

**Minutes of the 75th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
Held on March 14-18, 2016 in New York, USA**

Voting Members

Present: Arnold Schilder (Chairman)
Charles Landes (Deputy Chair)
Abhijit Bandyopadhyay
Jean Blascos
Fiona Campbell
Robert Dohrer
Karin French
Marek Grabowski
Merran Kelsall
Annette Köhler (March 14–15)
Brendan Murtagh
Marc Pickeur
Ron Salole
Rich Sharko
Sayaka Sumida
Imran Vanker
Ge Zhang
Megan Zietsman

Technical Advisors

Sara Ashton (Ms. French)
Nicolette Bester (Mr. Vanker)
Wolf Böhm (Prof. Köhler) (March 14-17)
Dora Burzenski (Ms. Zietsman)
Chun Wee Chiew (Mr. Murtagh)
Ahava Goldman (Mr. Dohrer)
Alejandro Gonzalez (Mr. Bandyopadhyay)
Hiram Hasty (Mr. Landes)
Josephine Jackson (Mr. Grabowski)
Susan Jones (Mr. Blascos)
Sachiko Kai (Ms. Sumida)
Richard Mifsud (Ms. Kelsall)
Jamie Shannon (Mr. Sharko)
Eric Turner (Mr. Salole)
Inge Vanbeveren (Mr. Pickeur)
Denise Weber (Ms. Campbell)

Apology: Cindy Yang (Mr. Zhang)

Non-Voting Observers

Present: Matthew Waldron (IAASB Consultative Advisory Group (CAG) Chairman), Norio Igarashi (Japanese Financial Services Authority)

Apology: Juan Maria Arteagoitia (European Commission)

Public Interest Oversight Board (PIOB) Observer

Present: Prof. Karel Van Hulle

Present: **IAASB Technical Staff**

Kathleen Healy (Technical Director), Beverley Bahlmann, Brett James, Nancy Kamp-Roelands, Vijyata Kirpalani, Natalie Klonaridis, Jasper van den Hout, Bradley Williams, James Gunn (Managing Director, Professional Standards) (March 16–18)

International Auditing and Assurance Standards Board (IAASB) agenda materials referred to in these minutes can be accessed at <http://www.iaasb.org/meetings/new-york-usa-12>. These minutes are a summary of the decisions made at the March 2016 IAASB meeting, in light of the issues and recommendations in the agenda material put forth by the Task Forces, Working Groups, Drafting Teams and Staff supporting the individual projects. These recommendations are made taking into account feedback from respondents to the IAASB's public consultations, in particular Exposure Drafts (EDs) of the IAASB's proposals, consideration of previous discussions of the Board and its CAG, and feedback from stakeholders through outreach activities.

1. Welcome and Approval of Previous Minutes

Prof. Schilder welcomed the participants, PIOB Observer and IAASB CAG Chairman to the meeting. He updated the Board on the IAASB CAG meeting held in Paris on March 8–9 and the various outreach activities held during the same week and since the December 2015 Board meeting.

Prof. Schilder welcomed the newly appointed board members Messrs. Bandyopadhyay and Vanker to their first IAASB meeting. He also welcomed Mmes. Ashton and Bester to their first Board meeting as Technical Advisors.

Ms. Healy congratulated Mmes. Bahlmann, German and Harrison and Mr. James on their promotions. Ms. Healy introduced Ms. Klonaridis and Mr. Gerard, who had recently joined IAASB Staff and Ms. Schuyler Simms, who would also be joining staff.

The minutes of the December 7–11, 2015 IAASB meeting and January 25, 2016 IAASB teleconference were approved as presented.

In his opening remarks, the PIOB observer welcomed the increase in the outreach activities of the Board, which is important when engaging stakeholders with possible important changes in the audit business model. He also agreed with Arnold Schilder that the meeting with the PIOB in Madrid had been particularly engaging.

2. Professional Skepticism

Prof. Köhler introduced the topic by sharing the key messages from the outreach held to date and describing the proposed way forward with respect to professional skepticism in the short, medium and longer term, drawing the IAASB's attention to the matters set out in **Agenda Item 2-A**. She reminded the Board that the Professional Skepticism Working Group (PSWG) comprises representatives from the IAASB, the International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB).

Prof. Köhler noted that CAG Representatives and Observers, at the joint IAASB and IESBA CAG session, highlighted the need to consider:

- Input received on the drivers and impediments to professional skepticism at the individual, engagement team and firm levels, as well as the root cause analysis of inspection findings by firms.
- Whether a greater emphasis on recruitment, education and training is needed to better enable auditors to appropriately exercise professional skepticism, in particular to challenge management in relation to significant judgments.
- The relationship of professional skepticism to sufficient appropriate audit evidence.
- Incremental change within certain ISAs versus a more holistic change.
- Linkages to existing IAASB projects and the need for practical input to these projects to further

embed the concept of professional skepticism in the standards.

She also noted that CAG Representatives and Observers supported the collaboration across standard-setting boards (SSBs) to enhance the application of professional skepticism.

Board members emphasized the importance of the concept of professional skepticism to the audit, and noted that aspects of the project will need to be advanced quickly to provide input to the projects that are that are currently underway, in particular ISA 540.¹ It was therefore agreed that, for the June 2016 Board meeting, the PSWG should seek to develop considerations about the application of professional skepticism in standards affected by current IAASB standard-setting projects, with a focus on audit evidence and documentation. The Board agreed that the diagram as presented in the Invitation to Comment, *Enhancing Audit Quality, A Focus on Professional Skepticism, Quality Control and Group Audits* (the ITC) will serve as an important basis for this paper.

Board members also provided specific comments and suggestions for further consideration by the PSWG, including:

- Exploring the linkage between professional skepticism and risk assessment, in particular the relationship between identifying and assessing significant risks and developing an appropriate response, including what audit evidence is needed .
- Whether to give prominence to the skillset needed to transform the concept of professional skepticism as a questioning mind into action by the auditor. This includes, among other things, the need for the auditor to sufficiently understand the entity's business model and the underlying accounting issues.
- Exploring how data analytics can support the auditor's risk assessment and provide insight to enable the auditor to focus on particular areas and appropriately exercise professional skepticism in relation to them.
- Exploring what constitutes sufficient appropriate audit evidence, in particular the appropriateness aspect, including when there may be the need to consider contradictory evidence, what next steps are needed if contradictory evidence is found, and how evidence can be weighted. These considerations may also impact ISA 500.²
- Further exploring what is needed to demonstrate appropriate application of professional skepticism, in particular how the ISAs might better address documentation of significant auditor judgments.
- Exploring whether the concept of professional skepticism as a "neutral" mindset is still appropriate, or whether there is a need to shift the auditor's approach to take a more "challenging" mindset, recognizing this would be a significant change from current practice.
- Exploring impediments to the application of professional skepticism, such as familiarity threats, as well as potential trade-offs made in determining whether to obtain more audit evidence, for example, due to time pressure and cost/benefits.
- Considering examples of how the concept of professional skepticism may be applied in particular circumstances, as a means of supplementing requirements within ISA 200³ and other ISAs.

