

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

TERMS OF REFERENCE—MARCH 2010

1.0 PURPOSE

The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of international economies by establishing and promoting adherence to high-quality professional standards, furthering international convergence of such standards, and speaking out on public interest issues where the profession’s expertise is most relevant.” In pursuing this mission, the IFAC Board has established the International Auditing and Assurance Standards Board (IAASB) to function as an independent standard-setting body under the auspices of IFAC and subject to the oversight of the Public Interest Oversight Board (PIOB).

The IAASB develops and issues, in the public interest and under its own authority, high-quality auditing and assurance standards and other pronouncements for use around the world. The IFAC Board has determined that designation of the IAASB as the responsible body, under its own authority and within its stated terms of reference, best serves the public interest in achieving this aspect of its mission.

2.0 OBJECTIVE

The IAASB’s objective is to serve the public interest by setting high-quality auditing and assurance standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

3.0 PRONOUNCEMENTS

In fulfilling the above objective, the IAASB develops and issues the following:

- *International Standards on Auditing (ISAs)* and *International Standards on Review Engagements (ISREs)* to be applied in audit and review engagements on historical financial information.
- *International Standards on Assurance Engagements (ISAEs)* to be applied in assurance engagements other than audits or reviews of historical financial information.
- *International Standards on Related Services (ISRSs)* to be applied in related services engagements.
- *International Standards on Quality Control (ISQCs)* to be applied for all services falling within the engagement Standards of the IAASB.
- *Practice Statements* as appropriate to provide interpretive guidance and practical assistance in implementing the Standards of the IAASB and to promote good practice.

The IAASB also publishes other pronouncements on auditing and assurance matters, thereby advancing public understanding of the roles and responsibility of professional auditors and assurance service providers.

The official text of the Standards, Practice Statements, and other pronouncements is that published by the IAASB in the English language.

4.0 MEMBERSHIP

The members of the IAASB, including the Chair and Deputy Chair, are appointed by the IFAC Board on the recommendation of the Nominating Committee and with the approval of the PIOB. The appointment as Deputy Chair does not imply that the individual concerned is the Chair-elect.

The IAASB comprises ten members from IFAC member bodies, five representatives from the Forum of Firms and three public members. The three public members may be members of IFAC member bodies, but cannot be practitioners. The IAASB is composed of an equal number of practitioners and non-practitioners.¹ For this purpose, the three public members are regarded as non-practitioners. A public member is an individual who satisfies the requirements of a non-practitioner and is also expected to reflect, and is seen to reflect, the wider public interest. Not all non-practitioners are therefore eligible to be public members.

The selection process is based on the principle of “the best person for the job,” the primary criterion being the individual qualities and abilities of the nominee in relation to the position for which they are being nominated. However, the selection process also seeks a balance between the personal and professional qualifications of a nominee and representational needs, including gender balance, of the IAASB. Accordingly, consideration will be given to other factors including geographic representation, sector of the accountancy profession, size of organization, and level of economic development. Candidates for appointment as public members may be put forward by any individual or organization.

IAASB members serve for a term of up to three years, with approximately one-third of the IAASB membership rotating each year. Continuous service on the IAASB is limited to a total of six years, unless that member is appointed to serve as Chair.

IAASB members may be accompanied at meetings by a technical advisor. A technical advisor has the privilege of the floor with the consent of the IAASB member he or she advises, and may participate in projects. Technical advisors are expected to possess the technical skills to participate, as appropriate, in IAASB debates and attend IAASB meetings regularly to maintain an understanding of current issues relevant to their role.

The IAASB may also include up to three observers, appointed at the discretion of the IFAC Board, in consultation with the PIOB. Observers may attend IAASB meetings, have the privilege of the floor, and may participate in projects. Observers are expected to possess the technical skills to participate fully in IAASB debates and attend IAASB meetings regularly to maintain an understanding of current issues.

¹ A non-practitioner is a person who is not a member or employee of an audit practice firm and, in respect of individuals who have been members or employees of such firms, there shall normally be a cooling-off period of three years, but that such period may, on a comply or explain basis, be reduced, provided that such a reduction shall not result in a cooling-off period of less than one year. Where an individual is proposed for appointment with less than a three year cooling-off period IFAC shall provide to the PIOB the reasons for the proposed appointment, which the PIOB shall, in line with its authority to approve all appointments to the IAASB, have the authority to accept or decline.

