Agenda Item 1-A

Draft Minutes of the 34th Meeting of the

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

Held on March 16-19, 2009 in New York [MARK-UP]

	Voting Members	**Technical Advisors**
Present:	Arnold Schilder (Chairman)	Wolfgang Böhm (Mr. Ferlings)
	John Fogarty (Deputy Chair)	Valdir Coscodai (Mr. Swanney)
	Phil Cowperthwaite	Denise Esdon (Mr. Montgomery) (apologies March 17-19)
	Craig Crawford	
	Josef Ferlings	Jonas Hällström (Mr. Jensen)
	Cédric Gélard	Josephine Jackson (Ms. Jones)
	Jon Grant	Sachiko Kai (Mr. Sekiguchi)
	Diana Hillier (apologies March 17)	Richard Kamami (Mr Kassam)
	Steen Bernt Jensen	Chuck Landes (Mr. Fogarty)
	Susan Jones	Jon Rowden (Ms. Hillier)
	Ashif Kassam	Tania Sergott (Ms. McCabe)
	William Kinney	Greg Shields (Mr. Cowperthwaite) (apologies March 16-17)
	Caithlin McCabe	
	Daniel Montgomery	Sylvia Smith (Mr. Crawford) (apologies March 17)
	Tomokazu Sekiguchi	
	David Swanney	Isabelle Traq-Sengeissen (Mr Gélard)
	Jianhua Tang	
	Abdullah Yusuf	
Apologies:		Amarjit Chopra (Mr. Kinney)

	Non-Voting Observers
Present:	David Damant, Leslye Givarz, Norio Igarashi and Jean-Philippe Rabine

	Public Interest Oversight Board (PIOB) Observers
Present:	Stavros Thomadakis

	IAASB Technical Staff
Present:	Jim Sylph (Executive Director), James Gunn (Technical Director), Kathleen Healy, Linda Lach, Michael Nugent, Ken Siong, and Jessie Wong

1. Opening Remarks and Minutes

WELCOME AND INTRODUCTIONS

Prof. Schilder welcomed the participants to the meeting. He also welcomed Mr. Thomadakis, observing on behalf of the Public Interest Oversight Board (PIOB).

Apologies were received from Messrs. Chopra and Shields (Mr. Shields for the first part of the meeting), and in advance from Mms. Esdon, Hillier and Smith for portions of the meeting. Mr. Rowden was noted as a proxy for Ms. Hillier.

Prof. Schilder welcomed new members Messrs. Gélard, Jensen, Kassam, Montgomery and Sekiguchi. He congratulated Mr. Fogarty on his appointment as IAASB's Deputy Chair for 2009 and Messrs. Cowperthwaite and Swanney, and Ms. Hillier on being re-appointed to the Board. Prof. Schilder also welcomed new technical advisors Messrs. Coscodai, Hällström and Kamami, and Mms. Esdon, Jackson, Kai and Traq-Sengeissen.

Prof. Schilder noted that with the completion of the Clarity Project, this meeting is not anticipated to be as hectic as in the past year. Nevertheless, there are a number of important topics on the agenda. Prof. Schilder reminded that it is important that all members contribute to the Board's discussions.

Prof. Schilder indicated that the IAASB Consultative Advisory Group (CAG) met on March 9-10, 2009 in Dubai, United Arab Emirates. He noted that the majority of the topics on the IAASB's agenda for this meeting were also discussed by the IAASB CAG, and that comments provided by the CAG will be raised during the meeting as respective topics are addressed. Prof. Schilder further reported that on March 12, a seminar was held at the Dubai International Financial Centre (DIFC) as a means of outreach in the region. 100 participants attended and received presentations on the activities of the IAASB, the International Ethics Standards Board for Accountants (IESBA), the PIOB, and on local issues of interest. Guest speakers included the Chief Executive of Dubai Financial Services Authority and the Chief Economist of the DIFC.

Prof. Schilder reported that at its February 26, 2009 meeting, the PIOB approved due process applied on the final three clarified ISAs. He noted that the IAASB is grateful to the PIOB members for working to clear due process for these ISAs so that the full suite of clarified ISAs can be made available in a timely manner to practitioners and others for implementation at the earliest opportunity. Prof. Schilder added that a press release was issued on March 3, 2009 announcing the completion of the Clarity project and the launch of the Clarity Center on the IAASB website.

Prof. Schilder noted that the Organization for Economic Co-Operation and Development's Working Group on Bribery is holding a half day meeting on March 16, 2009 to seek input from experts on the role of auditors in detecting and reporting bribery, and the role of internal company controls in preventing and uncovering bribery. IFAC staff has submitted a response to the Working Group's survey request, and Mr. Nick Fraser, Chair of the Transnational Auditors Committee, will attend the meeting on behalf of the IAASB as an observer.

Prof. Schilder noted with regret the resignation of Thomas Ray as Chief Auditor and Director of Professional Standards of the Public Company Accounting Oversight Board (PCAOB). On behalf of the Board, Prof. Schilder expressed appreciation for Mr. Ray's valuable contributions to the IAASB deliberations in the past in his role as an observer to the IAASB on behalf of the PCAOB. Prof. Schilder noted the appointment of Ms. Jennifer Rand as acting Chief Auditor of the PCAOB.

Prof. Schilder reported that the 2008 IAASB Annual Report is now available on the IAASB website and the 2009 IFAC Handbook containing all the clarified ISAs and ISQC is expected to be available in May 2009.

Prof. Schilder requested for participants of the meeting to note in their diaries the 2010 IAASB meeting dates – March 15-19, June 14-18, September 20-24 and December 6-10. The dates for CAG meetings in 2010 have been set as March 1-2 and September 13-14.

Prof. Schilder noted that Ms. Joanne Moores, previously with the New Zealand Institute of Chartered Accountants, has joined the IAASB staff as a senior technical manager.

Mr. Sylph announced that Mr. Gunn has been promoted to Technical Director of the IAASB. He expressed his confidence in Mr. Gunn's ability to continue to lead the IAASB staff team in providing quality support to the work of the Board, and noted that this new appointment is consistent with the recommendations of the IAASB Working Procedures report.

Mr. Sylph also noted that as Executive Director, Professional Standards, he will now have overall responsibility for the IFAC's standard-setting boards, including the International Public Sector Accounting Standards Board, and will also oversee the Regulation and Public Policy function within IFAC.

On behalf of the Board, Prof. Schilder extended congratulations to Mr. Gunn, and wished Mr. Sylph success in his expanded role.

MINUTES OF PREVIOUS MEETING

The minutes of the public session of the previous IAASB meeting were approved as presented.

