED. If you have any questions or need additional information regarding the comments of Standing Committee No. 1, please do not hesitate to contact me or Susan Koski-Grafer at (202) 942-4400.

Sincerely,

Scott Taub
Chairman
IOSCO Standing Committee No. 1



**The Japanese Institute of
Certified Public Accountants**

4-4-1, Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan
Phone: 81-3-3515-1130 Fax: 81-3-5226-3356
E-mail: international@jicpa.or.jp
<http://www.jicpa.or.jp/>

October 6, 2004

Technical Director
International Auditing and Assurance Standards Board
545 5th Avenue, 14th Floor
New York, New York 10017 USA

Our Comments on proposed Amendments “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures”

The Japanese Institute of Certified Public Accountants (“JICPA”) provides its comments on Proposed Amendments “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures” (the “Exposure Draft”). The JICPA generally supports this Exposure Draft and agrees with some revisions proposed in the Exposure Draft. The JICPA provides comments as follows:

(1) Paragraphs 23 and 33

By considering that observers from the Japan Business Accounting Council, etc. attend the IAASB meeting, the JICPA proposes to add IAASB observers in paragraphs 23 and 33 as follows.

Paragraph 23

•••input from IAASB members, their technical advisors and IAASB observers. •••

Paragraph 33

•••IAASB members, their technical advisors, IAASB observers, and task force members who are not members of the IAASB are notified when•••

(2) Paragraph 29

After publication of an exposure draft, a public forum or roundtable can be held, and a consultation paper can be issued. Therefore, a public forum or roundtable and a consultation paper as well as comments on the exposure draft may have an effect on the final ISA and IAPS. Follow up or conclusion for the opinion resulting from a public forum or roundtable or a consultation paper may not be transparent because the procedure related to such opinion is not determined. The JICPA proposes to determine the procedure related to the opinion resulting from a public forum or roundtable or a consultation paper. For example, such procedure would be referred to paragraphs 33 to 36 related to comments on the exposure draft.

Sincerely Yours

Atsushi KATO
Executive Board Member – Auditing Standards
The Japanese Institute of Certified Public Accountants



**International
Standards Group**

International Headquarters

KPMG Building
Burgemeester Rijnderslaan 20
1185 MC Amstelveen
The Netherlands
Telephone 31 (20) 656 6858
Telefax 31 (20) 656 6777

Correspondence Address

PO Box 31
Stn Commerce Court
Toronto, Ontario
Canada M5L 1B2
Telephone 1 416-777-8797
Telefax 1 416-777-8365
Internet ssmith1@kpmg.ca

Technical Director
International Federation of Accountants
545 Fifth Avenue
14th Floor
New York, NY 10017
USA

October 13, 2004

Dear Sir:

Subject: Exposure Draft Proposed Revisions to Preface to International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures

We are pleased to have the opportunity to comment on the above Exposure Draft, issued by the International Auditing and Assurance Standards Board (IAASB).

We agree that proper due process procedures are an important element of high quality standards that are responsive to the public interest. We support the proposed changes to the IAASB's due process procedures and expansion of the Preface to reflect more fully the procedures followed by the IAASB. However, we do have some recommendations on how what is being proposed can be improved and clarified. These recommendations are set out below.

Urgent issues process

Our largest concern with the proposed changes to the Preface is that they do not contemplate introduction of a process that enables IAASB to issue guidance to the profession on urgent issues on a timely basis. The experience that IAASB had with the development of first time application guidance demonstrates that there may be circumstances where it will be in the public interest for IAASB to issue guidance on an urgent basis, even if it means not fully following the established due process. We recommend that IAASB re-consider the need to address urgent issues and develop proposals for a process that is designed to provide guidance to practitioners on a timely basis.

Research, consultation and debate, paragraph 26

Paragraph 26 states that, after approval of a project proposal, the IAASB Steering Committee assigns responsibility for the project to a Project Task Force established for that purpose. The proposed Preface does not, however, address how membership for Task Forces is established and approved. We believe that Task Forces comprised of individuals who represent the IAASB's key stakeholders and who have the appropriate knowledge and experience in the subject matter of the standards being developed contribute significantly to high quality standards. We therefore recommend that the Preface specifically address responsibility for identification of Task Force members and that this responsibility should be assigned to the Steering Committee.

