



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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DATE: 26 MAY 2004  
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE  
FROM: JERRY GUTU  
SUBJECT: **PUBLIC SECTOR PERSPECTIVES ON ISAs**

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### **ACTION REQUIRED**

The Committee is asked to:

- **receive and note** a progress report on the process of takeover of PSPs by INTOSAI and IAASB; and
- **receive and note** a report on Public Sector Perspectives agreed since the last PSC meeting.

### **AGENDA MATERIAL:**

	Pages
15.2 Update on takeover process of PSPs by INTOSAI/IAASB	15.2
15.3 Report on PSPs since last PSC meeting	15.3

### **BACKGROUND**

At the PSC meeting in Buenos Aires, members were given an update on the takeover process of PSPs being worked between INTOSAI and IAASB. The meeting was advised that a Memorandum of Understanding between INTOSAI and IAASB had been finalized and approved by both organizations. Attached at 15.2 is a progress report on the process.

PSC set up a subcommittee to draft and propose PSPs at the Melbourne, Australia meeting to assist Staff in the interim. At 15.3 is a report on the PSPs drafted, circulated to PSC and submitted to IAASB for incorporation in their EDs since the last PSC meeting in Buenos Aires, Argentina, March 2004.

**REPORT ON THE PROCESS OF TAKEOVER OF PSPs BY INTOSAI/IAASB**

- As reported in March 2004, an INTOSAI/IAASB Memorandum of Understanding (MOU) was finalized by the IAASB in December 2003. The MOU established a working arrangement that will see INTOSAI representation on certain IAASB task forces to provide public sector audit considerations for inclusion, where appropriate, in IAASB's auditing standards.
- To date, INTOSAI participants have been actively participating on five IAASB task forces, and, there has been no indication that the IAASB will be slowed down as a result of the new IAASB/INTOSAI working relationship.
- PSC's direct involvement with the PSP process is now anticipated to run up to the third quarter or end of 2004 with the development of the PSPs for the last two ISAs 540 and 320 for Accounting Estimates Audit and Audit Materiality respectively. All new PSP or similar requirements will now fall under the INTOSAI and IAASB mechanism enabling PSC to withdraw from direct involvement.

**REPORT ON PUBLIC SECTOR PERSPECTIVES AGREED SINCE LAST MEETING**

The PSP subcommittee comprising members from Canada, New Zealand, South Africa and United Kingdom continued to assist Staff in drafting PSPs which were circulated for comments to PSC out of session and thereafter submitted to IAASB.

**Table on Progress on PSPs**

<b>ISAs/IAPS</b>	<b>ISA/E.D. Issue date</b>	<b>Remark on work on PSP</b>
Revised ISA 700, The Auditor's Report on Financial Statements	March 31, 2004	Draft PSP circulated to PSC and submitted to IAASB March 2004
Revised ISA 600/New IAPS on Group Audits	March 31, 2004	Draft PSP circulated to PSC and submitted to IAASB March 2004
Revised ISA 320, Audit Materiality	June 30, 2004	Draft PSP in circulation to PSC to be submitted to IAASB by June 2004.
Revised ISA 540, Audit of Accounting Estimates	September 30, 2004	IAASB working on draft ISA, Draft PSP to be done once draft ISA is available from IAASB.

Staff with the support of the subcommittee on PSPs drafted and circulated to PSC two draft PSPs on Revised ISAs 600 and 700 on Group Audits/New IAPS and the Auditor's Report respectively and submitted to IAASB in March 2004.

A PSP has been drafted for ISA 320 on Audit Materiality and has been circulated for consideration by PSC. It is anticipated that this PSP will be submitted to IAASB in June 2004. A draft ISA 540 on Audit of Accounting Estimates is awaited from IAASB after which a draft PSP would be proposed.