2. Assurance Engagements on Pro Forma Information

Mr. Swanney introduced the topic, setting out the background to the project. He noted the Task Force's view, on the basis of the Task Force's preliminary work on the significant issues, that it would be possible to develop an international standard on the topic. The IAASB CAG had considered a number of the significant issues at its meeting earlier in March 2009. Mr. Swanney referred to the IAASB CAG comments at relevant points as he led a discussion of the significant issues.

Except as noted in the following, the IAASB agreed the recommendations of the Task Force as set out in the agenda material for the meeting.

INTERACTION WITH ISRE 2400 AND ISAE 3000 PROJECTS

It was suggested that some of the issues being raised are fundamental issues that go beyond pro forma financial information and appear to straddle the work of the task forces for the projects to revise ISRE 2400[1] and ISAE 3000[2]. Accordingly, it was questioned whether the Pro Forma Task Force was the appropriate body to address those issues given the narrow remit of the project. The IAASB acknowledged that some of the assurance concepts being considered in this project are

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[1] International Standard on Review Engagements (ISRE) 2400, "Engagements to Review Financial Statements."
[2] International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

equally relevant to other assurance standards. Nevertheless, there was no intention that this or the other projects would call for a reconsideration of the fundamental principles of assurance. Rather, the development of the proposed ISAE would proceed on the basis of the IAASB's existing International Framework for Assurance Engagements ("Assurance Framework"). In this regard, it was noted that it would be important for the relevant project task forces to coordinate their work to ensure that their approaches to the common issues would not be inconsistent. Accordingly, the IAASB asked the Task Force to give appropriate consideration to the relevant linkages to other projects throughout this project.

PROFIT FORECASTS AS THE BASIS FOR THE UNADJUSTED FINANCIAL INFORMATION

Mr. Swanney noted the Task Force's view that the ISAE should not specify whether profit forecasts can be used as the basis for the unadjusted financial information as this would be a matter for the regulators to determine; rather, the ISAE could indicate that some jurisdictions may permit this practice and others not. An IAASB member was of the view that profit forecasts should not be included in the scope of the ISAE given the potential for confusion among users, as it was unclear whether the level of assurance that would be achievable for pro forma financial information based on profit forecasts would be the same as in the case of historical financial information. It was therefore suggested that the matter should be one that should be addressed at the national level. Another IAASB member noted the need to consider the interaction with a criterion in some jurisdictions that the adjustments be factually supportable, which would effectively preclude the use of profit forecasts. After further deliberation, the IAASB asked the Task Force to consider whether, in the light of these comments, the ISAE should remain silent on the issue or whether it should explicitly exclude profit forecasts from its scope.

PRIVATE REPORTING ENGAGEMENTS

The Task Force proposed that the scope of the project exclude private reporting engagements on the grounds that attempting to address the wide range of circumstances that might arise in a private reporting context would over-complicate the project. In this regard, an IAASB member questioned whether the scope of the project should include pro forma financial information in an annual report, as this would qualify as a public reporting engagement. It was noted, however, that the practitioner's responsibility in such a case would depend on where the pro forma financial information was located in the annual report, that is, if it were included as part of the financial statements being audited, the practitioner would have to undertake much more work on it than just report on its proper compilation, whereas if it were included outside of the financial statements, the practitioner's responsibility would fall under ISA 720[3]. After further deliberation, the IAASB agreed that the project should specifically focus on engagements to report on pro forma financial information in a prospectus, as the existence of regulatory requirements for prospectuses provides a clear justification for the practitioner's involvement with such information. Nevertheless, the IAASB noted that this would not preclude practitioners from adapting the guidance in the ISAE as appropriate for private reporting engagements.

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[3]   ISA 720, "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements."

MEANING OF "PROPERLY COMPILED"

Mr. Swanney noted that the IAASB CAG generally supported the Task Force's views that the objective of an assurance engagement in relation to pro forma financial information should be to report on whether the information has been properly compiled, and that the term "properly compiled" relates to the process of putting the information together and not the provision of assurance on the information itself. The IAASB noted that a clear explanation of the term "properly compiled" is of high importance given the potential for confusion with engagements to compile financial information that are long established in a number of jurisdictions. In this regard, it was suggested that consideration be given to using other possible terms such as "properly prepared." However, it was noted that the term "properly prepared" itself has specific connotations in the context of both management's preparation of financial statements and engagements to report on financial information under a compliance framework.

An IAASB member noted that the term "properly compiled" is already used in a number of regulatory frameworks around the world in connection with reporting on pro forma financial information, and that this fact cannot be denied. The IAASB acknowledged this and agreed that in the circumstances, the key is transparency. The IAASB therefore generally agreed that there is a need to be clear in the practitioner's report about the work performed to report on proper compilation and what work the practitioner did not perform. In addition, the IAASB agreed that it would not be in the public interest if the work required were to be limited to checking the mathematical accuracy of the steps applied in deriving the pro forma financial information.

Concern was also expressed over some statements made that the assurance was being obtained on the "process" of compilation. It was noted that the nature of an assurance engagement in relation to a process may be very different from that in relation to the result or outcome of a process. Accordingly, it was suggested that the Task Force consider whether reference should be made to obtaining assurance on the outcome of a compilation process, rather than on the compilation process itself.

After further deliberation, the IAASB came to the view that there was general support for using the term "properly compiled" but asked the Task Force to reflect on the discussions further.

NATURE AND LEVEL OF ASSURANCE PROVIDED IN AN ENGAGEMENT TO REPORT ON PRO FORMA FINANCIAL INFORMATION

Mr. Swanney noted that the IAASB CAG generally did not support limited assurance engagements on pro forma financial information unless required by law or regulation. The IAASB generally shared this view.

An IAASB member expressed some concern that the practitioner might issue a reasonable assurance report in an engagement to report on proper compilation of pro forma financial information without the underlying financial information having been audited. Another IAASB member, however, noted that the practitioner will be operating in a regulatory context and it would be within the purview of the national regulators to determine what is appropriate for inclusion in prospectuses to the public. The IAASB generally agreed that transparency of reporting would be important in this context, i.e., if the underlying financial information has not been audited, the report should clearly indicate so.

