IAASB Meeting Highlights and Decisions

September 2018

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This summary of decisions of the International Auditing and Assurance Standards Board (IAASB) has been prepared for information purposes only. Except for approval of documents for public exposure and issuance of final Standards, decisions reported are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IAASB.

A podcast recording giving a short audio summary of the main outcomes of the September 2018 IAASB meeting is also available on the IAASB website, as are the agenda materials that were considered by the IAASB.

For more detailed information about IAASB projects, please refer to the project summaries under Current Projects.

Quality Control at the Firm Level

The Board discussed the exposure draft (ED) of proposed ISQC 1 (Revised)¹ and was supportive of the direction that the Quality Control Task Force was taking the standard, noting the improvement in the readability and understandability overall. The Board encouraged the Quality Control Task Force to consider whether there are further opportunities to address scalability, including further refinement and simplification of the standard, where possible. The Board also discussed changing the title of the standard (to International Standard on Quality Management 1); how the public interest, professional judgment, and professional skepticism are addressed in the standard; the responsibilities of a firm that belongs to a network; and communication with external parties.

The Quality Control Task Force plans on presenting the ED of the revised standard for approval by the Board at the December 2018 meeting.

Strategy and Work Plan 2020-2023

The Board discussed the feedback from the stakeholder survey and the proposed recommendations for strategic direction. The Board noted general support for the proposed way forward, including the use of structured activity streams informed by robust research and outreach. The Board asked for further elaboration on the concept of a standard-setting research phase, possible approaches for a more timely response to emerging issues and stakeholder needs, and the availability and allocation of resources between the different activity streams.

The Board also highlighted the importance of continuing the outreach with stakeholders who have not responded to the strategy survey, especially investors and those charged with governance. The Board will discuss a draft of the Consultation Paper (CP) on the Strategy and Work Plan at its December 2018 meeting and aims to approve the CP for issuance in January 2019.

¹ Proposed International Standards on Quality Control (ISQC) 1 (Revised), Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements
Quality Control at the Engagement Level

The Board discussed a draft ED of proposed ISA 220 (Revised)\(^2\) and was supportive of the proposed changes. The discussions focused on whether changes were needed to the objective of the standard and the wording of the requirement regarding the engagement partner being “sufficiently and appropriately involved.”

The Task Force plans on presenting the ED of proposed ISA 220 (Revised) for approval by the Board at the December 2018 meeting.

Agree-Upon Procedures (AUP)

The Board approved the ED of ISRS 4400 (Revised)\(^3\) for public exposure. In finalizing the ED, the Board agreed that independence is not required for an AUP engagement and that the AUP report would include statements addressing circumstances when the practitioner is (or is not) required to be independent, and whether the practitioner is (or is not) independent.

The ED will be issued in early November with a 120 day comment period.

Engagement Quality (EQ) Reviews

The Board discussed a revised draft ED of proposed ISQC 2\(^4\) and related extracts from proposed ISQC 1 (Revised). The Board’s discussions focused on the relationship between the two quality management standards, the scope of engagements subject to EQ reviews, the eligibility of the EQ reviewer, and the performance requirements for an EQ reviewer.

The Board will discuss selected issues on the October 16 teleconference. The Task Force plans on presenting the ED of proposed ISQC 2 for approval by the Board at the December 2018 meeting.

Emerging External Reporting (EER) Assurance

The EER Task Force presented the remaining Phase 1 ‘issues’ that were not presented in June alongside a first draft of the Phase 1 guidance. The Board noted the need for the guidance to demonstrate its full alignment with the requirements of ISAE 3000 (Revised),\(^5\) and for the EER Task Force to provide further explanations about any guidance that goes beyond the requirements and application material in ISAE 3000 (Revised). The EER Task Force expects to receive further input from stakeholders during its forthcoming series of discussion events and will present a revised draft of the guidance to the IAASB in December 2018.

Audits of Less Complex Entities

The IAASB discussed a project proposal to undertake work to develop a Discussion Paper to obtain stakeholder views on matters related to issues and challenges when auditing non-complex entities, as well as presenting possible actions for the IAASB to address these issues and challenges. The Board strongly supported work in this area, in particular to further understand the issues and challenges that

\(^1\) Proposed International Standard on Auditing (ISA) 220 (Revised), *Quality Control for an Audit of Financial Statements*
\(^2\) International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*
\(^3\) Proposed ISQC 2, *Engagement Quality Reviews*
\(^4\) International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
have been identified and develop appropriate responses to address them. It is expected that the Discussion Paper will be presented for discussion by the IAASB at its March 2019 meeting.

**Professional Skepticism**

The Board received an update on the activities of the IAASB’s Professional Skepticism Subgroup (Subgroup) since March 2018. The Chair of the Subgroup also presented the Board with a draft publication that seeks to highlight the IAASB’s efforts to appropriately reflect professional skepticism into the IAASB standards as well as other relevant news and information on professional skepticism, including collaboration with the International Ethics Standards Board for Accountants (IESBA) and International Accounting Education Standards Board (IAESB). The Board supported the issuance of the publication and future publications of this nature.

**Next Meeting**

The next IAASB teleconferences will be held on October 16 and October 31, 2018 and the next physical IAASB meeting will be held in New York, USA on December 10–14, 2018.