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IOSCO Statement on International Auditing Standards

IOSCO is the global body of securities regulators who work together to protect investors and enhance the integrity and orderly operation of the global capital markets. Such collaborative activities support investor confidence which aids investor decision making.

A key element of information evaluated by investors is an issuer’s financial statements. An independent audit of those financial statements is designed to enhance investor confidence in the reliability of the financial information provided. The standards by which those audits are conducted are in turn a key contributor to audit quality and as such are important to serving the public interest.

International auditing standards—either of themselves or as a touchstone for the determination of national auditing standards—provide a basis for a common auditing language that investors, auditors, audit oversight bodies and securities regulators can use as they carry out their respective roles in the global capital markets.

IOSCO has long encouraged efforts around a set of internationally developed auditing standards through the work of the International Auditing and Assurance Standards Board (IAASB), the private-sector standard setting body that develops International Standards on Auditing (ISAs). The IAASB is organized under the auspices of the International Federation of Accountants and it is subject to the oversight of the international Public Interest Oversight Board.

For the last several years the IAASB has carried out a project to restructure and improve the body of ISAs (known as the “Clarity Project”). IOSCO has encouraged these efforts, as noted in its 9 November 2007 Statement on International Auditing Standards. The IAASB has now announced the completion of this work and the release of the clarified ISAs. IOSCO welcomes achievement of this milestone.
IOSCO endorses the replacement of the previous ISAs with the new standards, noting the improvements that have resulted from clarifying the ISA requirements. IOSCO looks forward to continued progress in terms of the translation, education and other efforts by many to facilitate global audit practices as well as the continuous improvement of ISAs over time.

IOSCO believes that there is an important role to be played by a set of international auditing standards in contributing to global financial reporting and supporting investor confidence and decision making. Current events in the global capital markets underscore the importance of this support. With respect to ISAs, IOSCO notes that today many securities regulators accept audits performed in accordance with ISAs in their capital markets. As a result ISAs are able to play an important role in facilitating cross-border securities offerings and listings in those markets.

IOSCO encourages securities regulators to accept audits performed and reported in accordance with the clarified ISAs for cross-border offerings and listings, recognizing that the decision whether to do so will depend on a number of factors and circumstances in their jurisdiction. Further, IOSCO notes the potential role of the clarified ISAs for purely domestic offerings and listings and thus encourages securities regulators and relevant authorities to consider the clarified ISAs when setting auditing standards for national purposes, recognizing that factors at the national and regional level will be relevant to their considerations.

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