¹ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

² ISA 500 *Audit Evidence*

³ ISA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with the International Standards on Auditing*

- Exploring the role that others can play, including those charged with governance and regulators, in strengthening the application of professional skepticism in audits.

The IAASB agreed that, rather than focusing on developing a brief PSWG awareness note informing stakeholders about the activities of the IAASB and the other SSBs on professional skepticism since the publication of the Staff Q&A in 2012, in the short term, the PSWG should first explore actions that could be taken to influence the appropriate application of professional skepticism in the IAASB's current projects, in particular the ISA 540 project.

The IAASB also acknowledged that feedback to the ITC and further discussion by and with the other SSBs would inform the potential longer-term actions, including whether a more holistic approach to professional skepticism (which might include changes to the current audit model) may be necessary.

In relation to the proposed medium-term deliverable of a paper summarizing the feedback relating to professional skepticism on the ITC, and other outreach, as well as input from existing working groups, the Board noted that a feedback statement would be beneficial, but only after a thorough analysis of all the input.

Longer-term, the IAASB agreed that the PS Working Group should explore whether more fundamental changes may be needed in the ISAs to address the concept of professional skepticism more generally, and that this be done in collaboration with the IESBA and the IAESB. It was also noted that providing timely input to the ISA 540 project and at a later stage the ISA 315 (Revised)⁴ project would help inform further consideration by the Board on the need for any longer-term deliverable.

IAASB CAG CHAIRMAN'S REMARKS

Mr. Waldron agreed with Prof. Köhler's summary of the joint IAASB and IESBA CAG meeting discussion, and added that he was pleased to have the joint session given the mutual interactions. He noted various views from CAG Representatives. For example, one noted that skepticism is used in other disciplines outside of auditing and suggested that this be further explored to understand how this influences public perception of professional skepticism as exercised in audits of financial statements. Others emphasized the relevance of education, and highlighted the suggestions made to not only for auditors to obtain corroborative evidence but also for the IAASB to explore what should be done when contradictory evidence is obtained. The important role of the "tone at the middle" (manager level) was also supported at the CAG, as was the suggestion that professional skepticism in the context of the public sector should be further explored.

Mr. Waldron suggested that professional skepticism be considered more broadly to make it more tangible, noting that he agreed with the remarks on societal expectations made by Prof. Van Hulle, and highlighting relevant aspects of a presentation by the Institute of Chartered Accountants of Scotland on moral courage at the IESBA CAG meeting. He also suggested that the value of an audit from the perspective of investors should be considered when considering what can be done to address professional skepticism.

PIOB OBSERVER REMARKS

Prof. Van Hulle noted the relevance of linking professional skepticism to changing societal expectations, adding that expectations are changing over time and that society expects auditors to be more critical than

⁴ ISA 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

before. He suggested that any change to the definition of professional skepticism or further work should have sufficient flexibility to meet the changing societal expectations.

WAY FORWARD

The PSWG will further explore considerations about the application of professional skepticism in standards affected by current IAASB standard-setting projects, with a focus on evidence and documentation, for the June 2016 Board meeting. The PSWG will also analyze the responses to the ITC relating to professional skepticism, and present on high-level themes at the June 2016 meeting. A more robust discussion on the feedback is planned for the IAASB and IAASB CAG September 2016 meetings.

3. ISA 315 (Revised)

Ms. Campbell provided an overview of the Staff paper included as **Agenda Item 3–A**, drawing the Board’s attention to the background to the project, the post-implementation review findings related to ISA 315 (Revised) and anticipated interactions with other current IAASB projects. Ms. Campbell summarized the discussions at the March 2016 IAASB CAG meeting, highlighting that Representatives and Observers in particular noted that:

- Revisions to the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) 2004 *Enterprise Risk Management – Integrated Framework* (ERM Framework) should also be considered.
- Further guidance was needed on the identification of significant risks at the component level in a group audit and the impact on the group audit when considering revisions to both ISA 315 (Revised) and ISA 600.⁵
- Consideration be given to how input could be obtained from small and medium practices(SMPs) in relation to the challenges in applying ISA 315 (Revised), as any revisions to this standard would significantly impact this stakeholder group.

Ms. Campbell highlighted feedback on **Agenda Item 3–A** received from the International Federation of Accountants (IFAC) SMP Committee, which noted specific challenges for SMPs in relation to risk assessment, in particular when auditing small- and medium-sized entities (SMEs), including:

- The requirement in ISA 315 (Revised) for auditors to understand and document the design and implementation of internal control where a wholly substantive approach is taken.
- The length and complexity of ISA 315 (Revised), including the resulting challenges in applying the standard to less complex audits or those that are have a less sophisticated information system / information technology (IT) environment.
- The need to update ISA 315 (Revised) for developments in IT noting that, in smaller and less complex audits, the auditor’s understanding of simpler categorizations of controls (such as the control environment and control procedures) may be appropriate.

The Board agreed with the matters noted in **Agenda Item 3–A**, the input provided by IAASB CAG Representatives and Observers and the IFAC SMP Committee. Board members also encouraged that further consideration be given to:

- In relation to internal control:

⁵ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

- Inconsistencies in the application of ISA 315 (Revised) in identifying controls that are relevant to the audit, especially in the context of the audits of SMEs where a wholly substantive approach is taken. It was noted that, while the auditor may adopt a wholly substantive approach, this does not mean that no understanding of controls is required. Consideration should be given to whether the standard should include requirements reflecting certain minimum internal control elements that need to be taken into account in every audit, or at least additional guidance as to when some relevant controls should be assessed, especially in light of the increasing use of technology by entities.
- Clarification of the work needed on IT general controls.
- Whether the standard should include more on the monitoring of controls.
- In relation to understanding the information system relevant to the audit, it was also suggested that this project should explore the required understanding needed by the auditor in relation to the various sources of information used by the entity to prepare the financial statements, as well as how this information is processed. In particular, the IAASB noted a focus on information that is generated from outside the general ledger system (in light of the related discussions in the recently completed Disclosures project), the interaction with the current project to revise ISA 540, and the impact of data analytics would be appropriate.
- The impact of the corporate governance structure on the flow of information used to prepare the information in the financial statements, and the related control structure.
- In relation to the identification of risks of material misstatement:
 - Whether this is done through obtaining an understanding of the entity, or if obtaining an understanding of the entity is a separate exercise distinct from identifying significant risks of material misstatement, as the standard is not clear.
 - Whether internal control impacts the assessment of the risks of material misstatement, as there are different interpretations as to whether they do or do not, in particular because certain paragraphs in the standard appear to be contradictory.
 - What the impact on the further procedures is in the spectrum of risks, as the standard only identifies significant risks but there may be other risks that are at the higher end of the spectrum, are not significant but require an increased response from the auditor.
 - Whether it is the whole account balance, class of transactions or disclosure that is considered a significant risk or only aspects thereof, as the audit response may be different.
 - Whether the number of significant risks should increase proportionately with the size and complexity of an entity.
- In relation to inherent risk, it was noted that ISA 315 (Revised) contains much application material related to the assessment of internal control, but minimal guidance on the assessment of inherent risk. One board member also noted that further guidance to assist auditors in assessing inherent risk, in particular in relation to what cannot be controlled by the entity (such as the entity's complexity, uncertainty and ambiguity in relation to the reporting framework) would be helpful.
- The interaction between the assessment of inherent risk and internal control. It was noted that there is diversity in practice whether to include internal control when assessing inherent risk as it is hard to bifurcate them, which was likely the result of a lack of clarity and inherent contradictions in certain of the requirements in ISA 315 (Revised). One board member suggested that ISA 315