Paragraph 26 also permits the establishment of a separate group of experts to advise a Project Task Force. The Exposure Draft does not provide details as to when such a group would be required and the role it would play vis-à-vis a Project Task Force. We question the need for such a group assuming Task Forces are comprised of members with the appropriate knowledge and experience. We are concerned that involving another group in the development of standards may unnecessarily slow down the work of Project Task Forces. We therefore recommend that IAASB reconsider the need for a separate group of experts to advise Project Task Forces. If IAASB concludes that there is a need for such a group, we recommend that the Preface better explain the role that such a group would play in relation to a Project Task Force.

Lastly, paragraph 26 suggests that projects might be conducted jointly with national standards setters. We believe that national standards setters play a very important role in the development of international standards by virtue of their participation and involvement on the IAASB and Project Task Forces and by responding to IAASB Exposure Drafts on behalf of their constituencies. Joint projects with national standards setters may be a very good way of sharing scarce resources. They may also be an effective way of eliminating differences in standards, provided the process can be managed to avoid undue delays that may be caused by essentially having two levels of due process (e.g., international and national). We therefore support the reference in the Preface to joint projects with national standards setters but recommend that IAASB carefully consider how a due process that essentially involves two boards will be managed to avoid unnecessary delays in the finalization of standards.

Responses to Exposure Drafts and Consideration of Respondents' Comments

Paragraph 35 suggests that IAASB will likely discuss letters of comment or reasons for not accepting proposals with members of the Monitoring Group and other respondents as considered necessary. We recognize that the Monitoring Group is comprised of an important constituency. However, we are concerned that it may be difficult for IAASB to actually fulfill an obligation to discuss comments (as opposed to explaining the reasons for not adopting specific recommendations in writing) without delaying the finalization of standards. Further, we believe that the need for IAASB to have these types of discussions will likely disappear if IAASB implements the proposals set out in paragraphs 34 and 36 of the Exposure Draft relating to the development of summaries of respondents' recommendations and IAASB responses to such recommendations. We therefore recommend that paragraph 35 be restricted to responding to comments and that the proposal for IAASB to "discuss" matters raised in comment letters with the Monitoring Group and other respondents be deleted.



Questions about our comments and recommendations may be directed to the writer.

Very truly yours,

Sylvia Smith
International Desk on Auditing Standards

Mr. J.M. Sylph
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York 10017
New York
USA

15 October 2004

Dear Mr Sylph

Response to IAASB Exposure Draft – Due Process

We appreciate the opportunity to comment on the Proposed Amendments to the *Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services—IAASB Due Process and Working Procedures* (“Due Process Exposure Draft”). This response is made on behalf of the PricewaterhouseCoopers network of member firms.

A generally accepted due process is critical to the credibility of the IAASB as a recognised global auditing standard setter and the quality of the International Standards of Auditing. Accordingly, we strongly support IAASB’s decision to make improvements to its due process and working procedures and, subject to the comments below, broadly support the proposed amendments to the Due Process Exposure Draft. There are a few matters where, in our opinion, amendments could be made to improve the clarity of the proposed wording before finalising the revised Preface and we offer a number of suggestions for IAASB’s consideration. However, on balance, we believe the proposed amendments are both important and helpful to practitioners.

Overall comments

Whilst the proposals are consistent with a full and transparent due process, they are not without costs and it is important that IAASB and its stakeholders fully appreciate the impact of the proposals on IAASB’s timetable and resources. For example, the proposal to consult with respondents regarding their letters of comment (at the discretion of the IAASB) to “explain to them the reasons for not having accepted their proposals” should serve to enhance confidence in IAASB’s commitment to due process by reassuring stakeholders that their views have been appropriately considered. It will, however, also add—potentially quite significantly—to both the time and effort needed to finalise a new International Standard. The impact on IAASB’s timetable and resources needs to be carefully factored into IAASB’s planning and it is important that there is a common understanding of the expectations of members, technical advisors, staff and other task force members, and that those expectations are practicable.