ACCEPTABILITY OF FRAMEWORK FOR COMPILATION

The Task Force proposed that for jurisdictions where generally accepted frameworks for the compilation of pro forma financial information do not exist, high level benchmarks be specified in the ISAE against which management's criteria should be evaluated for acceptability, consistent with the requirement in the Assurance Framework for the practitioner to evaluate the suitability of criteria as a precondition for engagement acceptance. Mr. Swanney indicated that the IAASB CAG was supportive of this principle but did not favor the IAASB setting accounting standards with those criteria. An IAASB member questioned whether these benchmarks would set too demanding a hurdle for jurisdictions that do not have established frameworks and, therefore, potentially hinder practice that might currently exist in those jurisdictions. In addition, it was unclear whether these benchmarks should be included in an authoritative document that can be given regulatory backing, as some on the IAASB CAG had suggested. Other IAASB members noted that the Assurance Framework specifically allows both established and management-developed criteria, so it would not be necessary for the criteria to be in law or regulation provided the practitioner has a basis for evaluating the suitability of the criteria. Some IAASB members noted that the benchmarks proposed by the Task Force are pitched at a high level and address such public interest goals as transparency, consistency and avoidance of misleading information. Further, it was noted that the Task Force's proposal was a pragmatic way forward to address circumstances where no established framework exists at the national level. After further deliberation, the IAASB concluded that the ISAE should incorporate these benchmarks, subject to public consultation on exposure.

WORK EFFORT REGARDING THE UNADJUSTED FINANCIAL INFORMATION

Mr. Swanney indicated that some on the IAASB CAG favored an audit or a review of the unadjusted financial information as a precondition for the practitioner to report on proper compilation of the pro forma financial information. While an IAASB member agreed with this view, ~~The~~ other IAASB members~~, however, noted~~ felt that there could be significant practical implications with this approach in terms of increased costs and delays in the public offerings. In addition, ~~W~~while some IAASB members were of the view that such a requirement should be a matter for the regulators to decide, others noted that the IAASB has a responsibility in the public interest to require the practitioner to obtain a sufficient understanding of the unadjusted financial information as a basis for the report.

Recognizing the difficulty in mandating an audit or a review of the unadjusted financial information, the IAASB came to a general view that a compromise approach should be taken to require the practitioner to perform sufficient procedures to gain an understanding of the financial and reporting practices associated with the unadjusted financial information, as well as other procedures necessary to support the expression of a positive opinion that the pro forma financial information has been properly compiled. In this regard, the IAASB noted the importance of identifying the appropriate wording for the report to minimize any expectations gap from the users' perspective (that is, an expectation that the unadjusted financial information has been audited when it has in fact not been audited).

OTHER MATTERS

The IAASB also agreed the following:

- It should be a matter for regulators, and not the IAASB, to determine whether the practitioner should have a responsibility regarding subsequent events that occur after the date of the practitioner's report but before the completion date of the transaction.

- The "modified opinion" provision in the ISAE is important, even if modified opinions are presently rare in practice, as this would provide leverage to the practitioner in persuading the entity to take necessary corrective action should there be a possibility of a modification to the opinion.

- The Task Force should reconsider whether there is a need to provide for an "Other Responsibilities/Other Matters" section in the practitioner's report, unless there are practical examples that can be provided in the ISAE.

NEED FOR CONSULTATION PAPER

The IAASB considered the need for a consultation paper on the topic in the light of the discussions. The IAASB agreed with the Task Force's recommendation that this would not be necessary at this stage.

WAY FORWARD

The IAASB asked the Task Force to present a first draft of the proposed ISAE for consideration at the September 2009 IAASB meeting.

3. Revision of ISRE 2400 and ISRS 4410

Prof. Schilder introduced the project proposal, noting the overall importance of this project in addressing the needs of the small- and medium-sized entity (SME) marketplace, and in view of national developments relating to alternative services to the audit. He reported on the discussion of the topic at the February 2009 IFAC Chief Executive's meeting in New York, at which participants noted in particular the high level of interest in the development of alternatives for SMEs and small and medium practices (SMPs), and the need to clearly differentiate among the audit, review, compilation and other alternative services.

Mr. Gunn summarized the project's objective, noting that the revision of ISRE 2400 and ISRS 4410[4] is to be considered in the broadest possible context in order to achieve a set of standards that provide acceptable alternatives to an audit in a global context. ISRE 2400 and ISRS 4410, or national equivalents, address the most common type of engagement other than audits in many jurisdictions and therefore serve as an appropriate starting point. He noted that in view of the demand for alternative services to an audit, the project task force's efforts would need to be geared towards producing a solution as soon as practicable

Mr. Damant noted the CAG's support for the project and emphasized the need to move rapidly on the project.

Some IAASB members noted that a key question was whether ISRE 2400 and ISRS 4410 could be replaced with a better alternative, given the varied needs of users and the difficulty of obtaining their views (not all of which will be informed). In addition, without a clear understanding of those needs,

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4   International Standard on Related Services (ISRS) 4410, "Engagements to Compile Financial Statements."

the project would lack focus and become mired in time consuming conceptual debates. Accordingly, the IAASB agreed that a significant part of the effort in this project would need to be directed towards determining how best to obtain information about users' needs, and understanding what those needs are in determining the most appropriate outcome to be achieved in the project. It was also emphasized that it is very important to be able to clearly differentiate audits from the services that are intended to be an alternative to an audit, and also to be able to clearly distinguish different types of alternative services from each another.

In relation to review engagements, it was noted that should the project determine that it would be appropriate to change from the 'traditional' procedures-based approach to performing reviews to a different approach, it would be necessary to identify and explain the conceptual basis for that change.

A further question that the project would need to address is the nature of any independence issues that may arise in relation to any proposed solution. In this regard, Mr. Sylph noted that the IESBA has been made aware of this project and will be appropriately consulted during the project regarding potential independence issues.

APPROVAL

The IAASB unanimously approved the project proposal. The IAASB asked the Task Force to provide an update on the Task Force's initial consideration of the issues at the June 2009 IAASB meeting.

Mr. Sylph thanked staff of the New Zealand Institute of Chartered Accountants, the Canadian Institute of Chartered Accountants, and the Independent Regulatory Board for Auditors in South Africa for jointly developing the September 2008 Consultation Paper[5] that the IAASB had commissioned for this project, and respondents for their comments. The input received will be valuable to the Task Force as it takes this project forward.

4. Academic Research on Topics of IAASB Interest

Mr. Gunn briefed the IAASB on a proposal by the International Association for Accounting Education and Research (IAAER) to commission academic research relevant to the work of the IAASB. He noted that the Association of Chartered Certified Accountants (ACCA) has agreed in principle to fund research proposals selected by an IAAER-IAASB-ACCA Program Advisory Committee that is to be formed. Mr. Gunn expressed the view that this is an excellent opportunity to engage the academic community in the work of the IAASB, and that there may be benefits in terms of researchers' access to firms' personnel if the research is being conducted to inform global standards with the support of the IAASB. Mr. Gunn then asked whether the IAASB had any reservations about proceeding with the initiative, and if not, what topics would be relevant, from a medium and long term perspective, for inclusion in the call for research proposals.

