



Executive briefing on the IAASB's activities, no 3, 2009

The International Auditing and Assurance Standards Board (IAASB) is an independent standard-setting body established by the International Federation of Accountants (IFAC). Assistant Auditor General Mr. Steen Bernt Jensen, Denmark, serves as a public member of the IAASB upon suggestion from INTOSAI's Professional Standards Committee (PSC). IAASB issues the International Standards on Auditing (ISA) as well as a range of other standards for the accounting business. The International Standards of Supreme Audit Institutions (ISSAI) issued by INTOSAI include a set of implementation guidelines on financial auditing, ISSAI 1000-1999 that are based on the ISAs. By the executive briefings the PSC Chair wishes to inform the INTOSAI community of the main issues discussed by IAASB and encourage all SAIs with an interest in these matters to contribute with views and input.

- ▶ Previous executive briefings on the IAASB's activities can be found on <http://psc.rigsrevisionen.dk/composite-113.htm>
- ▶ The IAASB meeting materials can be found on <http://www.ifac.org/IAASB/Meetings.php>

The agenda for the IAASB meeting in September 2009

IAASB meets on 21-25 September 2009 in Seoul. Among others the following issues will be discussed:

1. The concepts and purpose of review engagements

Until now a review of financial statements has been known by the negative form of the conclusion expressed: "*Nothing has come to our attention based on the review that causes us to believe the financial statements do not give a true and fair view ...*". These key words are used by accounting firms in their opinions on financial statements in cases where the purpose of their work have been more limited than to obtain the "reasonable level of assurance" needed in an audit. The International Standard on Review Engagements (ISRE) 2400 on engagements to review Financial Statements defines the limited assurance that must be achieved before such an opinion can be issued as a "moderate level" of assurance.

This is all likely to change in the upcoming revision of ISRE 2400. The "double negation" is not always well understood by the intended users. IAASB will therefore discuss a possible new wording: "*based on our work performed for the review of the financial statements we believe that the financial statements are, in all material respects, consistent with our knowledge and understanding of the entity and its environment, and with the applicable financial reporting framework*". IAASB's task force on the matter also suggests that the concept of a "moderate level of assurance" is abolished. Instead the revised standard should attempt to describe the minimum required procedures the practitioner (auditing firm) must perform in order to achieve the limited assurance necessary. A draft standard will be developed and exposed for comments at a later stage.

▶Link: <http://www.ifac.org/IAASB/Meeting-BGPapers.php?MID=0168&ViewCat=1138>

Relevance to INTOSAI: The changes will be of direct relevance if a SAI perform reviews of financial statements according to the IAASB standard or make use of reviews performed by others. More generally, the discussion touches upon how various tasks such as audits, reviews and other assurance engagements are defined in relation to each other.

2. The use of internal auditors

The IAASB has also established a task force to revise ISA 610 *Using the Work on Internal Auditors* and is to discuss key issues at the September meeting. The task force has considered if IAASB's definition of an internal audit function can be closer aligned with the standards issued by the Institute of Internal Auditors (IIA). However, the IIA standards refer to "independence" in ways that are inconsistent with the IFAC Code of Ethics for Professional Accountants. The task force therefore propose that the IAASB definition emphasis the "objectivity" rather than "independence" of internal auditors, while many other elements of the IIA definition may also be stated in IAASB's definition. It is also proposed that the revised ISA should distinguish between different ways the internal auditors work may be used by the external auditor.

▶Link: <http://www.ifac.org/IAASB/Meeting-BGPapers.php?MID=0168&ViewCat=1143>

Relevance to INTOSAI: The current ISA 610 has been incorporated into draft ISSAI1610 together with a practice note developed by PSC's Subcommittee on Financial Auditing relevant for auditing of financial

statements in the public sector. When the IAASB project is completed the subcommittee will consider any corresponding changes in the ISSAI.

INTOSAI's recommendations on internal auditing in the public sector are developed by PSC's Subcommittee on internal control. The following two draft pronouncements are exposed for comments until 31. October 2009 at www.issai.org:

- INTOSAI GOV 9140 Internal Auditor Independence in the Public Sector
- INTOSAI GOV 9150 Co-operation and Co-ordination between Internal Auditors and SAIs in the Public Sector

3. Other issues

The IAASB will also consider:

- Review and updates in the IAASB's terms of reference and due process
▶Link: <http://www.ifac.org/IAASB/Meeting-BGPapers.php?MID=0168&ViewCat=1164>
- Proposed International Standard on Assurance Engagements (ISAE) 3410, —Assurance on a Greenhouse Gas (GHG) Statement. It is proposed that comments are invited from a range of external parties before the draft is formally exposed for comments
▶Link: <http://www.ifac.org/IAASB/Meeting-BGPapers.php?MID=0168&ViewCat=1151>

Relevance to INTOSAI: All comments and points of views would be welcomed.

The proceedings of the last meeting in June 2009

At the last IAASB meeting Steen Bernt Jensen gave a presentation on INTOSAI and the work of the PSC. He explained that the Supreme Audit Institution is the highest national auditing authority within the constitutional system. The audit contains 3 elements: performance audit, compliance audits and financial audit. The focus and weight on each of the 3 elements will vary depending on the mandate of the SAI. It is INTOSAI's strategy to recognize, utilize and build on standards issued by other standard setting bodies. He further addressed the advantages and challenges involved when SAIs are using the work of private auditing firms working under the IAASB standards. Project director Jonas Hällström updated IAASB on the progress of the project run by PSC's Subcommittee on Financial Auditing to produce practice notes to the ISA's. This will result in a full set of financial auditing guidelines (ISSAI 1000-1999) by 2010.

At the meeting in June 2009 the IAASB also discussed the revision of ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The IAASB discussed to what extent the revised standard should state requirements similar to those found in the ISAs for auditing of financial statements. Steen Bernt Jensen supported that the ISAE 3000 is kept relatively simple and should maintain the flexibility necessary for use in the public sector. Andrew Baigent from the SAI of UK participates in the task force as INTOSAI's representative. The PSC Steering Committee has established a network of experts from SAIs with a special interest in the matter to provide input (see executive briefings no. 1 and 2).

▶ The minutes of the meeting can be found on <http://www.ifac.org/IAASB/Meetings.php>

Are you aware?

All International Standards of Supreme Audit Institutions are published on www.issai.org. Subscribe to the e-mail update service and be kept informed of any new drafts within your field of interest. ▶Link: <http://www.issai.org/composite-355.htm>

Any comments or suggestions?

Any points of views related to the IAASB's agenda and the relevance to INTOSAI's members may be directed to Adviser Mr. Kristoffer Blegvad, the PSC Secretariat, by e-mail to kb@rigsrevisionen.dk with copy to psc@rigsrevisionen.dk. Many of the issues will also be discussed by the IAASB on future occasions.