(Revised) was initially intentionally drafted to not have a distinction between inherent risks and control risks, and such ambiguity was built in the standard so that different approaches could be taken (for example, the auditor could separately assess inherent risk then control risk, or consider inherent and control risk together). It was suggested that further consideration be given to whether this flexibility is no longer needed, or whether a more prescriptive approach might be required. In addition, it was suggested that a framework for assessing inherent risk within the standard may assist practitioners with some of the challenges encountered in this area, and may also help with the scalability of the standard.

- The need to reflect updates that have been made to the COSO *Internal Control – Integrated Framework* (2013), as well as to the ERM Framework, in ISA 315 (Revised). One board member noted that the requirements to consider the implications of the effect of IT in the auditor's risk assessment process should be an integral part of the standard as opposed to the existing approach of an "add-on" consideration.
- The impact of professional skepticism on the auditor's risk assessment process. It was suggested that language in certain of the requirements within the US Public Company Accounting Oversight Board's (PCAOB) AS 12, *Identifying and Assessing Risks of Material Misstatement*, may encourage a more critical thinking mindset that could be incorporated into a revision of the IAASB's standard.
- Cyber risks, so that the standard reflects the evolving environment more appropriately. However, one board member cautioned that the IAASB's focus should be on how cyber risk impacts the financial reporting process only, as the topic is very broad.
- Whether the required understanding of the entity's industry should be strengthened, together with the expected impact on the risk assessment process.
- Whether the impact of long association (i.e., senior personnel association with the audit client over a long period of time) on the auditor's risk assessment process should be recognized in ISA 315 (Revised).
- Distinguishing between those issues that may indicate problems with the underlying standards compared to those that are related to implementation, to enable the IAASB to determine whether additional requirements, new application material or some other action is needed to address the issue.

It was also also noted that, in making revisions to ISA 315 (Revised), the IAASB may also need to consider the potential implications to ISA 330⁶ and ISA 240,⁷ and possibly ISA 500.⁸

Board members provided suggestions for other resources for information gathering on this topic other than those noted in **Agenda Item 3-A**. Specific mention was also made of the Institute of Chartered Accountants England and Wales (ICAEW) publication referenced in **Agenda Item 3-A**, particularly the section providing practical suggestions to address some of the challenges with ISA 315 (Revised) experienced by SMPs. While there was agreement that significant consideration should be given to the scalability of ISA 315 (Revised), the IAASB agreed that doing so should not result in the removal of requirements from the standard that would result in something less than an audit being performed.

⁶ ISA 330, *The Auditor's Responses to Assessed Risks*

⁷ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

⁸ ISA 500, *Audit Evidence*

IAASB CAG CHAIRMAN'S REMARKS

Mr. Waldron agreed with Ms. Campbell's summary of the comments received from CAG Representatives and Observers, adding that one additional suggestion noted was for further consideration about the work effort on risks that are not significant risks, in particular to distinguish the work effort on significant risks from the work effort on those areas where significant risks had not been identified.

WAY FORWARD

The Board agreed that certain aspects of the ISA 315 (Revised) project would need to be prioritized due to the interactions with the ISA 540 project, in particular the inconsistency in the nature and number of significant risks identified, identification of controls relevant to the audit, and risks and controls arising from information technology.

4. ISA 540

Mr. Sharko and Mr. Pickeur introduced the topic by highlighting the feedback received from the IAASB CAG Representatives and Observers and the Task Force's activities since the December 2015 IAASB meeting. These activities include, among others, the release of the Project Publication,⁹ discussions of relevant issues, and the continued outreach efforts with a specific focus on audits of non-financial institutions.

In general, the Board noted support for:

- In addition to the degree of estimation uncertainty, including a specific focus on complexity throughout ISA 540, as the Board was of the view that both factors are important to consider in determining the risk of material misstatement when auditing accounting estimates.
- Emphasizing and clarifying the scalability of ISA 540 when dealing with simpler accounting estimates while keeping the requirements and guidance on auditing accounting estimates in one standard. The Board was generally supportive of the suggestions proposed by the Task Force regarding how the scalability of ISA 540 can be emphasized.
- Further work on third-party data sources, including emphasizing the distinction between third-party data sources and a management's expert and explaining the auditor's expected work effort on data used by a third-party source. It was noted that the Task Force would perform further work on this topic with respect to auditing accounting estimates, but did not intend to embark on a revision of ISA 620.¹⁰
- Strengthening the application material with respect to obtaining an understanding of models, by describing in more detail the matters that an auditor may address when establishing or validating a model, including the governance structure and controls around model development.
- Strengthening the application material with respect to the auditor's responsibilities when management's point estimates falls within the range the auditor considers to be reasonable but the auditor's range is larger than performance materiality.
- The Task Force continuing to focus on the implications for disclosures of accounting estimates, especially for accounting estimates with a high estimation uncertainty.

⁹ <http://www.ifac.org/system/files/publications/files/IAASB-ISA-540-Project-Publication.pdf>

¹⁰ ISA 620, *Using the Work of an Auditor's Expert*

The Board asked the Task Force to consider:

- Various suggestions regarding the approach to enhance professional skepticism throughout the standard, including how the auditor should consider contradictory audit evidence, emphasize professional skepticism through the wording used in ISA 540, and clarifying what “reasonable” means in paragraph 13(d)(ii) of ISA 540.
- Whether clarification of the terms “governance” and “key data and assumptions” are needed, as these terms are not currently used in the ISAs.
- How the concept of retrospective review can be applied for accounting estimates that have high estimation uncertainty and a lengthy duration.
- Finding another way of emphasizing the spectrum of risk and appropriate responses as, generally, the Board was not supportive of including a rebuttable presumption that all accounting estimates with a high estimation uncertainty are significant risks. It was noted that the Task Force needs to consider how best to respond to regulatory concerns that expected credit loss models are always a significant risk and to focus on the work effort on accounting estimates that do not give rise to a significant risk but have a higher risk of material misstatement.
- Various drafting suggestions for paragraphs 8, 8A, 10 and 13 that were presented to the Board in the **Agenda Item 4-A**. In broad terms, there was support for paragraph 10 and the Board noted, with respect to paragraph 13, that the requirement should be more granular, be more like a menu of options that the auditor needs to consider, and include new procedures that are more aligned with today’s audit environment. However, the Task Force was encouraged to find a way to express the relationship between the risks and related work effort using terms and concepts already present in the ISAs. The Board also questioned the practicality of some of the new procedures that the Task Force proposed in paragraph 13 and therefore asked the Task Force to re-consider the options proposed.
- The need to emphasize that the auditor cannot reduce estimation uncertainty. It was also noted that the Task Force should consider how the auditor can further address estimation uncertainty in the audit.
- With respect to disclosures, whether there is merit in developing material for cases when the financial reporting framework does not require disclosures about estimation uncertainty for an accounting estimate with a high estimation uncertainty.

