



Auditing Standards and Practices Council

**INTERNATIONAL AUDITING
AND ASSURANCE STANDARDS BOARD
– INTERIM TERMS OF REFERENCE**

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The International Auditing and Assurance Standards Board – Interim Terms of Reference has been approved by the Board of the International Federation of Accountants in July 2003 and revised in November 2003. In light of discussions currently being held with regulators and other interested parties involving proposed reforms to IFAC and its committees these terms of reference provide interim guidance to IAASB on the manner in which it should operate.

In the year 2001, the Auditing Standards and Practices Council (ASPC) of the Philippines has decided to adopt International Standards on Auditing (ISAs) and International Auditing Practice Statements (IAPSS) issued by the then International Auditing Practices Committee (IAPC), now the International Auditing and Assurance Standards Board (IAASB) which was established by the International Federation of Accountants (IFAC) to take over the development and issuance of International Standards on Quality Control, Auditing, Assurance and Related Services, collectively referred to as IAASB’s Standards and Practice Statements.

As part of its decision to adopt IAASB’s technical pronouncements, the ASPC has adopted the “International Auditing and Assurance Board – Interim Terms of Reference.

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The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “the worldwide development and enhancement of an accountancy profession with harmonized standards, able to provide services of consistently high quality in the public interest.” In pursuing this mission, the IFAC Board has established the International Auditing and Assurance Standards Board (IAASB) to develop and issue, in the public interest and under its own authority, high quality auditing and assurance standards 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.

The IAASB functions as an independent standard-setting body under the auspices of 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 IAASB achieves this objective by:

- Establishing high quality auditing standards and guidance for financial statement audits that are generally accepted and recognized by investors, auditors, governments, banking regulators, securities regulators and other key stakeholders across the world.
- Establishing high quality standards and guidance for other types of assurance services on both financial and non-financial matters.
- Establishing high quality standards and guidance for other related services.
- Establishing high quality standards for quality control covering the scope of services addressed by the IAASB.

¹ A proposed Terms of Reference for the IAASB was exposed by the IFAC Board in November 2002, prior to a number of developments in the environment that may influence the nature and extent of a final Terms of Reference for the IAASB. IFAC Officers and IAASB representatives have been involved in dialogue with regulators and other interested parties surrounding proposed reforms to IFAC and its committees, including the IAASB. While many of the related issues are subject to further deliberation, the proposed reforms are intended to further strengthen the structure and operations of the IAASB.

Given the need to complete the consultative process in developing the final reforms, the IFAC Board has deferred the approval of the Terms of Reference for the IAASB. To provide interim guidance to the IAASB on the manner in which it should operate, the IFAC Board has approved for issuance these Interim Terms of Reference for the IAASB.

- Publishing other pronouncements on auditing and assurance matters, thereby advancing public understanding of the roles and responsibility of professional auditors and assurance service providers.

The members of the IAASB are appointed by the IFAC Board to serve on the IAASB. The IAASB comprises eighteen members, ten of whom are put forward by member bodies of IFAC, five of whom are put forward by the Forum of Firms, and three public members who may be members of IFAC member bodies but shall not be members in public practice. In addition, a limited number of observers, from bodies that have an appropriate interest in issuing or endorsing standards, may be appointed who will have the privilege of the floor but will not be entitled to vote. These observers would be expected to possess the technical skills to participate fully in IAASB debates and attend IAASB meetings regularly to maintain an understanding of current issues. Candidates put forward, including the Chair of the IAASB, are considered for appointment by IFAC's Nominating Committee. Candidates for appointment as public members may be put forward by any individual or organization. The selection process is based on the principle of "the best person for the job." IAASB members serve for three years, with one third of the IAASB membership rotating every year. Continuous service on the IAASB is limited to two (2) consecutive three (3) year terms, unless that member is appointed to serve as Chair for a further period of not more than three years.

The IAASB issues International Standards on Auditing (ISAs) as the standards to be applied by auditors in reporting on historical financial information. It also issues International Standards on Assurance Engagements (ISAEs) as the standards to be applied by practitioners in assurance engagements dealing with information other than historical financial information, International Standards on Quality Control (ISQCs) as the standards to be applied for all services falling under the Standards of the IAASB, and International Standards on Related Services (ISRSs) as the standards to be applied on related services, as it considers appropriate. IAASB Standards contain basic principles and essential procedures together with related guidance in the form of explanatory and other material.

The IAASB issues Practice Statements as appropriate to provide interpretive guidance and practical assistance in implementing its Standards and to promote good practice.

In developing its Standards and Practice Statements, input is sought from the IAASB's Consultative Advisory Group,² national standard setters and others so as to obtain a broad spectrum of views. The IAASB exposes draft Standards for public comment, and ordinarily exposes draft Practice Statements for public comment unless it decides that there are particular circumstances justifying non-exposure. The exposure period will ordinarily be no shorter than 90 days. Respondents' comments are posted on the IAASB's web site after the end of the exposure period.

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 ISAs 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.

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

Each member of the IAASB has one vote. The affirmative vote of at least two-thirds of members present at a meeting in person or by simultaneous telecommunications link or by proxy, but not less than twelve, is required to approve Standards.

IAASB meetings to discuss the development, and to approve the issuance, of Standards, guidance or other pronouncements intended to advance the public understanding of the roles and responsibilities of professional auditors and assurance service providers are open to the public. Agenda papers, including minutes of the meetings of the IAASB, are published on the IAASB's web site.

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 IAASB's processes at least every three years.

² The objective of the IAASB Consultative Advisory Group (CAG) is to provide a forum where the IAASB can consult with representatives of organizations representing different groups of constituents to obtain input on its work program, project priorities and due process on major technical issues, and to receive feedback on its activities. The CAG does not vote on IAASB Standards or Practice Statements.

This International Auditing and Assurance Board – Interim Terms of Reference was unanimously approved for adoption in the Philippines on May 31, 2004 by the members of the Auditing Standards and Practices Council:

Benjamin R. Punongbayan, <i>Chairman</i>	Antonio P. Acyatan, <i>Vice Chairman</i>
Felicidad A. Abad	David L. Balangue
Eliseo A. Fernandez	Nestorio C. Roraldo
Joaquin P. Tolentino	Editha O. Tuason
Joycelyn J. Villaflores	Horace F. Dumlao
Ester F. Ledesma	Manuel O. Faustino
Erwin Vincent G. Alcala	Froilan G. Ampil
Eugene T. Mateo	Flerida V. Creencia
Roberto G. Manabat	