

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
~~INTERIM~~ TERMS OF REFERENCE¹**1.0 Purpose**

The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of international economies by establishing and promoting adherence to high-quality professional standards, furthering international convergence of such standards, and speaking out on public interest issues where the profession’s expertise is most relevant.” In pursuing this mission, the IFAC Board has established the International Auditing and Assurance Standards Board (IAASB) to function as an independent standard-setting body under the auspices of IFAC and subject to the oversight of the Public Interest Oversight Board (PIOB).

The IAASB develops and issues, in the public interest and under its own authority, high-quality auditing and assurance standards and other pronouncements for use around the world. The IFAC Board has determined that designation of the IAASB as the responsible body, under its own authority and within its stated terms of reference, best serves the public interest in achieving this aspect of its mission.

2.0 Objectives

The IAASB’s objective is to serve the public interest by setting high-quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

3.0 Pronouncements

In fulfilling the above objective, the IAASB develops and issues the following:

- International Standards on Auditing (ISAs) and International Standards on Review Engagements (ISREs) to be applied in reporting on historical financial information.
- International Standards on Assurance Engagements (ISAEs) to be applied in assurance engagements dealing with information other than historical financial information.
- International Standards on Related Services (ISRSs) to be applied in related services engagements.
- International Standards on Quality Control (ISQCs) to be applied for all services falling within the engagement ~~under the~~ Standards of the IAASB.
- Practice Statements as appropriate to provide interpretive guidance and practical assistance in implementing the Standards of the IAASB and to promote good practice.

¹ To provide guidance to the IAASB on the manner in which it should operate, the IFAC Board has approved for issuance these interim Terms of Reference. They are subject to approval by the Public Interest Oversight Board (PIOB).

The IAASB also publishes other pronouncements on auditing and assurance matters, thereby advancing public understanding of the roles and responsibility of professional auditors and assurance service providers.

The sole authoritative text of the Standards and other pronouncements is that published by the IAASB in the English language.

4.0 Membership

The members of the IAASB, including the Chair and Deputy Chair, are appointed by the IFAC Board on the recommendation of the Nominating Committee and with the approval of the Public Interest Oversight Board (PIOB). The IAASB comprises ten members from IFAC member bodies, five representatives from the Forum of Firms and three public members. The three public members may be members of IFAC member bodies, but may not be members in public practice. The appointment as Deputy Chair does not imply that the individual concerned is the Chair-elect.

The selection process is based on the principle of “the best person for the job;” the primary criterion being the individual qualities and abilities of the nominee in relation to the position for which they are being nominated. However, the selection process also seeks a balance between the personal and professional qualifications of a nominee and representational needs, including gender balance, of the IAASB. Accordingly, consideration will be given to other factors including geographic representation, sector of the accountancy profession, size of organization, and level of economic development. Candidates for appointment as public members may be put forward by any individual or organization.

IAASB members serve for three years, with one third of the IAASB membership subject to retirement every year. Continuous service on the IAASB is limited to two consecutive three-year terms, unless that member is appointed to serve as Chair for a further period of not more than three years.

IAASB members may be accompanied at meetings by a technical advisor.

The IAASB may also include up to three observers, appointed at the discretion of the IFAC Board, in consultation with the PIOB. Observers may attend IAASB meetings, have the privilege of the floor, and participate in projects, but have not voting privileges. These observers would be expected to possess the technical skills to participate fully in IAASB debates and attend IAASB meetings regularly to maintain an understanding of current issues.

IAASB members are required to sign an annual statement declaring they will act in the public interest and with integrity in discharging their roles within IFAC.

5.0 Meeting Procedures

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

IAASB meetings shall be chaired by the Chair or, in his or her absence by the Deputy Chair. In the event of the absence of both, the members present shall select one of their number to take the chair for the duration of the meeting, or of the absence of the Chair and Deputy Chair.

Each member of the IAASB has one vote. The affirmative vote of at least two-thirds of members present at a meeting in person or by simultaneous telecommunications link or by proxy, but not less than twelve, is required to approve or withdraw Standards and; Practice Statements and to approve exposure drafts.

IAASB meetings to discuss the development, and to approve the issuance or withdrawal, of Standards and; Practice Statements, and to approve the issuance of exposure drafts and other pronouncements intended to advance the public understanding of the roles and responsibilities of professional auditors and assurance service providers, are open to the public. Matters of a general administrative nature or with privacy implications may be dealt with in closed sessions. Agenda papers for open sessions, including minutes of the meetings of the IAASB, are published on the IFAC website. The IAASB meetings and agenda papers are in English, which is the official working language of IFAC.

6.0 Due Process

In developing its Standards and Practice Statements, the IAASB is required to be transparent in its activities, and to adhere to due process as approved by the PIOB. input is sought from the IAASB Consultative Advisory Group (IAASB CAG), national standard setters and others so as to obtain a broad spectrum of views.

The PIOB is consulted to help establish the appropriateness of the IAASB's project priorities and any changes therein. The IAASB obtains the PIOB's opinion, as at the date of that opinion, on the appropriateness of the items on the work program and on whether or not it wishes, from a public interest perspective, to have any further items added. The IAASB adds to its work program those items that the PIOB resolves should, from a public interest perspective, form part of the IAASB's work program.

The IAASB exposes draft Standards for public comment, and ordinarily exposes draft Practice Statements for public comment unless it decides that there are particular circumstances justifying non-exposure. To allow adequate time for due consideration and comment from all interested parties, the exposure period will ordinarily be 90 days. Respondents' comments are posted on the IFAC website after the end of the exposure period. The IAASB may hold public hearings where, because of the nature of a proposed Standard, the level of interest or for some other reason, wider consultation would be appropriate. The IAASB gives due consideration to comments received before a final Standard or, where appropriate, a Practice Statement is issued.

7.0 Consultative Advisory Group

The objective of the IAASB Consultative Advisory Group (CAG) is to provide input to and assist the IAASB through consultation with the CAG member organizations and their representatives at the CAG meetings, in order to: obtain advice on the IAASB's agenda and project timetable (work

program), including project priorities; technical advice on projects; and advice on other matters of relevance to the activities of the IAASB.

8.0 Other

The IAASB cooperates with national standard setters to link their work with IAASB's own in preparing and issuing Standards with an aim to share resources, minimize duplication of effort and reach consensus and convergence in Standards at an early stage in their development. It also promotes the endorsement of the Standards by national standard setters, legislators and securities exchanges and promotes debate with users, regulators and practitioners throughout the world to identify user needs for new Standards and guidance.

IAASB publishes an annual report, outlining its work program, activities and progress made in achieving its objectives during the year.

IFAC will review the effectiveness of the IAASB's processes at least every three years.