DISCUSSION WITH OTHER WORKING GROUPS

During the Board meeting, the ISA 540 Task Force had a joint meeting with the Professional Skepticism Working Group, ISA 315 (Revised) Working Group and the Data Analytics Working Group (DAWG) to discuss common issues, how these working groups can assist the ISA 540 Task Force, and how to liaise going forward.

The discussions highlighted that the PSWG may need to accelerate its discussions on how best to enhance professional skepticism within ISA 540 in order to provide the ISA 540 Task Force with needed input. In that respect, it was also noted that the IAASB representatives on the working group may need to progress their thinking separately from the broader Professional Skepticism Working Group, as the discussion on ISA 540 may not be as relevant to members representing the other SSBs. Specific areas for consideration for the PSWG included how to build the impact of professional skepticism on risk assessment into ISA 540, the role of professional skepticism in considering contradictory audit evidence

and weighing audit evidence, and what knowledge of the business model is needed to be able to demonstrate professional skepticism in challenging management. In addition, the PSWG was asked to consider with which mindset practitioners should apply the International Standards: a neutral, open or challenging mindset.

With regard to ISA 315 (Revised), it was recognized that the ISA 540 Task Force will have to progress based on extant ISA 315 (Revised) and that the ISA 540 Task Force should consider how the link between ISA 315 (Revised) and ISA 540 can be strengthened to avoid repetition and to better align language. The ISA 540 Task Force and the ISA 315 (Revised) Working Group identified key areas for interaction that include (i) whether the current significant risk model will continue to exist, (ii) what areas of understanding the entity and risk assessment procedures could be enhanced in ISA 540, and (iii) which standard should address the requests for more guidance over controls (including general IT controls), governance over models, data and estimation processes.

The DAWG and ISA 540 Task Force noted less interactions are needed between these groups due to the early phase of the DAWG's discussions. The DAWG will provide the ISA 540 Task Force with areas in which material could be included in ISA 540 with respect to data analytics. It was also recognized that nothing in the current ISAs prohibits the use of data analytic techniques.

IAASB CAG CHAIRMAN'S REMARKS

Mr. Waldron highlighted the CAG's support for emphasizing and clarifying the scalability of ISA 540 when dealing with simpler accounting estimates, while keeping the requirements and guidance on auditing accounting estimates in one standard. He further noted the CAG's support to strengthen the use of professional skepticism in ISA 540 and explained the different views on how best to do this. Finally, he noted that the CAG was of the view that it was necessary in revising ISA 540 to keep the standard principles-based so that it would continue to apply as the environment evolves.

PIOB OBSERVER REMARKS

Mr. Van Hulle noted that the word governance is often used in financial institutions in relation to models, and highlighted the importance of using wording that is also widely understood to financial regulators so they can better relate to the International Standards. He referred, in terms of public interest issues, to the risk of audit firms favoring the models which their consultant partners might have advised to be used and the particular issue of audit firms being asked by supervisors to validate internal models..

WAY FORWARD

The Task Force will present relevant issues to the IAASB at its June 2016 meeting. The Task Force will also continue its outreach with, among others, the IAASB CAG, the SMP Committee and other stakeholders in various industries, and will also continue its liaison with the Chairs of the Professional Skepticism Working Group, ISA 315 (Revised) Working Group and DAWG.

5. Integrated Reporting

Ms. Kelsall introduced the topic and explained the public interest issues on which the Integrated Reporting Working Group (IRWG) is focused. She reported back on the key messages conveyed at the break-out session on integrated reporting and agreed-upon procedures at the IAASB CAG meeting, including that there was support for

- The IRWG moving ahead with further discussions in the broader context of credibility and trust and the framework-neutral approach;

- Exploring innovation in emerging forms of external reporting (EER) and assurance; and
- Discussing the professional services on a demand-led basis.

In relation to the planned discussion paper and next steps, the CAG Representatives and Observers variously suggested that the IRWG and IAASB should:

- Consider the competencies that are needed for assurance engagements in EER more explicitly, including the ability to operate in multidisciplinary teams;
- Consider the maturity of reporting systems and whether it would be useful to develop a view as to what a sufficient mature reporting system may look like from the perspective of the practitioner; and
- Include the SMP perspective more explicitly and consider direct engagements as used in the public sector. Ms. Kelsall also noted that some CAG Representatives and Observers expressed caution about considering engagements outside the current scope of the International Standards, and that there were mixed views on the timeframe in which to take action.

Ms. Kelsall explained the activities in preparing the draft discussion paper in **Agenda Item 5-A** and the key outcomes of the high-level gap analysis. The Board was supportive of the draft discussion paper and framing the issues in the broader context of credibility and trust, as well as taking a framework-neutral approach. In addition to various editorial comments received in advance, the Board raised the following comments on the draft discussion paper:

- It should not be pitched at a too high a level, but should emphasize the most important issues more clearly and link them to concise questions.
- A separate appendix should be developed to provide more background on current developments in reporting frameworks, existing surveys, and the different organizations and the role they play. In this regard, it would also be helpful to highlight the genesis of the IAASB's work in this area, and how it has been informed by consultations by other organizations and outreach to a number of active participants in the debate.
- The discussion paper should further clarify the concepts of reliability of information, credibility and trust, and take into account recent academic research that is both supportive as well as critical to the concept of credibility and trust. This section of the paper should also cover the existing trust in the audit of financial statements and how to ensure that this is not undermined by assurance on EER, given the different competencies needed.
- The discussion paper should also provide more background on the "lines of defense model," since this is interpreted in different ways. It was noted that this should not only take into account the Institute of Internal Auditors model, but also consider other models such as the five lines of assurance as included in the recently launched Draft *King IV Report on Corporate Governance* for South Africa.
- There was concern expressed that the draft discussion paper gave too much prominence to the potential impact of ISA 720 (Revised)¹¹ on EER reports.
- Although there was support for being open to how practice might emerge, , the IAASB did not believe that some of the engagements suggested in paragraph 59 of the draft discussion paper would appropriately be characterized as professional services.

