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International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
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## **IOSCO Statement on International Auditing Standards**

As the global body of securities regulators representing the public interest, IOSCO is committed to protecting investors and enhancing the integrity and orderly operation of the international capital markets. One of IOSCO's many initiatives is to promote high quality audits of the financial statements issued by listed companies. Such audits contribute to the quality of global financial reporting and thereby support investor confidence and decision making.

Robust standards for public company auditors help to promote high quality audits and are therefore important to the public interest. In recent years, the expansion of capital markets across national borders and the desire by countries to achieve strong, stable and liquid capital markets have been forces encouraging the development of international standards for both financial reporting and auditing.

IOSCO is of the view that the development of high quality internationally-accepted auditing standards is beneficial to the global capital markets. In order to encourage the development of a set of high quality global auditing standards, IOSCO has been actively monitoring the work of the International Auditing and Assurance Standards Board (IAASB), a body that develops International Standards on Auditing (ISAs). IOSCO provides comments on the quality of the IAASB's proposed standards and the process for setting them, and also provides comments on the Board's agenda.

IOSCO's review of proposed auditing standards focuses on whether the standards are likely to contribute to high quality audits and includes:

1. whether the standards are comprehensive and sufficient in scope and whether the standards adequately cover all relevant aspects of the area of audit being addressed

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2. whether the standards are clear and understandable
3. whether the standards are written in such a way as to be enforceable by regulators

The process and structure for setting ISAs has been the subject of reform and improvement efforts in recent years. In 2003, IOSCO and other regulatory and international financial organizations worked with the International Federation of Accountants (IFAC), to create a set of reforms for international audit standard setting and other public interest activities of IFAC. These reforms included the establishment of the international Public Interest Oversight Board (PIOB) to carry out independent oversight of the IAASB's standard setting activities and other IFAC public interest activities, as well as other process changes. The reforms also included provisions for a future evaluation of their effectiveness. IOSCO recognizes the importance of the work of both the IAASB and PIOB.

In recent years, the IAASB has developed and issued a number of new and updated standards in the Board's Clarity project. Additional revised standards are expected in 2008. IOSCO is currently evaluating under what conditions IOSCO could endorse ISAs for use for cross border purposes and the form of such an endorsement. The IAASB's responses to public interest concerns in its standards setting will be relevant to such an endorsement.

IOSCO recognizes and supports the work of the IAASB in developing and improving the ISAs and looks forward to additional progress in the future.

## NOTES FOR EDITORS

1. IOSCO is recognized as the international standard setter for securities markets. The organization's wide membership regulates more than 90% of the world's securities markets and IOSCO is the world's most important international cooperative forum for securities regulatory agencies. IOSCO members regulate more than one hundred jurisdictions and the Organization's membership is steadily growing.
2. The [Public Interest Oversight Board \(PIOB\)](#) oversees the [International Federation of Accountants \(IFAC\)](#) Public Interest Activity Committees (PIACs) comprising the International Auditing and Assurance Standards Board, International Accounting Education Standards Board,

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International Ethics Standards Board for Accountants, their respective Consultative Advisory Groups and the Compliance Advisory Panel (CAP). The PIOB:

- Reviews and approves Terms of Reference for these entities;
  - Evaluates the boards' due process procedures;
  - Oversees the work of IFAC's Nominating Committee and approves the committee's nominations to the standard-setting boards and the CAP; and
  - Suggests projects to be added to the boards' work programs.
3. The [International Auditing and Assurance Standards Board \(IAASB\)](#) serves the public interest by:
- setting, independently and under its own authority, high quality standards dealing with auditing, review, other assurance, quality control and related services, and
  - facilitating the convergence of national and international standards.

This contributes to enhanced quality and uniformity of practice in these areas throughout the world, and strengthened public confidence in financial reporting.

4. IOSCO aims through its permanent structures:
- to cooperate together to promote high standards of regulation in order to maintain just, efficient and sound markets;
  - to exchange information on their respective experiences in order to promote the development of domestic markets;
  - to unite their efforts to establish standards and an effective surveillance of international securities transactions;
  - to provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offenses.

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