



INTERNATIONAL FEDERATION
OF ACCOUNTANTS

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DATE: 19 SEPTEMBER 2003
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: JERRY GUTU
SUBJECT: PUBLIC SECTOR PERSPECTIVES ON ISAs

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
18.2 Update on takeover process of PSPs by INTOSAI/IAASB	18.2
18.3 Report on PSPs since last PSC meeting	18.3

BACKGROUND

At the PSC meeting in Vancouver members were given an update on the takeover process of PSPs being worked between INTOSAI and IAASB. A secretariat has now been set up and a Memorandum of Understanding between INTOSAI and IAASB is under consideration for approval by both organizations. Attached at 18.2 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 18.3 is a report on the PSPs drafted, circulated to PSC and submitted to IAASB for incorporation in their EDs.

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

IFAC/IAASB and INTOSAI have agreed to establish a project structure and co-operation process that will enable INTOSAI to use the International Standards on Auditing (ISAs) as basis for its proposed Guidelines for Financial Audit, and that will provide the IAASB with experts in the field of public sector auditing that will assist with the incorporation of public sector considerations in the body of ISAs.

The proposed INTOSAI/IAASB Memorandum of Understanding formalizes the project structure and co-operation process. The IAASB considered a first draft of the proposed INTOSAI/IAASB Memorandum of Understanding at its July 2003 meeting.

IAASB Staff has revised the proposed INTOSAI/IAASB Memorandum of Understanding based on the comments received from the IAASB at its July 2003 meeting.

The revised proposed Memorandum was approved by the Auditing Standards Committee of INTOSAI at its September 2003 meeting, and will be submitted for consideration at the October 13-14, 2003 meeting of the INTOSAI Governing Board. IAASB will also consider for approval the same revised Memorandum at its meeting of October 12-17, 2003.

The Project Secretariat has begun providing IAASB Staff with the names of Reference Panel experts for some of the IAASB projects. The projects include ISA 260, "Communication with Those Charged with Governance" and ISA 701, "Modified Auditor's Reports." Their participation in the related IAASB Task Forces will be confirmed after the IAASB's approval of the proposed Memorandum at the October 12-17, 2003 meeting.

Should the revised Memorandum of Understanding be approved by both INTOSAI AND IAASB at their separate meetings in October a new mechanism would be operational by beginning of next year. A handover/takeover process will be discussed on the PSPs currently being handled by PSC. Options include agreeing on a cut-off point after which all new PSPs will be handled by INTOSAI or letting PSC finish all the PSPs it started and INTOSAI beginning on new work only.

REPORT ON PUBLIC SECTOR PERSPECTIVES AGREED SINCE LAST MEETING

PSC set up a subcommittee to draft and propose PSPs at its meeting in Melbourne, Australia. The subcommittee comprises members from Canada, New Zealand, South Africa and United Kingdom. The draft PSPs are circulated for comments to PSC out of session before submission to IAASB.

Table on Progress on PSPs

ISAs/IAPS	E.D. Issue date	Remark on work on PSP
Revised ISA 240, The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements	July 2003	Draft PSP circulated to Subcommittee. Circulated to PSC on July 24 and submitted to IAASB on August 26.
Revised ISA 700, The Auditor's Report on Financial Statements	October 2003	Requested IAASB for draft ISA to be circulated to Subcommittee for drafting of PSP
Revised ISA 300, Planning	October 2003 (Revised to July 03)	Draft circulated subcommittee and to be circulated to PSC and IAASB
Revised ISA Audit Risk Standards	October 2003	Draft to be submitted to subcommittee
ISA 800, The Auditor's Report on Special Purpose Audit Engagements. Request for classification	September 2003	Proposal circulated to PSP subcommittee and submitted to IAASB on September 5 as project class B1 to be undertaken with comment from PSC.
New IAPS on Group Audits	October 2003	Requested IAASB for draft ISA to be circulated to Subcommittee for drafting of PSP
Revised ISA 540, Audit of Accounting Estimates	December 2003	Requested IAASB for draft ISA to be circulated to Subcommittee for drafting of PSP
Revised ISA 320, Audit Materiality	December 2003	Requested IAASB for draft ISA to be circulated to Subcommittee for drafting of PSP
Further comments to PSP on ISA 220 and ISQC 1 on Quality Control		Following up with PSP subcommittee for amendments to PSP. To be circulated and submitted to IAASB

Since the last meeting the subcommittee with support of PSC staff drafted and circulated to PSC two draft PSPs on Revised ISA 240, The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements and Revised ISA 300, Planning. The draft PSP for ISA 240 has since been submitted to IAASB. A request for project classification on ISA 800 was also considered by the subcommittee and a response with a B1 classification has been submitted to IAASB. This project will involve PSC by way of provision of comments.