



## Disclosures

- Proposed changes to the ISAs
- Considering the need for further explanatory guidance
- Collaboration and cooperation for addressing issues relating to financial reporting disclosures

## Proposed Changes to the ISAs

- ED of ISA changes for approval this week
  - Changes proposed in areas where it was felt that it was important to highlight disclosures, so that auditors give sufficient and earlier attention to the disclosures earlier in the audit process – CAG supported efforts to enhance auditors responsibilities with respect to disclosures
  - Several ISAs affected; agreed to not develop new ISA for auditing disclosures
  - Most changes in the application material; no conforming amendments
  - In light of nature and breadth of changes, previously discussed whether Board should hold onto to them for now, and wait to ‘package’ them with some other proposed IAASB projects in the future Work Program (e.g. ISA 315)
    - Agreed to proceed, given importance of topic
    - Effective date for proposed changes to be considered taking into account timing of changes to other ISAs from Auditor Reporting project

## Proposed Changes to the Requirements

- Comprehensively analyzed existing ISA requirements for disclosures in light of feedback from 2012 Discussion Paper – agreement that requirements are largely robust
- Deliberated whether any aspects of proposed new material might warrant treatment as further requirements vs application material; Board broadly supported treatment as proposed
  - CAG asked IAASB to reconsider whether any proposed changes to application material should be elevated
- One new requirement in ISA 320
  - Introduces concept of materiality for non-quantitative disclosures (“preliminary determination”)
  - Some concern about this in ISA 320 – rather ISA 315?
- Previously proposed changes to the requirements in ISA 700; back to extant

## Revised Definition of Financial Statements

- To make clear what is subject to audit
- Helps with consistency of use of terms 'related notes' and 'disclosures'
- Mixed views expressed by Board members on proposed changes; general support (some strong), however, from CAG
  - Appropriate means of underpinning other changes throughout the ISAs

## Proposed Changes to the Assertions

- Have proposed several iterations since December 2012
  - Assertions used differently by firms and others
  - Encouraged that if going to make changes to simplify
- Task Force of the view that most effective if combine assertions for presentation and disclosure with those for transactions and account balances
  - Will encourage work on disclosures earlier in the audit process
  - Expected to drive auditor behavior
- CAG supported proposed changes to assertions

## Proposed Changes to Evaluating the Financial Statements

- Previously proposed changes to requirements – TF of the view that requirements sufficiently robust but agreed that additional application material for the evaluation needed
- CAG:
  - Some concern by CAG over use of “may” in the new proposed application material; some of those procedures would ordinarily be done
  - More clarification/guidance around fair presentation

## Sufficient Appropriate Audit Evidence

- No proposed changes to the ISAs
  - More guidance needed on specific examples
- Underlying issues relating to SAAE are more than disclosures (also raised in other projects (ISA Implementation Monitoring))

## Considering the Need for Further Explanatory Guidance

- Task Force has concentrated efforts on changes to ISAs
- In December, Board supported notion of some form of document summarizing developments in financial reporting frameworks on disclosures, auditing challenges, and highlighting existing and proposed aspects of the ISAs that direct auditor effort
  - Preliminary Staff publication tabled for consideration
    - Appropriate to release now, or perhaps entirely separate from ED, or wait for later
    - Board does not approve Staff publications; focus is on whether there are inconsistencies with ISAs
- CAG: guidance should not replace ISA changes

## Collaboration and Cooperation

- Strong suggestion from responses to DP that collaborative response
- IASB
  - Materiality initiative (with input from IAASB and IOSCO)
    - Proposal to IASB this week to consider objective and scope of a proposed project on materiality with a particular focus on the notes to the financial statements
    - If project moves ahead will undertake research activities to further understand how concept is being applied to disclosures and if any available material on this

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