



INTERNATIONAL FEDERATION
OF ACCOUNTANTS

545 Fifth Avenue, 14th Floor

Tel: (212) 286-9344

New York, New York 10017

Fax: (212) 286-9570

Internet: <http://www.ifac.org>

DATE: 12 FEBRUARY 2004
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
14.2 Update on takeover process of PSPs by INTOSAI/IAASB	14.2
14.3 Report on PSPs since last PSC meeting	14.3

BACKGROUND

At the PSC meeting in Berlin members were given an update on the takeover process of PSPs being worked between INTOSAI and IAASB. A Memorandum of Understanding between INTOSAI and IAASB has been finalized and approved by both organizations. Attached at 14.2 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 14.3 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 Berlin, November 2003.

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

- The INTOSAI / IAASB Memorandum of Understanding was finalized by the IAASB Chair and Technical Director. Minor changes were processed based on comments received from IAASB members. The INTOSAI representatives tasked with finalizing the memorandum agreed to those changes.
- Members of the Public Sector Committee's (PSC's) sub-committee responsible for drafting the Public Sector Perspectives (PSPs), IFAC Staff and INTOSAI representatives held a telephone conference on January 20, 2004 to discuss the current process of drafting (PSPs).
- IAASB Staff attended a meeting of INTOSAI Reference Panel Experts on January 29-30, 2004. Eleven experts attended the meeting. Mr Philip Cassel, INTOSAI representative on the IAASB CAG also attended the meeting. The purpose of the meeting was to provide the experts with background information on INTOSAI, IFAC and the IAASB, and to reach agreement on the terms of reference and operating procedures for the experts. The experts are very enthusiastic about their role within the IAASB Task Forces. IAASB Staff are of the opinion that the experts will be able to function as full members on task forces, i.e. not only providing a public sector perspective, but also actively participating in general discussions.
- Reference Panel Experts have been appointed to the following task forces: Documentation, Modified Auditor's Reports; and Communication with Those Charged with Governance.
- It is also suggested by IAASB that Reference Panel Experts are identified to join the PSC's sub-committee in finalizing the perspectives for Estimates and Materiality.
- PSC's direct involvement with the PSP process is anticipated to run up to the middle or third quarter of 2004 with the development of the PSPs for the last two ISAs 540 and 320 for Estimates and Materiality respectively. Thereafter the INTOSAI and IAASB mechanism is expected to takeover the role of PSP development 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

ISAs/IAPS	ISA/E.D. Issue date	Remark on work on PSP
Revised ISA 700, The Auditor's Report on Financial Statements	March 31, 2004	Staff and PSP Subcommittee working on Draft PSP
Revised ISA 600/New IAPS on Group Audits	March 31, 2004	Staff and PSP Subcommittee working on Draft PSP
Revised ISA 540, Audit of Accounting Estimates	June 30, 2004	IAASB working on draft ISA, Draft PSP to be done once draft ISA is available from IAASB.
Revised ISA 320, Audit Materiality	June 30, 2004	IAASB working on draft ISA, Draft PSP to be done once draft ISA is available from IAASB.
Further comments to PSP on ISA 220 and ISQC 1 on Quality Control	February 2004	Amended draft PSP done by staff with assistance of PSP subcommittee and circulated to PSC and then IAASB by February 6, 2004.

Since the last meeting in November 2003 in Berlin the staff with the support of the subcommittee on PSPs drafted and circulated to PSC two draft PSPs on Revised ISA 220 and ISQC 1 on Audit Quality Control and Revised ISA on Audit Risk Model and submitted to IAASB.