Role of IAASB in project initiation and development

We are concerned that Paragraphs 24 to 27, which address “Project Identification, Prioritization and Approval” and “Research, consultation and Debate”, do not establish an appropriate role for the IAASB in the project development process. There are few references to the need to obtain IAASB’s approval in these paragraphs. In our view, effective due process requires that the IAASB, which has ultimately responsibility for the pronouncements, retain final authority over the project initiation and preparation processes and that it should be consulted throughout all phases of these processes. It is not appropriate to delegate that authority to the IAASB Steering Committee. Accordingly, we suggest that paragraphs 24 to 27 are amended to reinforce the approval role of the IAASB as follows:

24. *Based on research and appropriate consultation with the IAASB and the IAASB CAG, a project proposal is prepared for consideration by the IAASB Steering Committee. The IAASB Steering Committee consults with the IAASB to determine whether the project proposals are circulated to other IFAC bodies, the PIOB and major national standards setters, to identify matters of possible relevance to the project. These other IFAC bodies include the IAASB CAG and other IFAC Committees and Task Forces, such as IFAC Ethics Committee, the IFAC Transnational Auditors Committee, the IFAC Small- and Medium- Sized Practices Task Force and the IFAC Developing Nations Task Force, and their respective CAGs, if applicable.*
25. *Based upon these consultations, the IAASB Steering Committee recommends to the IAASB either that a project proposal leading to the commencement of a new project be approved or that no new project be initiated at that time. A recommendation by the IAASB Steering Committee to commence a project includes the IAASB Steering Committee’s recommendations in relation to the priorities of approved projects and any proposed assignment of responsibilities for the project to a Project Task Force established for that purpose. The IAASB discusses the IAASB Steering Committee recommendation in an open meeting and either approves or amends the recommendation of the IAASB Steering Committee as appropriate. Where the IAASB CAG or the PIOB has suggested a project for consideration by the IAASB, the IAASB Chair informs the IAASB CAG and the PIOB of the decisions of the IAASB.*
26. *The IAASB Project Task Force assigned responsibility for the project will ordinarily be chaired by a member of the IAASB and may include 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. The IAASB may also conduct projects jointly with a national standard setter(s) or other organisations with relevant expertise. In such cases, the joint Project Task Force is ordinarily chaired by a member of the IAASB, or chaired jointly.*
27. *The Project Task Force has initial responsibility for the preparation of a draft International Standard or Practice Statement. The Project Task Force develops its positions based upon appropriate research and consultations, which may include, depending on the circumstances: commissioning research, consulting with the IAASB or the IAASB CAG, practitioners, regulators, national standards setters and other interested parties, as well as reviewing professional pronouncements issued by IFAC member bodies and other parties. Project Task Force meetings are not open to the public.*

Comments on Other Specific Paragraphs

We also offer the following comments on specific paragraphs for IAASB’s consideration in finalising the proposed amendments to the Preface:

<p>Paragraph 23</p>	<p>This paragraph identifies the individuals and organisations that may input to the development or revision of international standards or practice statements. We suggest that the groups should be extended to other IFAC committees – to be consistent with paragraph 24 – as follows:</p> <p><i>“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 (CAG) and the Public Interest Oversight Board (PIOB) and other IFAC committees.”</i></p>
<p>Paragraph 23 Footnote 2</p>	<p>With regard to footnote two, there is a reference to <i>“The membership, terms of reference and operating procedures of CAG are published on the IAASB website.”</i> At the time of the Exposure Draft, this information was not available on the website. The IAASB should ensure any references in the footnotes can be easily located.</p>
<p>Paragraph 26</p>	<p>We believe the word “contain” in the second sentence of this paragraph should be replaced with “include”. We have included this suggestion in our wording amendments above.</p>
<p>Paragraph 26</p>	<p>The fourth sentence of paragraph 26 states that <i>The IAASB may also conduct projects jointly with a national standards setter(s) or others</i>”. We believe the IAASB should clarify whom the “others” referred to in that sentence might be, or at least explain the intention behind the term such as <i>“other organisations with relevant expertise”</i>. We have included this suggestion in our wording amendments above.</p>
<p>Paragraph 28</p>	<p>This paragraph considers the timing and transparency of documents published by the IAASB. We suggest that the amendments would be enhanced if this sentence included a minimum posting period when Agenda papers are ordinarily made available in advance of IAASB meetings, as follows:</p> <p><i>“Agenda papers...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.”</i></p>
<p>Paragraph 29</p>	<p>This paragraph addresses the concept of conducting a public forum. Unless there is a specific criterion or criteria that details when or why the IAASB might choose to hold a public forum, the benefits of such a forum may be undermined by the lack of proper process. We suggest that the final Preface include the criteria that should be considered by IAASB in making this decision.</p>
<p>Paragraph 48</p>	<p>The guidance in paragraph 48 relates to the process that will be followed by the IAASB Steering Committee if due process is questioned by a third party or otherwise. We believe that this paragraph should be expanded to ensure that IAASB Members and Technical Advisors are made aware of</p>