The IAASB supported working cooperatively with the IAAER on this initiative. Amongst other matters, it was noted that the dissemination of the IAASB's list of topics will be of value to the academic community, as it will inform academics of the areas of most interest to the IAASB and provide them with ideas for research. It was also suggested that both practitioners and academics

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5 September 2008 Consultation Paper, "Matters to Consider in a Revision of ISRE 2400."

should be involved on the Program Advisory Committee, and for Staff to consider contacting the International Accounting Standards Board (IASB) as a source of information about collaborative projects with the IAAER.

Regarding topics for inclusion in the call for proposal, the IAASB was generally of the view that more prominence should be given to research questions pertaining to SME and SMP issues, for example on implementation challenges faced by smaller firms and firms in developing countries with respect to the clarified ISAs. The IAASB also indicated that synthesis work in relation to research on professional judgment would be of particular interest.

Specific technical topics were variously suggested for consideration. It was noted, however, that it will be important to be realistic in terms of the topics to be suggested for research, given limited funds and the challenges researchers will have in terms of access to the firms. It was therefore proposed that some of the potential topics might better be focused in relation to users' needs and perceptions, where academic research may in fact be more valuable and would not be subject to access constraints.

IAASB members expressed differing views on the benefits of research on the topic of international convergence. After further discussion, the balance of the Board favored inclusion of some form of question on the topic for consideration by the academic community in formulating proposals.

The IAASB expressed some concern about including possible research topics that appear to be linked to current IAASB projects, given the length of time frame before research results would be received. For example, research findings on the topics of XBRL or alternative assurance services are matters that the IAASB is expected to deal with in the near term. In these cases, it is important to consider the precision of the wording of the proposed research questions.

WAY FORWARD

The IAASB asked Staff to consider its comments in finalizing the call for research proposal with the IAAER. Prof. Schilder proposed for Prof. Kinney to participate in the committee and invited other IAASB members with an interest in this area to come forward.

5. Impact Assessments

Mr. Fogarty introduced the topic and reported on progress made to date in developing a proposed impact assessment process. The development of this process, though supported by an IAASB Task Force, is an initiative approved by the IFAC Board and therefore will apply to all IFAC standard-setting boards.

Mr. Fogarty explained that the Task Force is proposing that the impact assessment be presented in the explanatory memorandum that accompanies the exposure draft of a proposed new standard. This would allow respondents to review and confirm the impact assessment. The final impact assessment would be presented in the basis for conclusions. The impact assessment would be scalable, that is, its scope and depth would depend on the nature of the problem being addressed.

It was noted that it is extremely challenging to measure the benefits of standards (i.e., the public interest). However, given that it may be easier to measure the costs, it would be important not to over-emphasize them relative to the benefits. Further, as it can be very challenging to measure the

global impact, it may be necessary to extrapolate from the experience of a few jurisdictions to estimate the impact on a global population.

It was suggested that the Task Force consider the impact on the "customer" of auditing standards (i.e., those bodies that will consider adopting the standards). In addition, consideration should be given to the importance of education and knowledge transfer. It is important to understand what actual practice is, and to focus on the knowledge required and training necessary to implement a new standard. Considerations of knowledge transfer have proven to be quite valuable in other recent impact assessments, and may assist the work of the Task Force.

WAY FORWARD

The IAASB asked the Task Force to present a proposed impact assessment process for its consideration at the June 2009 IAASB meeting.

6. IESBA Activities Update

Mr. Sylph presented an update on the IESBA's activities of relevance to the IAASB. He reported that Staff had undertaken a review of common key terms between the IFAC *Code of Ethics for Professional Accountants* (the IFAC Code) and the clarified ISAs for consistency. He briefed the IAASB on the IESBA's Drafting Conventions project to enhance the clarity and understandability of the IFAC Code. In relation to the proposed revised IFAC Code, which the IESBA is expected to approve in April 2009, he highlighted a number of significant proposals, including the introduction of "exception clauses" to deal with circumstances where a professional accountant may judge it necessary to depart from a specific requirement in the IFAC Code provided that certain specified conditions are met.

The revised IFAC Code is expected to be effective on January 1, 2011 and will contain appropriate transitional provisions in the areas of non-assurance services, partner rotation and public interest entities.

Mr. Sylph also noted the following:

- The impact of the revised IFAC Code will vary across jurisdictions and will be dependent on the prevailing ethical requirements in each jurisdiction. For example, in the case of the extension of partner rotation requirements to key audit partners for audits of public interest entities (PIEs), the IESBA has determined that the definition of PIEs should be a matter for national standard setters to establish.

- There is a significant correlation between audit quality and independence. Accordingly, it is important that there be coordination between the IAASB and the IESBA regarding their activities and work programs. In particular, the IAASB's projects on internal audit, and review and compilations engagements have linkages to the IFAC Code. Prof. Schilder noted that he has been invited to attend meetings of the IESBA CAG while at the staff level, Mr. Sylph and Ms. Wong represent the linkages between the two boards.

7. Compliance and Translation

Mr. Russell Guthrie presented an update on IFAC's Compliance Program. Amongst other matters, he noted that the information obtained so far reveals that various approaches are being taken with regard

to adoption and convergence. For example, some countries have embraced a direct approach whereby IFAC standards are adopted directly in law or regulation or by the national standard setter, while others have embraced an indirect approach whereby IFAC standards form the basis of the local generally accepted auditing standards but are further modified. He also noted that other promulgation issues which have surfaced include a significant time lag between issuance of the standards by the IAASB and adoption at the local level, the adoption of an incomplete set of ISAs, lack of clarity as to how standards are disseminated when enshrined in legislation, translation of the standards, and implementation support for the standards upon adoption. Mr. Guthrie indicated that the priorities for IFAC's Compliance Program for 2009 include tracking the approach and status of ISA adoption by country, and the launch of a new compliance website.

Mr. Guthrie also provided an update on IFAC's translations program, noting that Ms. Kelly Ånerud has recently joined the IFAC Translations staff as a senior technical manager. He indicated that work in the area has been focused on the development of IFAC's Translation Policy which was finalized in November 2008. He also noted that there has been consultation with the European Commission (EC) and the various translating bodies with regard to the translations of Clarity ISAs by December 31, 2009 as required by the EC to progress adoption of the ISAs by the European Union (EU). To ensure the quality of translated standards, the Translation Policy includes a clause that permits IFAC to perform quality control reviews on translated standards. Presently, there are dedicated IFAC staff members who perform this function but IFAC is exploring computer software solutions that may assist with this function.

