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IAASB Clarifies its Quality Control and Auditor Reporting Standards; Makes Further Progress on Clarifying Other Auditing Standards

(New York/August 3, 2007) - To enhance the quality and consistency of audits, the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC), is continuing to advance its project to clarify its international standards. At its July 2007 meeting in Warsaw, Poland, the IAASB approved exposure drafts of nine proposed standards, including each of its international quality control and auditor reporting standards. These have all been redrafted in accordance with the IAASB's new drafting conventions designed to improve the clarity of its pronouncements.

Further information about each exposure draft and the changes proposed therein is provided in the explanatory memorandum at the beginning of the exposure drafts. The exposure drafts may be viewed by going to <http://www.ifac.org/EDs>.

Quality Control Exposure Drafts

The IAASB has issued proposed International Standard on Quality Control (ISQC) 1 (Redrafted), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, along with proposed International Standard on Auditing (ISA) 220 (Redrafted), *Quality Control for an Audit of Financial Statements*.

"Together, these standards deal with important quality control considerations at both the firm and engagement levels. The standards are closely linked, and therefore, implementing clarity revisions at the same time makes sense to ensure consistency between them," explains John Kellas, IAASB Chairman.

Auditor Reporting Exposure Drafts

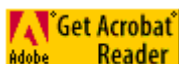
The IAASB has also addressed the clarification of its auditor reporting standards. The proposed clarified auditor reporting standards comprise:

- ▮ ISA 700 (Redrafted), *The Independent Auditor's Report on General Purpose Financial Statements*;
- ▮ ISA 705 (Revised and Redrafted), *Modifications to the Opinion in the Independent Auditor's Report*;
- ▮ ISA 706 (Revised and Redrafted), *Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report*;
- ▮ ISA 800 (Revised and Redrafted), *Special Considerations - Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*; and
- ▮ ISA 805 (Revised and Redrafted), *Engagements to Report on Summary Financial Statements*.

Proposed ISA 700 (Redrafted) redrafts a standard that was revised in

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2004. The other reporting standards have been fully revised to update them and make them consistent with ISA 700. Those revisions were completed and approved by the IAASB in 2006, and the standards are now being issued for comment only on their redrafting into the new clarity conventions.

Other Proposed Standards

In addition, the IAASB has issued exposure drafts of proposed ISA 510 (Redrafted), *Initial Audit Engagements - Opening Balances*, and proposed ISA 530 (Redrafted), *Audit Sampling*.

Progress of the Clarity Project

All of the proposed standards have been drafted in accordance with the IAASB's new drafting conventions. These conventions include the specification of an objective within each standard and separate sections for requirements and application and other material.

The IAASB has now approved five final ISAs drafted in accordance with the new conventions and, including the eight just released, 23 exposure drafts of ISAs. The IAASB expects to issue a further seven exposure drafts this year, and to complete all 35 ISAs as final standards by the end of 2008.

Further information on the Clarity project may be obtained from http://www.ifac.org/IAASB/downloads/IAASB_Clarify_Status_Report.pdf.

How to Comment

Recognizing the number of exposure drafts being issued, the IAASB has staggered the deadlines for comments:

- I Comments on the exposure drafts of proposed ISA 510 (Redrafted) and ISA 530 (Redrafted) are requested by **October 31, 2007**.
- I Comments on the exposure drafts of proposed ISA 700 (Redrafted), ISA 705 (Revised and Redrafted), ISA 706 (Revised and Redrafted), ISA 800 (Revised and Redrafted) and ISA 805 (Revised and Redrafted) are requested by **November 30, 2007**.
- I Comments on the exposure drafts of proposed ISQC 1 (Redrafted) and ISA 220 (Redrafted) are requested by **December 31, 2007**.

Comments should be submitted by email to EDComments@ifac.org. They may also be faxed to IAASB ED Comments, at +1-212-286-9570 or mailed to IAASB ED Comments at 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 the IFAC website.

About the IAASB and IFAC

The objective of the IAASB 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 Public Interest Oversight Board oversees the activities of the IAASB and, as one element of that oversight, establishes its due process and working procedures.

Founded in 1977, IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 155 members and associates in 118 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, through its independent standard-setting boards, sets international ethics, education, and public sector accounting

standards. It also issues guidance to encourage high quality performance by professional accountants in business.

Further information about IAASB may be obtained from its website: <http://www.iaasb.org>. The PIOB website address is <http://www.ipiob.org>.

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