	<p>the issue and resolution of the matter. Unless IAASB is informed of the relevant “corrections” or otherwise that might need to be made, appropriate changes may not be made to ensure that similar breaches are not made in the future.</p> <p>We suggest the following wording:</p> <p><i>“If an issue over due process is raised with IAASB, 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. 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 and raised with the IAASB as appropriate.”</i></p>
<p>Editorial</p>	<p>Paragraph 32 – This is a complicated sentence and it might help readers’ understanding if split into two sentences and if semi-colons were used in the list rather than commas.</p>

Please contact either Diana Hillier (+44 (0)20 7804 0472) or Josephine Jackson (+44 (0)20 7212 2547) if you would like to discuss any of these comments further.

Yours sincerely,

PricewaterhouseCoopers

Proposed Amendment to the Preface

Comments by

Richard Regal

General Comments

I note that the preface is silent on the matter of dissenting opinions and assume therefore that these will not be included in Standards or Practice Statements. I agree with this approach, and do not think dissenting opinions should be included.

The publication of dissenting opinions, where they exist, is a regular feature of courts in common law jurisdictions, and is a feature of the judicial process whereby judges are assumed not to make the law but merely to explain what the law is. Indeed, until all the judges have delivered their opinions it is not possible to say which opinions are dissenting and which are assenting. Not all common law courts do publish dissenting opinions, and courts in other types of jurisdiction do not necessarily have them at all.

In any event, the rôle of the IAASB is more akin to that of a parliament or legislative assembly than to that of a court. Parliaments do not include in legislation the reasons that some of their members voted against enactment: once the law has been passed it is the law. I believe that the IAASB would weaken the authority of its Standards if it were to include dissenting opinions within them, and accordingly believe that the current approach to dissenting opinions is correct.

Specific Comments

In paragraph 23, the word “input” is a bit of a jargon word and would be better replaced by either “comments” or “suggestions”. Furthermore, this one sentence paragraph seeks to do two things: to say how the IAASB identifies projects, and to introduce the Consultative Advisory Group (CAG) and the Public Interest Oversight Board (PIOB). It would be better to do that in two separate sentences and probably in two separate paragraphs.

Although it is worth noting somewhere the breadth of consultation that the IAASB undertakes and the various structures that have been set up within IFAC, I am not sure that the best place to do this is within the section of the document dealing with project identification, prioritization and approval. I believe that there should be separate paragraphs dealing with public interest oversight that introduce the PIOB and the CAG and that those paragraphs should be in a separate section. In particular, the introduction of the PIOB seems particularly out of place here, and the further introduction of the Monitoring Group in paragraph 35 makes it difficult to get a full understanding of the substantial efforts that IFAC and the IAASB have taken to ensure sufficient oversight.

I am also not sure what purpose is served by listing some of those deemed to have an interest in suggesting projects. Is there any need to name the parties (or their types) at all? Surely the IAASB will listen to all suggestions whoever submits them, it is just that some parties will have greater attention paid to their suggestions than others. In addition, the list is heavily biased towards audit and does not consider regulators or preparer groups of other assurance services. For example, in England the Law Society requires that solicitors engage a professional accountant to report on their handling of clients’ money. Although the report is currently set up as an agreed-upon procedures engagement, it is not beyond the realms of imagination to see that in future it might be

set up as an assurance engagement. If similar reports were required internationally then bar associations, law societies and their international groupings would be another category that would be regarded as having an interest in the IAASB's work. I also think it is important to make sure that the list indicates that the relevant interested parties should be those that have an interest in international standards rather than purely domestic ones.