Mr. Guthrie indicated that the focus of IFAC's translations area in 2009 is to progress the new translation agreements with translating bodies so as to transfer copyright in translated standards to IFAC.

Amongst other matters, the IAASB noted that during its deliberations of the clarity ISAs, there has on occasion been discussions about the interpretation of certain terms in other languages when translated. Information obtained in this regard would provide helpful input to the IAASB's future standard-setting process.

8. Communications Strategy and Implementation Support

Ms. Kennedy presented an overview of IFAC's communications strategy as it relates to IAASB, including initiatives to raise awareness of the completion of the Clarity project and to promote efforts towards the effective implementation of the standards. In this regard, she noted the recent launch of the new Clarity Center on the IAASB website. She also highlighted resources such as past speeches and presentations that are available on the IFAC website that IAASB members could leverage in promoting the IAASB's work.

She and Mr. Siong then introduced a preview of the video components of the Introductory and Related Parties ISA modules that IAASB staff had developed as part of the initiative to provide support to practitioners and others in the implementation of the clarified ISAs.

In expressing strong support for these pre-release videos, IAASB members made the following substantive comments for staff's consideration in developing subsequent modules:

• It is important to be clear who the target audience is for the ISA modules. In particular, practitioners do not all have the same high level of understanding of the ISAs, and their

knowledge of, and experience in applying, the ISAs vary with the size and nature of the entities they audit. In addition, students may have different needs and expectations.

- Consideration should be given to addressing the basic principles in the ISA and not just the significant changes. Further, the modules could be more helpful if they explain the context and rationale for developing the standard, and draw upon the experience of the presenters.

- The modules would have particular value and elicit greater utilization if packaged in such a way as to facilitate their use as Continuing Professional Development (CPD)/Continuing Professional Education (CPE) material. However, whether the modules qualify for CPD/CPE credit should be a matter for the relevant national bodies to determine.

- The modules should include SMP/SME perspectives.

- Consideration should be given to using webcasts and podcasts in packaging and delivering the key messages as these channels have the advantage of greater flexibility for the users.

- To facilitate translation at the national level, consideration should be given to packaging the video scripts with the modules.

- It should be made clear that the modules are not intended to provide implementation guidance. Rather, they provide support for the implementation of the ISAs.

- Consideration should be given to highlighting practical considerations that may assist auditors in explaining to clients the changes to audit practice arising from the ISAs so that expectations from both sides can be aligned.

WAY FORWARD

The IAASB asked Staff to proceed with the proposed roll-out plan, subject to Staff giving the topic of group audits high priority and considering whether there would be greater value in combining a module on ISA 200 with other important ISA concepts such as risk assessment and documentation.

9. XBRL

OVERVIEW OF XBRL

Prof. Schilder welcomed Ms. Amy Pawlicki, Director – Business Reporting, Assurance & Advisory Services and XBRL at the American Institute of Certified Public Accountants (AICPA). Ms. Pawlicki presented an overview of XBRL and related developments, and explained the work that the AICPA's XBRL Task Force is currently undertaking to develop guidance for agreed-upon procedure engagements on XBRL data.

The following was noted during the presentation:

- Given the early stage of XBRL implementation in most jurisdictions, traditional financial statements are likely to be relevant for the foreseeable future. However, as users of XBRL data become more sophisticated, they may choose to only use particular XBRL data rather than the financial statements.

- While some companies use XBRL to tag data at the transaction level, the majority of companies use "bolt-on" applications which consist of software that compiles XBRL data from the traditional financial statements into XBRL format. It remains to be seen when a shift may occur.

- The needs relating to the auditor's work with XBRL data are likely to evolve over time. It would be most relevant for the IAASB to address the needs in the current marketplace while watching how the landscape evolves to determine whether more is needed.

- The use of XBRL can require a significant amount of judgment on the part of the preparer. First-time filing in XBRL data is time consuming, however, the amount of new tagging that needs to be done each period tapers off. Standard-setters like the FASB provide detailed maintenance plans for filers to assist companies in updating their tagging.

- Potential users of XBRL data will become more acquainted with data in this format as more information is able to be consumed in XBRL. Taxonomies in the US and in IFRS are evolving along with the progress of software providers. XBRL International works with tagging in different jurisdictions to ensure that the underlying technical standards of these taxonomies are in alignment.

PROJECT PROPOSAL

Mr. Gunn introduced the project proposal, noting the approach adopted in the proposal reflects the view that there will be an inherent expectation gap as XBRL reporting progresses – users may assume that assurance is provided on the XBRL information, which often will not be the case – and that there is therefore a public interest need to consider the work effort and reporting responsibilities of the auditor when audited financial statements are accompanied by the same financial statement in XBRL form. Nevertheless, there are a number of options that could be explored in terms of possible solutions by the IAASB and, for this reason, it is proposed that the first phase of the project focus on consultation with stakeholders on the way forward. Mr. Gunn indicated that this approach to the project was generally supported by the IAASB CAG, who encouraged the IAASB to involve audit firms in the consultation to understand current practice, views as to how services around XBRL may develop and the cost of any such services.

The IAASB expressed supported to undertake a project on XBRL, noting that a consultation phase will be an extremely important part of the project to determine the appropriate direction to take. Subject to that consultation, the proposal to explore the development of a pronouncement to address consideration of XBRL as part of the auditor's responsibilities in an audit of financial statement, as presented, forms a reasonable working basis to proceed, particularly in the case where XBRL processes are "bolted-on" to legacy systems.

A few IAASB members were of the view that the need for assurance on XBRL data is driven by the regulatory requirement and the IAASB should carefully consider whether it is appropriate to require auditors to do something by extending the scope of the financial statement audit if no regulatory requirement for assurance exists, particularly when such efforts are likely to be significant in terms of cost. They suggested the IAASB might wait for a regulatory response, giving attention to the latest developments; one member suggested this may be possible through participation in international fora including the IASB's XBRL Advisory Council. In addition, they suggested and in the interim an alert could be issued to encourage auditors to note in their report the need to explain the level of their involvement (or lack thereof) with XBRL data, similar to what had been done in Japan. Other IAASB members, however, cautioned that the IAASB should not wait for a regulatory response given that XBRL is used in practice today and regulators may not have begun to think about assurance issues. They supported the two-step approach to understand the current and future needs

relating to XBRL in order to address the public interest considerations while moving ahead with this important project.