¹¹ ISA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information*

- The IRWG should consider using a different term for “external assurance” where it is used in a sense broader than what is intended by the IAASB’s International Standards.
- The discussion paper should be more explicit about when ISAE 3000 (Revised)¹² is difficult to apply and what additional guidance might be needed, including a link to the earlier published International Integrated Reporting Council (IIRC) paper. It was suggested that the IRWG should better explain the impact of the maturity of governance over the reporting process and how the assurance challenges identified could potentially be addressed, for example, by proactively considering a methodology for assessing the suitability of criteria, given that existing EER frameworks include various judgmental areas for which reporting entities develop their own reporting policies.
- Section IV of the discussion paper could be more specific in terms of existing standards that may be relevant, for example, ISAE 3000 (Revised), ISAE 3410¹³ and ISAE 3402¹⁴. To stimulate responses, the discussion paper could also set out the IAASB’s preliminary thinking about whether certain issues under consideration would be adequately addressed by these standards, and whether an International Practice Note might be sufficient to provide further guidance on assurance engagements.

IAASB CAG CHAIRMAN’S REMARKS

Mr. Waldron agreed with Ms. Kelsall’s summary of the IAASB CAG break-out session. He also provided additional context of the investor perspective by referencing a survey performed by the CFA Institute on how environmental, social and governance information is used by investors. He confirmed the increased interest from investors in this type of information.

With regard to timing of future actions, Mr. Waldron suggested that the IRWG explore a step-by-step approach that could enable the IAASB to be ready when the demand for assurance becomes really mainstream.

PIOB OBSERVER REMARKS

Prof. Van Hulle complimented the IRWG on the quality of the paper. He noted the relevance of auditors developing more forward-looking thinking to anticipate the changing expectations from society. He noted that new forms of reporting often arise from demand in a political environment in which accountability to reflect the societal changes plays an important role. He highlighted that society already expects auditors to pick up the broader demand for information and that it is in the public interest and therefore it is in the profession’s interest to pay attention to this demand. He also referred to recent discussions on tax as an example of how the audit profession came into the spotlight.

Prof. Van Hulle cautioned against using the three lines of defense model in the paper, as this concept is unclear. There are actually more than three lines of defense. Traditionally, people refer to the following three lines of defense: operational, risk management and internal audit. However, in the financial services area, people sometimes use different concepts and one could argue that the external audit can also be seen as a line of defense.

WAY FORWARD

¹² ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

¹³ ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*

¹⁴ ISAE 3402 *Assurance Reports on Controls at a Service Organization*

The IRWG will present a revised discussion paper for the June 2016 Board meeting, with the intention of it being finalized and issued in the third quarter.

6. Data Analytics

Mr. Dohrer gave an update on the DAWG activities since the September 2015 IAASB meeting, the outcome of its information-gathering activities to date and the proposed way forward. Mr. Dohrer explained that the DAWG's information-gathering will continue, and highlighted the stakeholders with whom the DAWG has not yet engaged, noting that arrangements to speak with these stakeholders are in the process of being finalized. Mr. Dohrer outlined the proposed way forward, which includes the development of a working group paper to be discussed with the IAASB at its June 2016 meeting.

Mr. Dohrer summarized the discussions at the March 2016 IAASB CAG meeting, noting that Representatives and Observers:

- Advised the IAASB to remain focused on evaluating whether, and clearly articulating how, innovations in technology enhance audit quality;
- Questioned the impact testing whole populations would have on the existing audit model, which results in the auditor obtaining reasonable assurance. For example, some questioned whether a decrease in other procedures would be expected, or alternatively that there could be an increase in the level of assurance obtained by the auditor;
- Challenged the IAASB, while assessing the impact of current technological developments on the audit, to also consider the forward-looking developments as well (such as in the area of continuous auditing); and
- Emphasized the importance of moving forward cautiously in this area in relation to changing the auditing standards, so as to not inadvertently create barriers for some practitioners that are not able to invest in resources needed to support the experimentation with or use of data analytics.

The Board was supportive of the collaborative approach outlined in the agenda materials and encouraged innovation in this area, noting that data analytics can improve the effectiveness and quality of audits. However, the IAASB agreed that, before considering changes to the ISAs, there is a need to focus on some key questions – such as whether data analytics is able to achieve the same objectives of techniques and procedures that are currently addressed in the ISAs, or are they different, and if they are different, what are the implications of those differences?

The Board provided the following additional comments:

- The DAWG was encouraged to consider whether use of the term “data analytics” implies too narrow a focus and whether a term that would be more closely linked to the power of IT and its link to audit quality should be considered.
- While recognizing the challenge for all practitioners to have sufficient resources to develop auditing techniques that would make increased use of technology, it is not clear what the IAASB could do to minimize this. The Board commented that this is an area where national audit standard setters (NSS) and national institutes can be helpful to those practitioners that do not have the access to the resources to be able to adequately invest in developing their own tools, techniques and resources.
- One Board member noted that the current auditing standards were developed on the premise that the auditor is not able to audit all of the transactions and therefore the stages of the audit were developed (risk assessment, test of controls, substantive procedures) as part of the design of a risk-based audit. However, in an environment where it may be possible to test 100% of the

transactions, the IAASB may need to reconsider whether the staged approach to the audit still make sense.

- The DAWG was encouraged to consider reaching out to other industries to understand their experiences in managing data, as discussing these matters with those outside of the profession that are further along their technological journey may be able to provide insightful input for the DAWG.
- Some Board members noted the role that those charged with governance play in standing between management and the auditor. Specifically, these members stressed the importance of TCWG understanding the use of data analytics, both broadly and in the context of the entity being audited, as well as the limitations of data analytics to minimize the risk of creating an expectation that these techniques can deliver more than they are currently able to in an audit.

Agenda Item 6-A included examples that explored challenges faced by practitioners with data analytics in the audit, with Board members providing input and thoughts where there was agreement and disagreement with the points raised. A number of Board members noted the capacity for these types of techniques and testing approaches to cross the traditional stages of the current audit model and an increase in the element of dual purpose testing can create a number of significant challenges for practitioners.

The Board was supportive of the DAWG's planned publication for issuance in the short-term, noting that it would be helpful basis on which to conduct further outreach to inform decisions about the way forward. The Board noted that the paper should have a focus of more than just raising awareness, suggesting that the publication:

- Identify some of the challenges encountered by practitioners to date and how some of these challenges / questions can be addressed under the current standards;
- Explicitly address the fact that the ISAs do not prohibit the use of data analytics; and
- Provide an indication of the IAASB's proposed way forward on this topic.

IAASB CAG CHAIRMAN'S REMARKS

Mr. Waldron agreed with Mr. Dohrer's summary of the comments received from IAASB CAG Representatives and Observers, noting that the IAASB CAG was particularly engaged in the discussion of this topic. Mr. Waldron further added that the link between data analytics and audit quality is an important focus area for investors.

WAY FORWARD

The DAWG will continue with its proposed activities as outlined in **Agenda Item 6-A**, taking into account the input provided by the Board, to inform the Board when standard-setting activities may be necessary and what approach this could take.