I would suggest a heading immediately above, and with the same weight as, the heading "IAASB Due Process and Working Procedures" dealing with public interest oversight. The heading would be "Public Interest Oversight of the IAASB" and would contain the following paragraphs.

IFAC has set up the Public Interest Oversight Board (PIOB) to oversee IFAC's standard setting activities in the areas of audit standards, independence and other ethical standards for auditors, audit quality control, and other assurance standards. 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. This includes oversight of the IAASB. Its current membership, terms of reference and operating procedures are published on the IFAC website.

IFAC has also sponsored a group known as the Monitoring Group, whose purpose within the IFAC constitution is to agree the PIOB's budget. 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 strongly 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.

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 the views of CAG members on other matters of relevance to the IAASB's activities. The CAG is comprised of individuals and representatives of organizations who have an interest in the development of high quality international standards on quality control, audits, reviews, other assurance services, and services related to them. Its current membership, terms of reference and operating procedures are published on the IAASB's website.

There should be a footnote to the paragraph dealing with the Monitoring Group that sets out its current composition, as that information is not available on the IFAC web site at present. If the Monitoring Group has any other function within the IFAC scheme of governance then that function should be included in the description of the group in the body of the document.

This change would then allow the current proposed paragraph 23 to be revised to deal only with the way in which the IAASB identifies, prioritizes and approves its projects. This would be something like the following.

The IAASB identifies projects to develop new, or revise existing, International Standards or International Practice Statements based on its own review of national and international developments and on comments and suggestions from those who have an interest in the international development of assurance and related services or an interest in the development of international standards covering those services. It consults the PIOB and CAG to help establish its priorities, including its priorities for reviewing current developments.

This would have the advantage of removing the need for the two footnotes. If this suggestion is not adopted, I would remark that footnote 2 is very long and the wording seems somewhat obscure. In particular the main point, the serving of the public interest, is buried somewhere in the middle and the wording seems to suggest that it is the other assurance and related services that are designed to serve the public interest rather than the IAASB or its Consultative Advisory Group. If the above suggestions are not adopted, I suggest that footnote 2 be rephrased as follows:

The objective of the IAASB Consultative Advisory Group (CAG) is to help the IAASB serve the public interest by providing a forum where the IAASB can obtain views on its agenda, timetable and priorities;

technical advice on projects; and the views of CAG members on other matters of relevance to the IAASB's activities. The CAG is comprised of individuals and representatives of organizations who have an interest in the development of high quality international standards on quality control, audits, reviews, other assurance services, and services related to them. Its current membership, terms of reference and operating procedures are published on the IAASB's website.

In paragraph 24 I do not think it is particularly important to note, even by footnote, that details of the various IFAC committees can be found on the IFAC website. There does not seem to be any reason to distract people interested in the IAASB's processes with references to other committee's processes unless the information about those committees is particularly relevant to the IAASB's process of project identification. (People accustomed to using the Internet to find out such information will not need telling it is there in any case). Indeed, I do not think it is necessary to set out all the various IFAC committees and task forces by name. Whilst there is always an element of political correctness in including references to small and medium-sized practices and to developing nations, there are other IFAC committees left out that could also legitimately seek to be named. If necessary, one could include a footnote indicating that there are formal consultation procedures with particular committees.

On the other hand, the IAASB steering committee has such an important role to play that I do not think its description should be relegated to a mere footnote. Accordingly, I suggest rewording paragraph 24 as follows.

The IAASB has established the IAASB Steering Committee (the Steering Committee) as a standing committee. Its purpose is to formulate views [I think the document should say views of what] and advise the IAASB on matters of strategic and operational importance. It also relieves the IAASB of the need to address certain administrative matters that do not necessarily require deliberation by the IAASB. The Steering Committee's membership, terms of reference and operating procedures are published on the IAASB web site. A project proposal is prepared for consideration by the Steering Committee. The project proposal is based on research and appropriate consultation with the CAG and is also circulated to other IFAC committees and task forces to identify matters of possible relevance to the project.

