

Meeting: IAASB
Meeting Location: New York
Meeting Dates: September 16–20, 2013

Agenda Item

4

Auditing Disclosures

Objective of the Agenda Item

1. To obtain the IAASB's views on possible changes to various ISAs that would drive auditor behavior with regard to auditing disclosures, and to discuss the way forward on this project.

Task Force

2. The Task Force comprises:
 - Arch Archambault, Chair, IAASB Member
 - Cédric Gélard, IAASB Member
 - Tomokazu Sekiguchi, IAASB Member
 - Bruce Winter, IAASB Member
 - Marek Grabowski, IAASB Technical Advisor

Background

3. The following provides a brief summary of the IAASB's activities up to April 2013 in relation to the topic of auditing financial statement disclosures:
 - (a) January 2011—Release of the IAASB Discussion Paper (DP), [The Evolving Nature of Financial Reporting: Disclosures and its Audit Implications](#).
 - (b) January 2012— Release of the IAASB [Feedback Statement](#) summarizing what was heard in the responses to the DP from stakeholders.
 - (c) September 2012—IAASB approval of a project proposal on the [Audit Implications of Disclosures Required by an Applicable Financial Reporting Framework](#).¹
 - (d) December 2012—IAASB deliberation on the Task Force's analysis of potential gaps in the ISAs relative to the issues identified in the responses to the DP as a basis for further Task Force exploration.

¹ The project proposal stated the following project objectives: (i) To determine whether revisions (in the form of new or revised requirements, or additional application material) to the International Standards on Auditing (ISAs) with respect to auditing disclosures are required and, if so, develop such revisions. (ii) To consider how such revisions should be presented, for example within the relevant ISAs or in a separate ISA. (iii) To determine whether other types of non-authoritative guidance, such as an International Auditing Practice Note (IAPN) or Staff Questions and Answers (Staff Q&A) publication should be developed and, if so, develop the content of such a publication. The above objectives are not mutually exclusive, and deliberations on each are intended to inform the overall project.

- (e) April 2013—IAASB views on possible changes to the ISAs relating to disclosures when planning the audit (ISA 300,² and, in so far as the material therein pertains to audit planning, ISA 315 (Revised),³ ISA 320⁴ and ISA 260).⁵

Activities since Last IAASB Discussion

4. Since discussing possible changes to the ISAs with the IAASB in April 2013, the Task Force has had two physical meetings and held two teleconferences. In addition, the Task Force Chair and Staff have met to further progress the agenda papers.
5. The Task Force Chair and Staff held a teleconference with Staff of the International Accounting Standards Board (IASB) in May 2013 to obtain an update on their activities in this area. In addition, the Task Force Chair and Staff held a joint teleconference with Staff of the IASB and a Representative from the International Organization of Securities Commissions (IOSCO) to further discuss the IASB's materiality initiative in August 2013. Further details on their activities, which are a very important consideration for progressing this project in certain areas, have been presented in the Appendix of **Agenda Item 4-A**. Initiatives and work by others in this area can also be found in the Appendix of Agenda Item 4-A.
6. The Task Force Chair presented selected issues during the IAASB-National Auditing Standard Setters (NSS) Liaison Group meeting in May 2013 to obtain their views on:
 - (a) The gaps identified by the Task Force in the existing requirements in the ISAs, in particular whether there were any other areas not identified by the Task Force;
 - (b) Applying performance materiality to qualitative disclosures; and
 - (c) Possible changes to the assertions.

The materials presented at the IAASB-NSS meeting were extracts from previous IAASB Agenda Papers. An oral update on the views of the NSS will be provided by the Task Force Chair at the IAASB meeting.

Materials Presented

Agenda Item

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| 4-A | Auditing Disclosures – Issues and Task Force Views (the Appendix includes proposed changes to ISA 210, ⁶ ISA 240, ⁷ ISA 260 and ISA 700) ⁸ |
| 4-B.1 | Proposed Changes to ISA 300, <i>Planning an Audit of Financial Statements</i> |

² ISA 300, *Planning an Audit of Financial Statements*

³ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

⁴ ISA 320, *Materiality in Planning and Performing an Audit*

⁵ ISA 260, *Communication with Those Charged with Governance*

⁶ ISA 210, *Agreeing the Terms of Audit Engagements*

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

⁸ ISA 700, *Forming an Opinion and Reporting on Financial Statements*

- 4-B.2 Proposed changes to ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*
- 4-B.3 Proposed Changes to ISA 320, *Materiality in Planning and Performing an Audit*
- 4-B.4 Proposed Changes to ISA 330, *The Auditor's Responses to Assessed Risks*
- 4-B.5 Proposed Changes to ISA 450, *Evaluation of Misstatements Identified during the Audit*

Action Requested

7. The IAASB is asked to consider the issues and Task Force views presented in **Agenda Item 4-A**, including the appropriateness of the proposed changes to the ISAs presented in the **Appendix to Agenda Item 4-A** and **Agenda Items 4-B.1 to 4-B.5**.