7. Non-Compliance with Laws and Regulations (NOCLAR)

The Board received an update from Mr. Fleck, Deputy Chair of the International Ethics Standards Board for Accountants (IESBA) and Chair of the IESBA's project addressing NOCLAR, on the IESBA's recent discussions. Mr. Fleck emphasized that the IESBA had noted the importance of striking a balance between the broad spectrum of views from respondents and the importance of enhanced activities regarding NOCLAR to the reputation of the profession. Mr. Fleck indicated that the IESBA would closely

monitor and revisit its NOCLAR changes in the future if it created an unintended result, or to respond to any changes made by the IAASB as a result of its projects, for example, the Group Audits project. Mr. Fleck informed the Board that the IESBA had closed off the NOCLAR draft and that IESBA would be asked to approve it at a teleconference on April 25, 2016, subject to the consideration of fatal flaw comments from the IAASB in the context of discussions on the feedback to the IAASB Exposure Draft (ED) and the way forward.

COMMENTS FROM THE IAASB ON THE IESBA NOCLAR PROPOSALS

Mr. Fleck outlined the significant changes to IESBA's NOCLAR proposals since the IAASB's December 2015 meeting, noting that these included new proposals regarding the communication of NOCLAR within a group audit, as well as new proposals addressing circumstances when there is a risk of an imminent breach of law and regulation.

The Board commented as follows:

- The requirement that the communication within the group should be “on a timely basis” raised concerns, since none of the other procedures in the *Code of Ethics for Professional Accountants* (IESBA Code) contain a similar reference and it was unclear what “on a timely basis” means. Mr. Fleck indicated that everything in the IESBA Code should be done on a timely basis and that the IESBA could consider a more generic clause dealing with this topic.
- Proposed paragraphs 225.20 and 225.21 in the IESBA Code (**Agenda Item 7-C**) seem to be misplaced as they do not accurately reflect the process that the professional accountant would follow before communicating the NOCLAR within the group. There was also a view that the requirements in these paragraphs would be difficult to apply in practice, particularly in large groups, as it may not be clear to those performing statutory audits of a component who the group auditor is if they are not performing work for the group engagement team. Mr. Fleck noted that the IESBA believes that the positioning of these paragraphs is appropriate, as reporting within the group should not be a last step in the process. He explained that actions by auditors at a component level to respond to the NOCLAR could be detrimental to how the matter is being handled overall at a group level, for example by tipping off management. Mr. Fleck emphasized that the expectation would be for auditors to consider what has been discovered and whether it could be more serious than it appears, and then report within the group. He noted that this would require taking the necessary steps to locate the other auditor to whom communication is necessary.
- Questions were raised regarding the wording that indicates that the purpose of the communication between the group auditor and other auditors is to determine “how” the NOCLAR should be addressed in terms of the IESBA Code, which does not provide sufficient flexibility for circumstances where there is no further action required by the auditor within the group to whom the NOCLAR has been reported. Mr. Fleck was of the view that the statement regarding “how” the NOCLAR should be addressed does provide such flexibility.
- It was questioned, whether circumstances where a predecessor auditor is unwilling to communicate NOCLAR to a successor auditor (as indicated in paragraph 225.30 (**Agenda Item 7-C**)) would be considered a violation of the IESBA Code. One IAASB member interpreted this paragraph as requiring the predecessor auditor to locate the successor auditor, which creates an obligation that may be overly burdensome and impracticable in some circumstances, such as when a successor auditor is not appointed immediately. Mr. Fleck confirmed the view that a predecessor auditor who follows the IESBA Code has an obligation to disclose NOCLAR to a successor auditor, although he

noted that the wording could be improved and that the practical difficulties of the implementation of this section could be dealt with in implementation guidance.

- There was also some concerns with the requirement in paragraph 225.35 (**Agenda Item 7-C**) to report intended breaches of laws and regulations, because it would require the professional account to perform an action prior to going through the full process otherwise required by IESBA's NOCLAR proposals. Mr. Fleck highlighted that these provisions address NOCLAR that could cause substantial harm to the public, and he did not believe that this was too onerous in light of the potential for substantial harm to the public.
- The applicability of the IESBA Code to professional accountants who encounter NOCLAR in the circumstances where the group is subject to a review engagement was questioned. Mr. Fleck highlighted the difficulty of drafting provisions addressing a wide variety of circumstances, such as review engagements of groups, and noted that this was addressed in the section of the NOCLAR proposals dealing with non-audit engagements.
- On behalf of Prof. Köhler, Mr. Böhm commented on the nature, extent and timing of co-operation between the IAASB and IESBA and that if earlier and more in-depth co-operation had occurred, in particular on four specific issues relating to the IESBA proposals (public interest considerations in the standards, the disparate treatment between NOCLAR in relation to audits and non-audit engagements, the nature and extent of work effort requirements in the IESBA Code, and the relationship between the IESBA Code and the IAASB's International Standards), some of the solutions that IESBA would have found would likely have been different. . Mr. Fleck indicated that the IESBA NOCLAR proposals are addressing a reputational issue associated with performing audits, which is unaffected by the nature or size of the entity. Prof. Schilder highlighted that these matters had been raised in the IDW's comment letter to the IAASB, and that IAASB and IESBA leadership recently met with IDW leadership to discuss these views. He explained that, although there could be improvements in the process in the future, in his view the IAASB and IESBA had coordinated early and continuously throughout the process.

PROPOSED LIMITED AMENDMENTS TO ISA 250¹⁵ AND RELATED CONFORMING AMENDMENTS

The Board considered the significant issues raised by respondents to the IAASB's NOCLAR ED and the Task Force's recommendations thereon, as well as a revised draft of proposed ISA 250 and the related conforming amendments, as set out in **Agenda Items 7-A and 7-B**. Mr. Murtagh indicated that comments from the International Organization of Securities Commissions (IOSCO) and KPMG were inadvertently not included in **Agenda Item 7-A** but would be considered by the Task Force prior to the IAASB's June 2016 meeting and highlighted some of the key comments.

The Board agreed that, to the extent possible, the terminology in the ISAs and the IESBA Code should be aligned, unless deviating is necessary for the purposes of the ISAs. In addition to editorial and other minor comments, the Board commented as follows:

- A few members believed that the new construct of paragraph 28 of ISA 250 was confusing. It was noted that the CAG had similar concerns. Mr. Murtagh indicated that the Task Force would reflect on paragraph 28, and the related application material in paragraphs A19–A19b, including the reference to “misstatements”, since not all NOCLAR would result in a misstatement.

¹⁵ ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

- A concern was expressed about the potential implications of aligning the definition of non-compliance with the IESBA NOCLAR proposals, noting that this could broaden the scope of ISA 250. Accordingly, it was agreed that the Task Force would investigate the history of the definition and consider the impact, if any, of the changes to the definition in ISA 250.
- One member questioned whether the ISAs should take the approach in the IESBA Code and not require the auditor to look for NOCLAR. Mr. Murtagh noted that paragraph 14 of extant ISA 250 requires the auditor to identify NOCLAR, because of the need to obtain sufficient appropriate audit evidence regarding compliance with those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements. He also noted that the Task Force would consider whether clarification of the wording in ISA 250 is needed.
- There was concern that the material referring to the communication of key audit matters could be misinterpreted, and that the benefits of discussing NOCLAR in the auditor's report could be outweighed by negative consequences, particularly when the NOCLAR had been appropriately dealt with. Accordingly, it was suggested that a more generic discussion of the impact on the auditor's report may be more appropriate.
- One member suggested that the application material in paragraph A15, regarding the appropriate level of management and, when appropriate, those charged with governance, be included in other standards and requested the Task Force to revisit the references to "management" and "those charged with governance" to ensure these are used consistently throughout ISA 250 and the conforming amendments.