In paragraph 34 I think it is important that those who submit comments on the IAASB's exposure drafts are aware of the need not to slow down the IAASB's work through the late submission of comments. Accordingly I believe that the footnote should actually be part of the main text and that instead of saying that the IAASB *may not* be able to give full consideration the wording should indicate that it *will not* be able to do so. As an editorial point I do not think there is a need to say that the comments are considered "as a result of public exposure" but merely that they are considered. I also do not think there is a need to say the comments are read, since consideration necessarily implies that. It may also help matters if the first sentence is written in the active rather than the passive voice. I would therefore rewrite the sentence as follows.

The project task force considers the comments and suggestions received. In order to meet the public interest objectives of producing new or revised International Standards and International Practice Statements within an acceptable time, the task force, and therefore the IAASB, will not be able to give full consideration to comments received after the end of the exposure period.

In paragraph 35, I believe the detail about the Monitoring Group should be included in the part of the document dealing with the PIOB. It would also be helpful if the document described the basis on which the IAASB will decide which commentators to favour with explanations or discussions and which commentators will have to make do with looking at the various agenda papers. It is not particularly clear why members of the Monitoring Group not acting as such should routinely have a courtesy that is not routinely extended to all commentators. In their capacities as members of the Monitoring Group their rôle is one of oversight, or rather of oversight of the oversight process. Their letters of comment to the IAASB are not made in their capacity of Monitoring

Group members but rather in their individual capacities of regulators of particular industries and in particular regions. Although their comments may be worthy of more weight than those of other commentators, that is not because they are Monitoring Group members, but rather because they are highly regarded regulators in their own right. However, in terms of process that does not seem to be a reason to grant them extra privileges.

As part of the oversight process, I can well understand that the PIOB (not the Monitoring Group) might wish to discuss with the IAASB the weight and importance attached to comments from particular commentators. This would seem to be an important part of its oversight function. However the purpose of those discussions is to ensure the IAASB's process functions as it should, it is not to ensure that favoured commentators get a second bite of the cherry when the IAASB, after due consideration, has decided not to accept particular recommendations. Such a purpose, particularly when carried out by the Monitoring Group, undermines the oversight process because it leaves the IAASB open to charges that it operates for the interests of particular groups rather than for the public as a whole.

Of course, when the IAASB believes it has not understood properly the points that a particular commentator is making, it is quite proper for it to seek clarification from the commentator. That is part of the process of ensuring that comments are considered properly. However, the proposals in paragraph 35 go beyond this.

When the IAASB does have discussions along the lines currently suggested in paragraph 35, it is important that those discussions are subject to the same degree of transparency as the comment letters themselves, since they are discussions about the comment letters. Although the exposure draft notes that the nature and outcome of the discussions will be reported in the minutes of the IAASB meeting at which the related project is discussed it is important that the discussions at the IAASB meeting and the related minutes are included in the public sections of the meetings and minutes rather than the non-public executive sessions.

In paragraph 38 I believe that the question of whether the changes to an exposure draft are so substantial as to require re-exposure does not depend upon whether the changes were only because of comments received on exposure but rather depends upon the overall effect of the changes made, irrespective of the reason for them. Commentators are entitled to assume that there are no substantial points in issue unless those points have been raised specifically in the introduction to the exposure draft. In the absence of any such indication it is likely that commentators who agree with the IAASB's approach may decide not to comment on the exposure draft or on particular sections of the exposure draft precisely because they agree with what is proposed and do not wish to see it changed. It would be unfortunate if the views of such commentators were to be ignored simply because they did not think it necessary to send in a comment letter along the lines of "We agree entirely with the proposals and would not wish to make any changes."

I am not sure what purpose is served by the requirement in paragraph 39 that the technical director confirms that the stated due process has been followed. If there is a belief that requiring the technical director to make such a declaration would make him more likely to see that due process is followed then that belief seems to me to be both insulting and wrong. A technical director who had no regard for due process would not suddenly attain that regard because he is forced to utter a ritual incantation, and a technical director who believed in the importance of due process would ensure that it was followed even if he was not required to say anything at all about it. Furthermore, if due process was not followed because of some oversight then the technical

director is unlikely to realize that due process has not been followed and so would make a declaration anyway.

