

## News & Events

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### IAASB Issues Exposure Drafts to Enhance the Clarity of International Standards

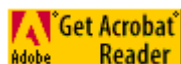
(New York/October 31, 2005) -- As part of its comprehensive program to improve the clarity of international standards, the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) has issued exposure drafts (EDs) of four proposed standards in a new drafting style. It has also issued an exposure draft of Proposed Amendments to the *Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services* and an Explanatory Memorandum to accompany the EDs. The release of these documents marks the beginning of the IAASB's ambitious 18-month program to re-draft standards and to develop new standards using the new style.

The IAASB developed its new drafting style based on responses to its 2004 Proposed Policy Statement and Consultation Paper on Clarity. The proposals were discussed at a forum of interested parties in July 2005 and refined as a result. Key elements of the new drafting style include: basing the standards on objectives, as opposed to procedural considerations; use of the word "shall" to identify requirements that the professional accountant is expected to follow in the vast majority of engagements; eliminating the present tense to describe actions by the professional accountant, which some had regarded as ambiguous in terms of obligation; and structural improvements to enhance the overall readability and understandability of the standards.

"The Clarity Project was undertaken primarily to deal with our use of the present tense, which it had been suggested was ambiguous in effect. We have also taken the opportunity to make changes to improve our drafting conventions to ensure that IAASB standards are understandable and capable of

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being translated and to facilitate international convergence," explains IAASB Chairman John Kellas. "Through consultation with regulators, the IAASB's Consultative Advisory Group, other standard setters and users of the standards, we developed this drafting style which we believe will clarify the requirements in the standards and make the standards easier to understand and to adopt."

The following four proposed standards have been re-drafted in the new style:

- International Standard on Auditing (ISA) 240 (Redrafted), [\*The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements\*](#);
- ISA 300 (Redrafted), [\*Planning an Audit of Financial Statements\*](#);
- ISA 315 (Redrafted), [\*Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement\*](#), and
- ISA 330 (Redrafted), [\*The Auditor's Procedures in Response to Assessed Risks\*](#).

The enhancements contained in the re-drafted standards also respond to the findings of the 2004 IFAC report, *Challenges and Successes In Implementing International Standards: Achieving Convergence To IFRSs and ISAs*, which identified such issues as the length and complexity of international standards as major challenges to convergence for such constituents as accountants in developing nations and small and medium practices and entities.

### **How to Comment**

Comments on the exposure drafts are requested by February 28, 2006. The EDs may be viewed by going to <http://www.ifac.org/EDs>. Comments may be submitted by email to [EDComments@ifac.org](mailto:EDComments@ifac.org). They can also be faxed to the attention of the IAASB

Technical Director at +1 (212) 286-9570 or mailed to IFAC, 545 Fifth Avenue, 14th Floor, New York, NY 10017, USA. All comments will be considered a matter of public record and will ultimately be posted on IFAC's website.

### **About the IAASB and IFAC**

The objective of the IAASB, an independent standard-setting board within IFAC, is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national

standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession. The international Public Interest Oversight Board oversees the activities of the IAASB and, as one element of that oversight, establishes the criteria for its due process and working procedures.

IFAC is the worldwide organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. Its current membership consists of over 160 professional accountancy bodies in 119 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. In addition to setting international auditing and assurance standards through the IAASB, IFAC sets ethics, education, and public sector accounting standards and develops guidance to encourage high quality performance by professional accountants in business.

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