IAASB Meeting Highlights and Decisions

June 2015

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A Podcast recording giving a short audio summary of the main outcomes of the June 2015 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.

Responding to Calls to Enhance Audit Quality

The IAASB agreed on the benefits of taking a coordinated approach to a combined Discussion Paper addressing key topics in its Work Plan for 2015–2016 relevant to enhancing audit quality. The IAASB intends to issue the Discussion Paper in December 2015 with a 150-day comment period, supported by outreach in 2015 and 2016. Feedback from the Discussion Paper will inform the development of standard-setting project proposals, expected to be presented to the IAASB and the IAASB Consultative Advisory Group in September 2016.

Quality Control

The IAASB continued its discussion on the topic of quality control, including specific issues related to governance of firms and creating a culture of quality, the nature and balance of the respective responsibilities of the engagement partner and the engagement quality control reviewer, and the results of a survey of small and medium practices aimed at understanding implementation challenges related to International Standard on Quality Control™ (ISQC™) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements. The IAASB supported using the Discussion Paper as a means of soliciting stakeholder views on a holistic approach to revising ISQC 1 under a quality management approach to address the issues identified with ISQC 1 and International Standard on Auditing™ (ISA™) 220, Quality Control for an Audit of Financial Statements.

Group Audits

The IAASB also continued its discussions on key issues relating to group audits, including possible areas for revision in ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors). The discussions focused on the importance of the group engagement partner understanding the entity under audit and considering how best to structure the group audit, as this affects planning, materiality, and importantly the robust communication that is needed between the group engagement team and component auditors. The IAASB agreed that it
would be useful for the Discussion Paper to explore the underlying causal factors of the issues noted in order to determine the most appropriate way forward to improve group audits.

The IAASB generally supported the direction and planned publication of a Staff Audit Practice Alert (the “Alert”), developed to remind auditors of the responsibilities of the engagement partner in circumstances when the engagement partner is not located where the majority of the audit work is performed, noting that the broader issues would continue to be explored in the Discussion Paper.

**Financial Institutions**

The IAASB received an update from the Financial Institutions Working Group on their outreach activities and proposal to initially refocus the Working Group’s efforts to consider, on a priority basis, what may be needed to assist auditors with the implementation of International Financial Reporting Standard (IFRS) 9, *Financial Instruments*. The IAASB asked the Working Group to evaluate the audit implications of IFRS 9 in the context of the extant ISAs, including ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, for the IAASB’s consideration at its next meeting. The IAASB also continued efforts to increase its awareness about issues relevant to audits of banks via a session facilitated by PricewaterhouseCoopers.

**Professional Skepticism**

The IAASB’s discussions on the topic of professional skepticism kicked off at this meeting, with an informative and thought-provoking panel discussion. The IAASB was pleased to welcome panelists including the Canadian Public Accountability Board’s Representative on the International Forum of Independent Audit Regulators Standards Coordination Working Group, and representatives from the US Public Company Accounting Oversight Board, the US Center for Audit Quality, and Brigham Young University.

A Working Group comprised of representatives from the IAASB, the International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) has been formed to explore the topic of professional skepticism, enabling the three independent standard-setting Boards to consider what actions may be appropriate within their collective Standards and other potential outputs to enhance professional skepticism.

**Non-Compliance with Laws and Regulations**

Informed by the discussions at its December 2014 and March 2015 meetings, the IAASB unanimously approved a project proposal to consider the implications of the IESBA’s project on responding to non-compliance or suspected non-compliance with laws and regulations (NOCLAR) on the IAASB’s International Standards.

The IAASB agreed that, while it is not necessary to fundamentally revise the way the IAASB’s standards address NOCLAR, limited amendments to certain of the Board’s International Standards, in particular ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, would be in the public interest. Accordingly, the IAASB unanimously approved an Exposure Draft that includes those amendments that the IAASB has determined are necessary to resolve inconsistencies of approach or scope or to clarify and emphasize key aspects of the NOCLAR proposals in its International Standards. The Exposure Draft will be issued in July 2015 and will be open for comment for a 90-day period. This timing allows for respondents to consider the IAASB’s proposals concurrently with the IESBA’s revised proposals and for the IAASB to provide feedback to the IESBA before it finalizes its proposals later this year.
Auditor Reporting, Including ISA 800 (Revised), ISA 805 (Revised) and ISA 810

The IAASB unanimously approved for exposure proposed ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*. The IAASB believed it was necessary to propose limited conforming amendments to ISA 810 to (i) address the information gap that would arise in circumstances where a material uncertainty related to going concern or a material misstatement of other information exists, as a result of the approach taken in the IAASB’s new and revised Auditor Reporting standards and (ii) provide users of summary financial statements with greater transparency in circumstances when key audit matters are communicated in the auditor’s report on the audited financial statements. These limited amendments are not intended to change the nature of an engagement to report on summary financial statements. The Exposure Draft will be issued in July 2015 and will be open for comment for a 90-day period.

The IAASB also discussed responses received on proposed ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, and proposed ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, and considered revisions to the proposed ISAs and other recommendations. The IAASB intends to finalize these standards at its September 2015 meeting.

Finally, the Board considered that accounting firms and national auditing standards setters might be in a position to early adopt ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*, and decided it would be in the public interest to continue to allow for that possibility.

Other Topics

**Integrated Reporting**

The IAASB received presentations on the topic of Integrated Reporting from representatives of Rockefeller & Co, The Prudential Insurance Company of America and EY, as well as an update on the International Integrated Reporting Council’s public consultations related to exploring assurance on integrated reporting.

**Data Analytics**

The IAASB noted the importance of information-gathering to understand whether the extant ISAs are fit for purpose in light of changes in the global business environment and the increasing use of data analytics in practice, including its potential positive effect on audit quality.

**Agreed-Upon Procedures**

The IAASB discussed national developments related to agreed-upon procedures, as well as challenges and practical questions about how these engagements can be used to meet the needs of stakeholders. The IAASB also highlighted the need for further outreach to understand the different types of “hybrid engagements” being performed by practitioners (which often include agreed-upon or specified procedures) to determine what may be needed from a standard-setting perspective.

**Next Meeting**

The next physical IAASB meeting will be held in New York, United States, September 21–25, 2015. The IAASB may also hold a teleconference on July 22, 2015.