The IAASB noted the following with regard to the planned consultation process:

- The consultation paper to be issued should seek to first raise awareness on XBRL generally and educate users of XBRL data that in most cases the auditor of the entity's financial statements has not performed any procedures on the XBRL data and that such data is therefore unaudited. The IAASB should actively seek to engage major investment groups and analysts in the consultation.

- To the extent possible, the consultation paper should outline issues that might be addressed in Phase 2 of the project to obtain views as to whether the development of such a pronouncement is feasible. This could include the form of the pronouncement (ISA, IAPS, assurance standard, etc.) and issues such as materiality and fraud.

- The consultation paper should specifically inquire as to whether auditors would be likely to give assurance on the process used to prepare XBRL data or the underlying data itself. Comparisons were drawn to issues currently discussed on the pro forma project.

- The consultation paper should ask for views on the costs and benefits of different assurance solutions, to the extent possible.

It was suggested the project timetable be evaluated to determine where coordination with other national standard setters might lead to efficiencies. It was also suggested that the Task Force consider whether it might be appropriate to participate in the IASB's XBRL Advisory Council as an observer.

WAY FORWARD

The IAASB unanimously approved the project proposal.

10. Revision of ISA 610

Mr. Gunn introduced the project proposal, noting that calls to revise ISA 610[6] came from respondents to the exposure drafts of the ISA 610 Clarity redraft and the IAASB's *Strategy and Work Program 2009-2011,* as well as members of the IAASB CAG.

Some IAASB members noted that a definition of internal auditing would help to clarify the circumstances in which ISA 610 should apply. Relevant matters to consider in formulating a definition include changes in internal auditing activities within entities, including the functions that may perform them, and differences between the internal audit functions of large entities and those of smaller entities. It was noted that while the Institute of Internal Auditors' standards refer to internal audit as an independent function, this may not be appropriate in the context of ISA 610 given that the IFAC Code defines independence differently.

Some IAASB members emphasized that while the decision as to whether to use the work of internal auditors remains with the external auditor, it would be important to achieve an appropriate a balance between encouraging greater use of the work of the internal auditors for efficiency reasons and avoiding undue or overreliance on internal auditors. It was suggested that the revised standard

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[6]   ISA 610 (Redrafted), "Using the Work of Internal Auditors."

should provide further guidance on the external auditor's evaluation of the objectivity and competence of internal auditors and how that evaluation may affect whether and how the external auditor can use their work.

It was noted that changes in the focus of internal audit functions in entities may lead to changes in the activities performed by internal auditors. Accordingly, it was suggested that guidance would be helpful regarding the types of internal audit work that external auditors typically use once they have determined it is appropriate to use such work. It was also suggested that guidance would be helpful regarding the types of internal audit work that may *not* be appropriate for use in the external audit.

An IAASB member noted that in some countries, internal audit functions in public sector entities are structured differently or may perform different functions from those in private sector entities. In Denmark for example, internal auditors are required to express opinions on the financial statements. Accordingly, it was suggested that consideration should be given to the appropriateness of recognizing these differences in the standard.

WAY FORWARD

The IAASB unanimously approved the project proposal. The IAASB asked the Task Force to present an issues paper for its consideration at the September 2009 IAASB meeting.

11. Revision of ISAE 3000

Mr. Nugent introduced the project proposal, noting that feedback during development of the IAASB's strategic plan had indicated now is an appropriate time to revise ISAE 3000 in light of the considerable experience that had been gained with it by practitioners, national standard setters and IAASB itself in the five years since it had been issued. Mr. Nugent also noted that the implications for ISAE 3000 of other developments over the past five years required attention, in particular, the clarity project and the substantial revision of a number of key ISAs.

The IAASB CAG had expressed broad support for the project at its March 2009 meeting. Matters raised by IAASB CAG representatives included a concern for the revised ISAE 3000 not to unnecessarily increase the cost of assurance engagements; the need to understand how national standard setters have used ISAE 3000; support for individual ISAEs on key topics like planning, experts and documentation; and whether ISAE 3000 is equally applicability to different categories of subject matter, such as historical performance data, controls and processes, physical conditions, prospective financial information, and behavior.

SCOPE OF REVISIONS

The IAASB considered whether the project should entail a full scale review of the concepts underlying ISAE 3000 and the Assurance Framework. It agreed that these concepts should not be re-opened for reconsideration except to clarify them where a particular need to do so has been identified through experience with ISAE 3000.

The IAASB also discussed the extent to which revised ISAE 3000 should adapt and incorporate the requirements of clarified ISAs. A number of IAASB members expressed support for keeping the project disciplined in its reach and focused on only those revisions necessary to accommodate significant changes to the ISAs since ISAE 3000 was issued, which would allow the revision to be completed in a timely manner. It was also noted that a replica of the ISAs in ISAE 3000 (or a

separate series of ISAEs) would likely be unnecessary and might even be conceptually inappropriate since the requirements of the ISAs were crafted with financial statement audits in mind and may not be readily adaptable to other subject matters. In addition, it was pointed out that if ISAE 3000 is too detailed, it could serve as an unnecessary impediment to innovation in the evolving field of assurance. Some IAASB members expressed the view that a fuller review of the clarified ISAs, and potentially other issues such as an exploration of the qualifications, training and subject matter-specific knowledge expected of those who apply ISAE 3000, may be warranted.

PROFESSIONAL ACCOUNTANTS

The IAASB considered whether ISAE 3000 should be written for application by professional accountants only. It was noted that while the public interest may be served if non-accountants were to use ISAE 3000 to benchmark their work effort on assurance engagements, they might not have the necessary background, training and experience to be able to properly apply the standard. In addition, non-accountants may not be subject to stringent codes of ethics or have robust quality control policies and procedures in place at the firm-level. It was suggested that neither the IAASB nor IFAC may be able to take effective action to prevent others from using ISAE 3000 should that be necessary to protect the public interest.

Possible ways suggested to address the issue include:

- Incorporating into ISAE 3000 certain requirements from ISA 200[7] that require compliance with a code of ethics at least as demanding as the IFAC Code; and

- Requiring assurance reports in accordance with ISAE 3000 to include details of the engagement team's qualifications, training and experience, and disclosure of, for example, whether there is a quality control system at the firm level, and details of the code of ethics to which team members subscribe.

Nevertheless, enforcement of such requirements may be difficult as non-accountants may still choose to cite ISAE 3000 even if they ignore these requirements.

