



**International Federation of Accountants**

545 Fifth Avenue, 14th Floor, New York, NY 10017 USA  
Tel +1 (212) 286-9344 Fax +1 (212) 286-9570 www.ifac.org

## Agenda Item

# 9

**Committee:** IAASB  
**Meeting Location:** Hong Kong  
**Meeting Date:** March 6-10, 2006

### **The Audit of Group Financial Statements**

#### **Objectives of Agenda Item**

To review the proposed ISA 600 (Revised and Redrafted), “The Audit of Group Financial Statements,” for approval to be issued as an exposure draft. Proposed ISA 600 (Revised and Redrafted) reflects the Task Force’s and IAASB’s consideration of comments received on the March 2005 Exposure Draft, and the application of the clarity drafting conventions.

#### **Task Force**

Members of the Task Force are:

- Jan Bo Hansen (Chair and IAASB Member)
- John Fogarty (IAASB Member)
- Makoto Shinohara (IAASB Member) and Technical Advisor, Yuichi Yamamoto
- Will Rainey (IAASB Member) and Technical Advisor, Jon Grant

#### **Activities since Last IAASB Discussions**

The Task Force physically met and held a telephone conference in February 2006 to discuss the comments received from the IAASB and IAASB CAG in December 2005. Agenda Item 9-C shows in mark-up the changes processed based on the Task Force’s consideration of these comments. Agenda Item 9-C.1 lists these comments and notes the outcome of the Task Force’s consideration thereof.

The Task Force also prepared Agenda Item 9-D, which maps the “should” requirements and present tense sentences in the March 2005 Exposure Draft to proposed ISA 600 (Revised and Redrafted) (i.e., Agenda Item 9-A). The Task Force proposes that this document be included as an appendix to the explanatory memorandum that is to accompany exposure draft to be approved at this IAASB meeting.

Agenda Item 9-B summarizes the significant decisions made by the IAASB on matters relating to the project, including its position on the main points raised in the comment letters received on the March 2005 Exposure Draft.

### **Material Presented**

Agenda Item 9-A (Pages 555 – 590)	Proposed ISA 600 (Revised and Redrafted) (CLEAN)
Agenda Item 9-B (Pages 591 – 600)	Proposed Explanatory Memorandum
Agenda Item 9-C (Pages 601 – 640)	Revised Proposed ISA 600 (Revised and Redrafted) (MARK-UP FROM DECEMBER 2005 IAASB MEETING PAPER)
Agenda Item 9-C.1 (Pages 641 – 650)	Action Points Arising from December 2005 IAASB and IAASB CAG Discussions
Agenda Item 9-D (Pages 651 – 690)	Mapping of Requirements and Present Tense Sentences in March 2005 Exposure Draft to Proposed ISA 600 (Revised and Redrafted)

**Agenda Item 9-A will be used for purposes of presenting the project at the IAASB meeting.**

### **Action Requested**

The IAASB is asked to review the proposed ISA 600 (Revised and Redrafted) for approval to be issued as an exposure draft.

In approving the exposure draft, the IAASB should consider whether to invite comments on the application of the clarity drafting conventions only, or whether to invite comments on the application of the clarity drafting conventions and the proposed requirements and guidance.

Situations that constitute potential grounds for a decision to re-expose the proposed requirements and guidance include, for example: (1) substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a final conclusion; (2) substantial change arising from matters not previously deliberated by the IAASB; or (3) substantial change to the substance of the proposed ISA.

The Task Force is of the view that the changes to the proposed requirements and guidance, which were based on the Task Force's and IAASB's careful consideration of the comments received on the March 2005 Exposure Draft, do not meet (1) or (2) of the examples described above. It may, however, be argued that substantial changes have been processed to the substance of certain sections of the proposed ISA; most noticeable in those sections affected by the elimination of the distinction between related and unrelated auditor. Furthermore, the Task Force has applied the clarity drafting conventions when it revised the proposed ISA based on the comments received on the March 2005 Exposure Draft. (The structure of the proposed ISA and the positioning of the proposed requirements and guidance were highlighted as a significant comment at the December 2005 IAASB meeting.) The Task Force did not consider it efficient and effective to prepare a revised proposed ISA for "close off" purposes.

Based on the above, the Task Force recommends that the IAASB consider inviting comments on the application of the clarity drafting conventions and the proposed requirements and guidance. The

explanatory memorandum, however, should clarify that the IAASB is not seeking further repetition of comments previously made, but rather views on the effect of the substantial changes in the final proposals (see Agenda Item 9-B).

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