Presumably the purpose is to give assurance to somebody that due process has been followed and that somebody seems to be the IAASB itself. This seems to be a very insular way of looking at things. If the requirement is retained, it seems to me that there would be greater benefit if the assurance were to be given by the chair of the CAG, who is, *ex officio*, an observer at IAASB meetings.

Whilst the sentiments in paragraph 48 are laudable, I think the paragraph might create more problems than it solves. For example, a commentator who was aggrieved that his suggestions were not followed might seek to raise the same points as a due process issue. Although the paragraph does not require the IAASB to take much action on receipt of such an issue, it does represent a commitment of some sort on the IAASB's part. Furthermore, the wording requires the Standing Committee (a part of the IAASB) to investigate itself or other parts of the IAASB. This does not seem entirely satisfactory. It seems to me that anybody who has a serious complaint about how the IAASB has acted is more likely to raise that matter with the CAG or the PIOB rather than the IAASB. The PIOB will have its own procedures for investigating such complaints, and therefore I do not think it is necessary to have this paragraph in the preface. If it is felt necessary to have such a paragraph I think it should state simply that where the IAASB has become aware of an issue with its adherence to its due process it will submit the matter to the PIOB for consideration.

Editorial Comments

In the fourth line of paragraph 26 there is a comma missing after "experts".

In paragraph 27 I recommend deleting the phrase ", depending on the circumstances:" as it does not add anything to the meaning of the sentence.

In footnote 7 to paragraph 28 I do not think the adjective "historical" is needed and I also think there should be some time limit for retention of the documents on the web site otherwise the IAASB might need to hold 10 years worth of papers on its website. Although the IAASB itself might wish to hold papers going back 20 years or more I am not sure that there is a huge public interest in having copies of those papers available from the website rather than on request. I suggest rewording the footnote to read "Copies of agenda papers and highlights of each meeting are retained on the IAASB's website for at least six years from the date of the meeting. Updated project summaries are posted to the website after each meeting."

Paragraph 29 is not particularly well constructed and I also do not see the need to refer to one particular medium. Unless there is something that prohibits the use of web-cast technology there does not seem to be a need to say specifically that it might be used as opposed to any other means of conducting proceedings in an economic and efficient manner. The wording of the first sentence implies that the project task force always makes a recommendation as to the holding of a public forum. I do not think this is the intention. I suggest this entire paragraph be reworded along the following lines.

A project task force may recommend that the IAASB solicit views on a matter under consideration by holding a public forum or roundtable, or by issuing a consultation paper. This recommendation may be made at any stage before or after a draft International Standard or Practice Statement is issued for public exposure. If a project task force makes such a recommendation, the IAASB decides whether to do so. In

PROPOSED AMENDMENTS TO THE PREFACE

making the decision the IAASB considers whether the subject matter, the need for additional information to further the IAASB's deliberative process, or the level of interest is such that wider or further consultation would be appropriate; or whether there are other reasons for doing so. The IAASB will use whatever means it considers appropriate to conduct the consultation in an economic and efficient manner.

In paragraph 31 I suggest replacing the jargon wording "feedback is" with "comments are".

In paragraph 34 the word "why" after the words "the reason(s)" is unnecessary.

In paragraph 36 the sentence that begins "In circumstances where" seems convoluted. I suggest it is reworded to read,

"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 final International Standard or Practice Statement".

I think it is important not to use the word "significant" to avoid confusion with the types of *substantial* change that would require re-exposure. I also believe that the important point is not how many rounds of changes (major or minor) there have been but rather the cumulative effect of the changes that have been made to the exposure draft.

The wording of paragraph 37 could be improved. I suggest the following.

The Project Task Force recommends to the IAASB whether re-exposure is necessary and explains the basis for that recommendation. The IAASB formally votes on whether to re-expose the document. This vote is subject to the same voting rules as a vote on the issuance of a final document of the type to be issued.

In addition to the editorial changes, on a point of principle I believe the reference to the requirements for the publication of an exposure draft is unnecessary and may be unhelpful should the IAASB at some stage decide to have different voting rules for exposure drafts and final documents, or different voting rules for standards and practice statements.