TIMING

Some IAASB members questioned whether the timing outlined in the project proposal could be accelerated, especially as there would be benefits in aligning this timetable with that for the emissions project. It was suggested that the Task Force could consider developing a working draft of revised ISAE 3000 by the end of 2009 not for immediate exposure but rather to provide a reference point to the other assurance projects in progress. This working draft could then be updated progressively as needed as the emissions and other assurance projects progress. This approach was used for the revision of ISA 200 in the clarity project, and may allow issues that might otherwise hold the draft up at a later stage to be resolved progressively as the emissions and other projects unfold.

OTHER MATTERS

The IAASB also considered the following:

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[7]   ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing."

- Whether it would be appropriate to split ISAE 3000 into two documents: one dealing with reasonable assurance engagements, and the other dealing with limited assurance engagements.

- The fact that some INTOSAI pronouncements beyond those dealing with financial statement auditing standards are beginning to align with ISAE 3000.

- The dual movement of assurance being provided (a) by non-accountants, and (b) on subject matters that are removed from accounting. It was observed that this may provide the opportunity for the accumulated knowledge of financial statement auditors to be transferred in the public interest.

WAY FORWARD

The IAASB unanimously approved the project proposal. The IAASB asked the Task Force to present an issues paper, considering in particular the scope and timing of the project, for discussion at the June 2009 IAASB meeting.

12. Rapid Response Mechanism

Mr. Gunn introduced this topic, noting that the objective of this staff initiative is to explore a possible framework for addressing emerging and urgent issues on a rapid response basis. The proposed framework addresses two separate models for consideration: (i) one dealing with the issue of non-authoritative guidance documents by the IAASB and non-authoritative publications by IAASB Staff; and (ii) one dealing with changes to the authoritative pronouncements of the IAASB on a rapid response basis following a modified due process. He noted that the IAASB CAG had expressed the view that it considered the benefits for the IAASB of having such processes in place outweigh the associated risks. However, the IAASB CAG had also issued a caution that any non-authoritative guidance issued by the Board would be viewed in effect as being 'authoritative' due to having been issued by the Board.

The IAASB generally supported the notion that some form of rapid response mechanism should be put in place. While the intent would be to use such a mechanism sparingly in exceptional circumstances, there were clear benefits seen in formalizing the procedures to be followed so that there is certainty about the responsibilities of the IAASB in the event it is called upon to address an issue on a rapid response basis.

The IAASB, however, expressed some concerns with the preliminary framework. Principally, the IAASB felt that the framework should make clear the limited circumstances in which a rapid response might be appropriate, and should limit the range and scope of the types of possible responses that might be undertaken. This is essential to avoid creating the expectation that the IAASB will address emerging issues on a rapid response basis more frequently and more comprehensively than intended. It also avoids an undesirable proliferation of documents or changes to pronouncements developed outside IAASB's normal due process. Accordingly, it was suggested there should be specific criteria that need to be met in order for the IAASB to judge that a rapid response is both necessary and appropriate in the circumstances. The intent of the criteria would be to establish a sufficiently high threshold for when, and under what special circumstances, the IAASB may undertake a rapid response. Otherwise unrestrained use of rapid responses will have a negative effect: frequent Audit Practice Alerts will dilute their effectiveness; and frequent amendments to standards will decrease the stability of the standards (and is generally problematic in cases where

standards have been adopted into legislation). Nevertheless, the IAASB indicated that some flexibility should be allowed for it to choose the type of response, or combination of responses, most appropriate in the circumstances.

In addition, the IAASB noted that by including the notion that it might issue separate documents providing non-mandatory/non-authoritative application guidance material, the preliminary framework confused responses that are more appropriate in terms of longer term guidance with those more pertinent to a specific urgent issue. The question of whether additional application guidance material is needed and its content is a matter that should be considered in the context of the completeness of the application material in the standards, rather than as part of a rapid response. While some IAASB members supported the notion that additional application guidance should be issued as and when needed to promote consistent application of the clarified ISAs, other members noted that issue of guidance outside the standards themselves carries a significant risk of confusion about how such material relates to application material of the standards and what obligation is imposed on the professional accountant to consider its use. It was noted that any document issued by the IAASB, even if labeled non-authoritative, will carry some authority by virtue of its source. On balance, the IAASB felt that the rapid response mechanism should exclude the issue of separate documents providing non-mandatory/non-authoritative application guidance.

The IAASB also felt strongly that an appropriate balance between timeliness and quality must be achieved. In regard to IAASB's pronouncements and the notion that stakeholder input be obtain in advance of an IAASB meeting at which a rapid response amendment is to be discussed, with no public exposure of the proposed amendment, the IAASB was of the view that public exposure – even if for a much shorter period than normal – is an important contributor to quality and should not be by-passed. The IAASB also felt that whatever due process is proposed, it should be incorporated in the provisions of current due process rather than set out as a separate process. For rapid responses involving Staff Publications such as Staff Audit Practice Alerts, the IAASB was of the view that adequate quality control processes need to surround their development and issue. The issue, therefore, is the extent to which the IAASB should be involved in overseeing the development of such publications and whether there should be IAASB approval of the final publications.

WAY FORWARD

The IAASB asked Staff to consider its comments and to present a revised proposed rapid response mechanism for further consideration at its June 2008 meeting.

13. Guidance on Auditing Fair Values, and Consideration of Strategy and the Current Environment

Prof. Schilder introduced the session, noting that the objectives of the discussion is for the IAASB to reflect on the current environment and consider whether further action by the IAASB is necessary on the topic of auditing fair values and other developments that may suggest a need in the public interest for the IAASB to adjust its current priorities.

FAIR VALUE AUDITING GUIDANCE

Mr. Fogarty reported on the most recent discussions of the Fair Value Auditing Guidance (FVAG) Task Force. The FVAG Task Force has highlighted the need to revise IAPS 1012[8] given that it is outdated, or to explore whether other guidance could be developed under a rapid response mechanism to address the issues surrounding complex financial instruments. He noted that the IAASB CAG had generally expressed a preference for IAASB to issue timely guidance in this area, even if non-authoritative, followed by a more substantive project to revise IAPS 1012, rather than going directly to the latter. It was noted that the UK Auditing Practices Board had been working on an update to its guidance on complex financial instruments and that IAASB could leverage this work in a revision of IAPS 1012.

The IAASB supported further exploring how IAPS 1012 could be revised. However, it noted some concern regarding the appropriateness of using a non-authoritative vehicle such as a Staff Alert to deal with the topic given the wide range of issues that need to be addressed. Mr. Damant affirmed that the IAASB CAG would support a revision of IAPS 1012.

