

Meeting: IAASB
Meeting Location: Los Angeles
Meeting Date: December 5–9, 2011

Agenda Item

10

The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications – Draft Feedback Statement

Objectives of Agenda Item

1. To set out the broad issues identified from the responses received to the IAASB's Discussion Paper *The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications*.
2. To consider the Working Group's proposals for publication of a Feedback Statement that provides an overview of the broad issues identified, and approve for release the draft Feedback Statement.

Working Group

3. Members:
 - Diana Hillier, Chair, IAASB Member
 - Arch Archambault, IAASB Member
 - Cédric Gélard, Chair, IAASB Member
 - Tomokazu Sekiguchi, IAASB Member
 - John Fogarty, Deloitte

Activities since Last IAASB Discussion

4. The issue of the impact of evolving financial reporting disclosures on auditors' responsibilities and practices was discussed by the IAASB in December 2009, by the IAASB CAG in March and September 2009, and at the June 2010 IAASB–National Standard Setters meeting. In March 2010 the Working Group was established to explore and catalogue the issues and challenges around these disclosures, including related audit implications.
5. In January 2011 the Working Group issued a Discussion Paper which:
 - a) Discussed recent trends in financial reporting and their impact on financial reporting;
 - b) Discussed how the International Standards on Auditing (ISAs) currently deal with disclosures; and

- c) Focused on audit issues in relation to evidence, materiality, misstatements and auditability that the IAASB had identified regarding disclosures.
6. The comment period closed on June 1, 2011. A broad range of responses were received, including some from whom the IAASB does not traditionally receive responses for its consultations. The Working Group held a face-to-face meeting in September 2011 at which it deliberated on the responses and discussed mechanisms for sharing the valuable input and insights which are valuable not only to the IAASB, but also to other interested stakeholders, such as standard setters, regulators and other parties active in this area.
7. The Working Group has proposed the publication of a "Feedback Statement". This would be a new type of document for the IAASB, and these have been used with success by other regulatory and standard setting bodies.
8. A brief update on the responses was provided to both the IAASB CAG and the IAASB at their respective September 2011 meetings and tentative support was given for the idea of developing the "Feedback Statement". The Task Force has since had a number of teleconferences to develop the draft included with these agenda materials. The intention is to release the Feedback Statement as an interim measure for this IAASB initiative. The Working Group will continue to develop a project proposal to address issues identified from the Discussion Paper responses that are within the remit of the IAASB.

Materials Presented

- Agenda Item 10-A The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications–Summary of Comments on the Discussion Paper and IAASB Working Group Proposal dated December 2011
- Agenda Item 10-B The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications–Draft Feedback Statement

Draft Feedback Statement to be Discussed at the Meeting

9. For the draft Feedback Statement, the Working Group proposes to use the PDF version presented in **Agenda Item 10-B** for discussion at the meeting.¹

Actions Requested

10. The IAASB is asked to:
 - Consider and provide input on the significant issues presented in **Agenda Item 10-A**; and
 - Consider and approve for release the draft Feedback Statement, together with any amendments agreed at the meeting.

¹ The paragraph numbers that appear in square brackets in Agenda Item 10-B only are to facilitate discussion, and will be removed in the final version of the document.