The Chair of the IAASB Consultative Advisory Group (CAG) is expected to attend IAASB meetings, or to appoint a representative of a CAG member organization to attend. The Chair of the IAASB CAG, or appointed representative, has the privilege of the floor at IAASB meetings.

IAASB members are required to sign an annual statement declaring they will act in the public interest and with integrity in discharging their roles within IFAC.

5.0 MEETING PROCEDURES

Each IAASB meeting requires the presence, in person or by simultaneous telecommunications link, of at least twelve appointed members.

IAASB meetings shall be chaired by the Chair or, in his or her absence, by the Deputy Chair. In the event of the absence of both, the members present shall select one of their number to take the chair for the duration of the meeting, or of the absence of the Chair and Deputy Chair.

Each member of the IAASB has one vote. The affirmative vote of at least twelve of those present at a meeting in person or by simultaneous telecommunications link or by proxy is required to approve or withdraw Standards and Practice Statements and to approve exposure drafts.

A member who is unable to attend an IAASB meeting may appoint a proxy to vote on his or her behalf, on written representation to the Chair that the proxy has been instructed on how to exercise the vote. When the proxy is uncertain of how the member would vote in the circumstances, the proxy abstains from voting. The appointment of a proxy is disclosed at, and recorded in the minutes of, the meeting.

IAASB meetings to discuss the development, and to approve the issuance or withdrawal of Standards and Practice Statements, and to approve the issuance of exposure drafts and other pronouncements, are open to the public. Matters of a general administrative nature or with privacy implications may be dealt with in closed sessions of the IAASB; no decisions that would affect the content of the Standards, Practice Statements, and other pronouncements issued by the IAASB are made in a closed session. Agenda papers for open sessions, including minutes of the meetings of the IAASB, are published on the IFAC website. The IAASB meetings and agenda papers are in English, which is the official working language of IFAC.

The PIOB has the right to attend, or be represented at, all meetings, including closed sessions, of the IAASB.

6.0 DUE PROCESS

In developing its Standards and Practice Statements, the IAASB is required to be transparent in its activities, and to adhere to due process as approved by the PIOB.

In setting its strategy and work program, the IAASB obtains the PIOB's conclusion as to whether the due process used to develop the IAASB's strategy and work program has been followed effectively and with proper regard for the public interest. The IAASB also obtains the PIOB's opinion, as at the date of that opinion, on the appropriateness of the items on the work program, and its approval of the completeness of the strategy and work program from a public interest perspective. The IAASB adds to its work program those items that the PIOB resolves should, from a public interest perspective, form part of the IAASB's work program.

7.0 CONSULTATIVE ADVISORY GROUP

The objective of the IAASB CAG is to provide input to and assist the IAASB through consultation with the CAG member organizations and their representatives at the CAG meetings, in order to obtain: advice on the IAASB's agenda and project timetable (work program), including project priorities; technical advice on projects; and advice on other matters of relevance to the activities of the IAASB.

8.0 THE IAASB CHAIR

The IAASB Chair is an independently contracted position within IFAC. The Chair is selected by the Nominating Committee and recommended to the IFAC Board for its agreement and to the PIOB for subsequent approval. The provisions of the Chair's remuneration, benefits and other conditions are determined in a separate contract between the Chair and IFAC. The standard term for the Chair is 3 years renewable, subject to the approval of the IFAC Board and the PIOB, for one further period of up to 3 years. The Chair of the IAASB can serve for a maximum of 6 years.

The IAASB Chair must agree to be bound by independence requirements in order to assume the position. The independence requirements are outlined in *Section 2 of the Selection Requirements and Job Responsibilities of the IAASB Chair*.

9.0 OTHER

The IAASB cooperates with national standard setters to link their work with IAASB's own in preparing and issuing Standards with an aim to share resources, minimize duplication of effort and reach consensus and convergence in Standards at an early stage in their development. It also promotes the endorsement of the Standards by national standard setters, legislators and securities exchanges and promotes debate with users, regulators and practitioners throughout the world to identify user needs for new Standards and guidance.

The IAASB publishes an annual report, outlining its work program, activities and progress made in achieving its objectives during the year.

IFAC will review the effectiveness of the IAASB's processes at least every three years.