OTHER MATTERS

A member also raised a concern about the interpretation of paragraph 14 and A14 of ISA 20016 as discussed in **Agenda Item 7-B**, noting that there are many jurisdictions in Europe where the IESBA Code is not used and that a stricter interpretation of paragraph 14 and A14 of ISA 200 could have consequences for the adoption of the ISAs in the European Union. Prof. Schilder supported placing the topic on the agenda of the Steering Committee.

While a few members indicated their support for a more fulsome review of ISA 250, the IAASB agreed that such a review is not within the scope of this project, but should be considered as part of the next IAASB Work Plan.

Mr. Gunn highlighted the proposed effective date of the IESBA Code, likely to be July 1, 2017 and asked the Board to consider what effective date would be appropriate for the NOCLAR provisions in the IAASB's International Standards. Prof. Schilder suggested that the Task Force consider the proposed effective date before the June 2016 meeting.

CAG CHAIRMAN'S REMARKS

Mr. Waldron noted that the joint IAASB and IESBA session on NOCLAR at the March 2016 CAG meeting was useful, as there was good engagement, a clear interest and helpful feedback on the proposals. He indicated that there was overall support for the IAASB's proposed changes to ISA 250 and the conforming amendments.

¹⁶ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

PIOB OBSERVER REMARKS

Mr. Van Hulle indicated that he noticed a number of divergences in wording between the IESBA Code and the IAASB's International Standards and supported the use of consistent terminology when there is agreement in substance. He also noted that the revisions to paragraph 28 make the paragraph completely confusing, and also suggested the reference to financial institutions in the application material be re-considered, as communications with supervisors are often required.

WAY FORWARD

The Task Force will present a limited selection of issues to the IAASB's teleconference in April 2016, and will seek the Board's approval of the conforming amendments to the International Standards in June 2016.

8. Agreed Upon Procedures

Mr. Salole introduced the topic and provided the IAASB with an update on the Agreed-Upon Procedures Working Group's (AUPWG) efforts to date, including a summary of the comments received by the IAASB CAG, messages from the outreach activities to date, issues identified and the proposed way forward.

Mr. Salole explained that the AUPWG performed significant outreach activities to more fully understand how AUP engagements are being conducted in practice, and where practitioners are departing from ISRS 4400¹⁷ and why. He noted that this outreach indicated that there is no consensus over what constitutes a "hybrid" engagement and that many engagements are actually multi-scope engagements (i.e., engagements which consist of clearly distinguished AUP and other engagements).

Board members variously noted the following:

- The Board acknowledged that there is a market need for the AUP engagements but that education and raising awareness is necessary, as there is confusion in the marketplace about the value an AUP engagement. The Board suggested the AUPWG to consider how this confusion might be addressed in the planned discussion paper. For example, highlighting the need for use of non-ambiguous terminology in a report of factual findings and stating more clearly in the report of factual finding that no assurance is provided might be helpful steps to clarify the nature and purpose of an AUP engagement for users.
- The Board supported the AUPWG's preliminary view that the scope of ISRS 4400 should be expanded to non-financial information.
- The Board questioned whether an AUP engagement can be performed in practice without the use of judgment. The Board discussed that the auditor could apply some degree of judgment, for example by advising on the design of the specific procedures to be performed as this could add value to the users of the report. However, the Board was generally of the view that no judgment should be applied and that no assurance terminology should be used in the report of factual findings to prevent any confusion by users as to the nature of an AUP engagement.
- There were mixed views whether the restriction on the use of a report of factual findings should be lifted, noting different national approaches had evolved since the development of ISRS 4400. The AUPWG was asked to further explore this issue and allow for flexibility given jurisdiction-specific laws and regulations that may exist.

¹⁷ International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

- In addition to the issues identified, the Board asked the AUPWG to reconsider whether the practitioner who performs the AUP engagement should be independent as this issue was not addressed in the Issues Paper.
- The Board was generally supportive of the way forward but noted that, given the need to provide stakeholders sufficient time to discuss and respond to the Discussion Paper and consider the Board's resources and priorities on an overall basis, it is more likely that the project proposal will not be tabled for consideration until at least the first half of 2017.
- Multi-scope engagements should not be included in the scope of a project to revise ISRS 4400, as some multi-scope engagements might not include an AUP engagement. The Board asked the AUPWG to consider how multi-scope engagements could best be addressed; whether through a new separate (overarching) standard or a non-authoritative publication. The Board also asked the AUPWG to liaise with the IRWG given possible similarities between the projects, given the use of non-financial information in IR.

IAASB CAG CHAIRMAN'S REMARKS

Mr. Waldron agreed with Mr. Salole's summary of the comments received from IAASB CAG Representatives and Observers, noting that the use of break-out sessions at the CAG is particularly helpful for projects at early stages as it provides the opportunity to have conversations about topics that aren't restricted to an individual question.

WAY FORWARD

The AUPWG will present a draft of the discussion paper for the Board's consideration at its June 2016 meeting.

9. Forward Work Plan

Ms. Healy introduced the topic, highlighting that the IAASB already had a very full agenda, but recognizing that changes in the environment may lead to the need for the IAASB to consider whether changes may be to the rolling work plan. She explained that the purpose of the consultation would be to solicit views from stakeholders on whether the IAASB's priorities continue to be appropriate or whether changes were needed in light of the environment.

Ms. Healy explained that the Steering Committee, which serves as the task force for the strategy and work plan consultation, is of the view that no new projects could commence in the 2017–2018 period based on the Board's current agenda. Notwithstanding the full agenda, Ms. Healy highlighted that the Steering Committee had also considered that the following may be particularly relevant during 2017–2018:

- Further consideration about what can be done to assist with small and medium practices (SMP) issues, particularly in light of developments in this area globally; and
- More focused monitoring and coordination with the International Ethical Standards Board for Accountants (IESBA).