LIAISON WITH IASB

Prof. Schilder noted that the Basel Committee on Banking Supervision had recently sought a possible IAASB involvement in discussions between the Basel Committee and the IASB regarding the matter of provisioning in the context of IAS 39.[9] This matter had been raised at the April 2009 G20 meeting. The Basel Committee was concerned about how auditors were using their expertise and judgment in auditing banks' provisioning approaches and whether a need might exist for IAASB guidance in this area.

The IAASB generally accepted a need to find ways to work more closely with the IASB in order to provide it with timely input on auditability issues. The matter of provisioning would be a good starting point in that respect. Strengthening the liaison with the IASB was all the more important given that the IASB's Standards Advisory Council (SAC) on which Mr. Sylph serves as the IFAC representative comprises a large majority of individuals with primarily a background in accounting. In this regard, it was suggested that Mr. Sylph could highlight to the IASB relevant aspects of the IAASB CAG's operating processes, such as the report-back mechanism, that have worked well in practice and that the IASB could consider for possible enhancement to the SAC.

EXTERNAL CONFIRMATIONS

It was noted that concern has arisen regarding practitioners' apparent overreliance on confirmations to obtain audit evidence, especially in the light of recent developments such as the large fraud cases in which external confirmations appear to have played a role. In addition, there is anecdotal evidence of practitioners inappropriately relying on confirmations to support valuation of investments in investment vehicles such as private equity funds. In this regard, the FVAG Task Force has highlighted this practice as one possibly requiring IAASB attention. It was also noted that the AICPA's Auditing Standards Board has issued an auditing interpretation in this area.

In addition to overreliance, IAASB members noted other issues in practice in relation to external confirmations, including the use of different types of disclaimer language in confirmation responses,

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[8]   International Auditing Practice Statement (IAPS) 1012, "Auditing Derivative Financial Instruments."
[9]   International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement."

and the increasing use of electronic and web-based processes for confirmations. Some IAASB members noted that the issue of disclaimers has not arisen in their jurisdictions. Nevertheless, the IAASB generally agreed that there was scope for raising practitioners' awareness of the potential challenges that may arise in designing and using external confirmations.

OTHER MATTERS OF POSSIBLE RELEVANCE

The following other matters were noted as possibly requiring further consideration in the context of the IAASB's current strategy and work program:

- *The relationship between auditors and bank regulators*. It was noted that work is being undertaken in the UK to consider whether this relationship remains robust and appropriate in the current environment. In addition, the existing IAPS 1004[10] is relatively old and may be in need of updating.

- *Going concern*. It was suggest that it may be useful to consider auditor's experiences in applying ISA 570[11] in the current economic crisis. This could be considered as part of the "Clarity ISAs Implementation Monitoring" project.

- *ISA 720.* It may be worth accelerating the timetable for work on this project given the growth of investor briefings, MD&As and other publications, many of these are now routinely available on the internet, that are linked to the audited financial statements.

- *Back to basics*. It was suggested that many of the underlying causes of restatements and adverse inspection findings have concerned a loss of focus on the fundamental principles of auditing, such as professional skepticism, professional judgment, review and supervision, fraud considerations, etc. It may therefore be helpful to remind auditors of the importance of these fundamental obligations, much as national standard setters often do through annual audit alerts.

WAY FORWARD

Prof. Schilder summarized the discussion noting that the IAASB, on balance, believes its current strategy and work program remains appropriate though there may be some opportunity to consider whether certain additional initiatives should be undertaken in light of the current economic environment. He noted that the Steering Committee would convene the following day to reflect on the discussions and consider recommendations for the way forward.

14. PIOB Observer Remarks

Mr. Thomadakis complemented the IAASB, in particular the Chair, for a successful meeting which sets the benchmark for the future. He observed further that there has active participation by all members in the matters discussed during the meeting, and that the contributions by public members of the Board in particular have been valuable in that different views have been brought to the table in some instances which helped expand the IAASB's deliberations.

Mr. Thomadakis welcomed the IAASB's decision to cooperate with the IAAER to commission academic research relevant to the work of the IAASB. He expressed his expectation for this to be a

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10   IAPS 1004, "The Relationship Between Banking Supervisors and Banks' External Auditors."
11   ISA 570, "Going Concern."

positive stream of work and which will generate long-term benefits. He noted further that given the length of time required with academic research, it would be wise for the IAASB to further consider research topics that would generate input into its next round of strategic planning. Mr. Thomadakis also commented that the activities of IFAC's Communications Department in regard to promoting the activities of the Board and its standards are extremely important in this post-Clarity phrase of the work of the IAASB.

With regard to the IAASB's deliberations on a rapid response mechanism, Mr. Thomadakis indicated that present market conditions heighten the need for a rapid response mechanism to be put in place even though it may not be required to be used by the IAASB on a regular basis. The important matter is that the parameters around such a mechanism are appropriate and clearly laid out. He added that depending on the Board's decisions in this regard, changes to IAASB's Terms of Reference and due process may be required, and that the PIOB looks forward to commenting on further developments in this initiative.

Mr. Thomadakis commented that he was pleased to observe that the IAASB gave consideration to relationships with regulators and other standard setters, such as the IASB, in its discussion of strategy and the current environment. He emphasized that such considerations are important as these bodies are working towards goals similar to those of the IAASB.

In concluding, Mr. Thomadakis indicated that by attending this meeting, he has personally learnt a great deal about the work program of the IAASB.

15. Other Matters

Mr. Ferlings reported that IFAC's German member body, Institut der Wirtschaftsprüfer (IDW), has written to the German National Regulatory Control Council, and to the EC in response to its consultation paper on the audit market, seeking prior to the adoption of ISAs in the EU clarification on certain issues related to the universal applicability of the ISAs; in particular, how best to ensure their applicability to SME audits. IDW's concerns are with respect to whether the ISAs are sufficiently clear in terms of permitting auditors to adapt audit procedures, by applying professional judgment, to the specific circumstances of the individual engagement and, in doing so, do not impose disproportionate documentation burdens.

Prof. Schilder expressed his disappointment in hearing of this development. He indicated that the IAASB Steering Committee will give further consideration to this matter and that he will report back at the IAAB June meeting.

16. Next Meeting

The next meeting of the IAASB has been scheduled for June 15-18 in Lisbon, Portugal.

17. Closing Remarks

Prof. Schilder expressed his appreciation for the contributions of all members, technical advisors and observers to the deliberations during the week, and for Staff's support in preparing the materials. He then closed the meeting.