

Meeting: IAASB
Meeting Location: New York
Meeting Date: June 20-23, 2011

Agenda Item

4

Special Considerations in Auditing Complex Financial Instruments

Objective of Agenda Item

1. To consider the significant comments received on the October 2010 exposure draft (ED) of the proposed IAPS 1000,¹ and a revised draft of the proposed IAPS.

Task Force

2. Members:
 - John Fogarty, Task Force Chairman
 - Jon Grant, IAASB Member and Member of UK Auditing Practices Board (APB) Working Party on Complex Financial Instruments
 - Tomokazu Sekiguchi, IAASB Member
 - Gregory Fletcher, Staff of US Public Company Accounting Oversight Board
 - John Hughes, KPMG and Chair of UK APB Working Party on Complex Financial Instruments
 - Marc Pickeur, IAASB CAG Representative for the Basel Committee on Banking Supervision

In addition to the input provided by John Hughes, an expert in the audit of financial instruments from the UK, the Task Force has been aided by Tom Omberg, Deloitte, an expert in financial instruments from the US. These experts have primarily assisted the Task Force in understanding the practical issues around auditing financial instruments, in particular the testing of models and the role of third party pricing services.

Activities Since Last IAASB Discussions

3. The IAASB approved proposed IAPS 1000 for exposure at its September 2010 meeting. The ED was released contemporaneously with the ED of proposals relating to the clarification of the status and authority of new IAPSs. The exposure period ended on February 11 2011, with 44 comment letters received on the ED of IAPS 1000.

¹ International Auditing Practice Statement (IAPS) 1000, *Special Considerations in Auditing Complex Financial Instruments*

4. The Task Force met physically in April 2011 and via teleconference throughout May and June 2011 to consider the significant comments received on the exposure draft as well as a revised draft of the proposed IAPS.

Material Presented

- Agenda Item 4-A Proposed IAPS 1000 – Summary of Significant Comments on Exposure and IAASB Task Force Recommendations
- Agenda Item 4-B Draft IAPS 1000 (Marked from Exposure Draft)
- Agenda Item 4-C Draft IAPS 1000 (Clean)

5. The Task Force proposes that the **clean** version of the revised draft (**Agenda Item 4-C**) be discussed at the meeting.
6. The comments received on exposure are available on the IAASB website at <http://www.ifac.org/Guidance/EXD-Details.php?EDID=0143>.

Action Requested

7. The IAASB is asked to familiarize itself with the issues raised in the comment letters on the ED, to consider the significant issues and Task Force proposals presented in **Agenda Item 4-A**, and the draft IAPS 1000 presented in **Agenda Item 4-C**, and provide input to the Task Force in finalizing the proposed IAPS.
8. IAASB members are also asked whether there are issues raised by respondents, in addition to those addressed by the Working Group, that they consider should be discussed by the IAASB.