Ms. Healy noted that the CAG Representatives and Observers were supportive of continuing with the current priorities, as much work had gone into determining the current work plan. The CAG highlighted that the current priorities should therefore only change if there was a good reason for doing so, a point which Ms. Healy noted would be emphasized in the consultation. The CAG Representatives and Observers also raised the following:

- In light of the current volume of activity, a Representative asked whether the IAASB had considered what the maximum amount of throughput could be. Ms. Healy noted her response at the CAG meeting that the IAASB may in need to alter the timeline of particular projects or deliverables in the future, but that lack of capacity had led the Steering Committee to conclude that no new projects could be undertaken in 2017–2018.
- The importance of the interconnections between the projects was highlighted, and it was noted that this should continue to be carefully monitored, in particular in relation to timing of ISA 540 and other key initiatives, such as those addressed in the Invitation to Comment.
- In light of the International Forum of Independent Audit Regulators' (IFIAR) [2015 Inspection Findings Survey](#), a question was raised whether it is necessary for the IAASB to consider the areas identified in this report that are not in the current or future Work Plans. Ms. Healy noted her response at the CAG meeting that the IAASB actively liaises with IFIAR's Standards Coordination Working Group on a regular basis, and that some aspects identified in their inspection report could potentially be addressed within current projects. However, she added that IFIAR's SCWG had previously supported the prioritization of current projects on the IAASB's agenda.
- Whether a project to consider changes to ISA 320¹⁸ should be included in the future work plan, especially in light of the work of the International Accounting Standards Board's work in this area (e.g., the publication of the Draft Practice Statement, *Application of Materiality to Financial Statements*).
- While there is no capacity for new projects in the future work plan, it was suggested that emerging trends continue to be monitored, such as the needs of SMPs in light of the Nordic Federation of Public Accountants consultation of its *Standard for Audits of Smaller Entities* (SASE).

Ms. Healy noted the mixed views from the CAG Representatives and Observers relating to the IAASB's priorities, highlighting that some wanted a focus only on audit whereas others continued to have the view that work on other topics (such as agreed-upon procedures and integrated reporting) is important. She also added that CAG Representatives and Observers were supportive of the negative clearance for the appropriateness of the IAASB's strategic objectives in the consultation.

Prof. Schilder reminded the Board that the restraints are not only Board and Staff time, but also that there were limits to the amount of stakeholder input that could be asked for at any given time.

In response to the proposals for a July 2016 consultation on the Work Plan for 2017–2018, Board members supported the consultation as proposed, but suggested that further consideration be given to:

- Providing transparency about why decisions are made on priorities is important, particularly when new projects are not included in the work plan.
- Asking about the prioritization of the projects on the current agenda, but also asking respondents to include an indication of the project that is least important.
- Explaining how the IAASB has adapted the available resources to the Board's current work in light of the comments received to the last consultation, including the pace at which the projects are progressed.
- The importance of assistance with the implementation of new and revised standards.

¹⁸ ISA 320, *Materiality in Planning and Performing an Audit*

- Emphasizing that the IAASB has limited resource limits and that these had been reached with the current projects on the agenda.
- Explaining what the Board has achieved in its recent work plans against the planned activities, explaining reasons if these were not met.
- How the topic of audit evidence will be dealt with across projects, as this concept affected all areas under review.

With regard to the strategic objectives, Board members agreed that the three objectives continue to be appropriate.

IAASB CAG CHAIRMAN'S REMARKS

Mr. Waldron agreed with Ms. Healy's summary of the comments for the CAG meeting. He added that the consultation needed to be open so that the IAASB could be transparent about its choices.

PIOB OBSERVER REMARKS

Prof. Van Hulle highlighted that cooperation and coordination between the various Board initiatives was important, as there were many crossover issues. He also emphasized the importance of outreach and to consult widely. Prof. Van Hulle noted that concerns had been expressed about the time taken for new standards to be developed or revisions to be made, and encouraged the Board to look at ways to speed up its work in areas which are considered critical by stakeholders, while continuing to adhere to the required due process. He emphasized the importance of a realistic, achievable work plan, noting that the expectations of stakeholders would need to be managed. Finally, Prof. Van Hulle noted that the various working groups need to cooperate closely and that the cooperation with the other SSBs needs to be streamlined.

WAY FORWARD

Ms. Healy noted that a draft consultation document on the Work Plan for 2017–2018 would be developed for discussion with the Board at the June 2016 IAASB meeting, with a view to approving it and publishing in July. She added that further consideration would be given to how this could be done using technology (for example in a survey format) thus making it less onerous for stakeholders to respond.

10. Closing Remarks from IAASB CAG Chairman

Mr. Waldron thanked Prof. Schilder and the Board for the discussions during the week and its consideration of the matters raised by CAG Representatives and Observers at the recent IAASB CAG meeting in Paris.

11. PIOB Observer Remarks

Prof. Van Hulle commended the Board on the topics discussed during the week and stressed that the projects the IAASB is working through are fundamental for the question what a high-quality audit means or does not mean. . He stressed the need for cooperation between the working groups and between the SSBs, and for outreach and responsiveness to the concerns of the Monitoring Group..

12. Next Meeting

The next IAASB Teleconference will be held on April 26, 2016. The next IAASB physical meeting will be for four days starting Tuesday June 21 and ending June 24, 2016, to be held in New York, United States.

13. Closing

Prof. Schilder acknowledged the discussions throughout the meeting and the interactions among the projects.

Prof. Schilder noted that the Steering Committee had discussed:

- The relevant developments relating to the various projects discussed by the IAASB during the week, including confirming of the aim of issuing the discussion paper for Integrated Reporting in the third quarter. However, he noted that there was more flexibility in the timing for issuance of the planned publications on data analytics and AUP, as the IAASB did not want to overload stakeholders with too many papers too soon after the close of responses for the ITC.
- A Staff-prepared paper presenting the crossover issues with the IESBA. He added that he would continue to reflect with senior Staff about how best to coordinate projects with the other SSBs and that Mr. Gunn would seek feedback from various Board members about their views on the interactions during the NOCLAR project.
- A draft of the 2014–2015 Annual Report, which was expected to be finalized and published shortly.
- The upcoming meeting with NSS, highlighting the importance of the input from this group of stakeholders, and adding that the discussions should remain focused yet open to allow for knowledge sharing.

Ms. Healy noted the discussion regarding the Nordic Federation of Public Accountants' (NRF) Proposed Standards on Audits of Small Entities, on which the IAASB had sent a response. She added that the IAASB's response was not different to a number of other responses that had been received relating to concerns that having a separate product may cause confusion to users of auditing standards. She added that at this point it was unlikely that the NRF would pursue this standard. She also noted a meeting with the NRF and the SMP Committee staff to determine an appropriate way forward in addressing the issues of the SMP community. She noted that the outcome of the meeting was positive and that all parties would continue to work together for this purpose. She also noted that the importance of the work on ISA 315 (Revised) to SMPs was emphasized at that meeting, and highlighted the opportunities work on that standard may bring in helping SMPs. In addition, Ms. Healy noted the work done by the Compagnie Nationale des Commissaires aux Comptes (CNCC) in France as well as that done by the ICAEW in relation to SMPs. One board member offered support for the continuing focus on SMP issues, but cautioned that this should be addressed more holistically and not on a piecemeal basis, with the focus continuing to be on a robust audit, regardless of size.

Prof. Schilder thanked the IAASB members, technical advisors, observers, and particularly Staff for their contributions to the meeting. He then closed the meeting.