

**Meeting:** IAASB

**Meeting Location:** Teleconference

**Meeting Date:** April 29, 2015

## Agenda Item

# 1

### Responding to Calls to Improve Audit Quality

#### Objectives of Agenda Item

1. To update the IAASB and obtain its views on the proposed approach to coordination and consulting on the most pertinent public interest issues arising from its discussions on certain key topics.

#### Background

2. As part of its mandate, the IAASB continues to focus its activities on addressing public interest issues. In developing its [Strategy for 2015–2019](#), the IAASB identified three strategic objectives to help fulfill its public interest mandate and guide its efforts, both in terms of its ability to identify the most pertinent public interest issues and respond to them in a timely manner. In embarking on its new strategy period in 2015, the IAASB has planned work on key topics that have been identified that are in the public interest.
3. Work has already commenced on the IAASB's priority projects in its [Work Plan for 2015–2016](#), including quality control (QC), group audits (GA) and special audit considerations relating to financial institutions (FI). There is an expectation that the Board will make progress on these key topics as soon as practicable. The QC, GA and FI Working Groups (WGs) are gathering information in order to move forward in building consensus on public interest issues, determining appropriate courses of actions and thereby developing project proposals. All three WGs had initially planned public consultation through the issuance of discussion papers (DPs) in 2015. At their respective March 2015 meetings, the IAASB and the IAASB Consultative Advisory Group (CAG) generally agreed that DPs (and other outreach) would be a useful means of sounding out issues with a wide range of stakeholders on these important topics.
4. However, the IAASB recognized the risk in moving forward too quickly on individual topics without a more holistic consideration of the underlying public interest issues and the effect on audit quality, given the interrelationship amongst the three projects. Some concern was also expressed that the potential quality and level of responses to the planned consultations could be diminished if there were too many DPs issued within the same timeframe.
5. Coordination on “cross-over” issues between these key topics was already planned at the WG Chair and IAASB Staff level, but the IAASB's discussions during its March 2015 meeting continued to highlight the interactions between these key projects. There is also an expectation that, as work commences on other new projects and initiatives in 2015,<sup>1</sup> further interactions and common themes will emerge.

<sup>1</sup> Work has been planned to commence on the topic of Data Analytics, and exploration of issues noted in relation to ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*.

## The Way Forward

### *Approach to Planned Discussion Papers*

6. At its March 2015 meeting, the IAASB Steering Committee supported an initial Staff proposal that a “top down” approach be taken to the key topics in order to move forward with public consultation. This would involve the development of a single DP framed in the context of improving audit quality. It is intended that this DP would present the public interest issues across the relevant projects and initiatives in a more holistic way. **Agenda Item 1-A** outlines the planned approach and timing and possible areas to be explored in the DP.
7. In light of the topics to be addressed, an important consideration in developing the DP will be to consider how best to present the matters for respondents’ consideration to facilitate their ability to respond. For example, targeted questions to stakeholders on the key public interest issues will be essential; however, certain respondents may also look to the DP for a more in-depth discussion of the issues and the manner in which the extant ISAs may already address them. Finding an appropriate balance and effective means of presentation will therefore be necessary to ensure the DP is not unduly voluminous.

### *Working Groups and Respective Responsibilities*

8. A new WG, building on the current QC, GA and FI WGs’ leadership and membership, has been formed and will have overall responsibility for the DP. This new WG (the Public Interest Working Group or PIWG) will evaluate how best to consider the public interest issues holistically and explore how the IAASB can best respond to calls to improve audit quality. Importantly, in order to inform the development of the DP work, the QC, GA and FI WGs’ efforts, in particular issue identification and research, will continue as planned.
9. The relevant WGs are comprised of the following members:

PIWG <sup>2</sup>
<ul style="list-style-type: none"><li>• Megan Zietsman, PIWG Chair and GAWG Chair, IAASB Member</li><li>• Karin French, QCWG Chair, IAASB Member</li><li>• Rich Sharko, FIWG Chair and Member of the QCWG, IAASB Member</li><li>• Brendan Murtagh, GAWG Member, IAASB Member</li><li>• Wolf Böhm, GAWG Member, IAASB Technical Advisor</li><li>• Josephine Jackson, GAWG Member, IAASB Technical Advisor</li><li>• Inge Vanbeveren, IAASB Technical Advisor</li></ul>

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<sup>2</sup> The work of the Professional Skepticism WG, to be chaired by Annette Köhler, IAASB Member, will also be relevant and incorporated as appropriate.

QCWG	GAWG	FIWG
Karin French, Chair, IAASB Member	Megan Zietsman, Chair, IAASB Member	Rich Sharko, Chair, IAASB Member
Rich Sharko, IAASB Member	Bob Dohrer, IAASB Member	Marc Pickeur, Co-Chair, IAASB Member
Sue Almond, IAASB Technical Advisor	Brendan Murtagh, IAASB Member	Ron Salole, IAASB Member
Jennifer Burns, IAASB Technical Advisor	Wolf Böhm, IAASB Technical Advisor	Abhijit Bandyopadhyay, NSS India Representative
Ahava Goldman, IAASB Technical Advisor	Josephine Jackson, IAASB Technical Advisor	Emilio Pera, Practitioner, South Africa
Dawn McGeachy-Colby, Small and Medium Practices (SMP) Committee Representative	Len Jui, NSS China Representative	Pat Sucher, Basel Accounting on Banking Supervision Representative
Stefan Schmidt, National Auditing Standards Setters (NSS) Germany Representative	Derek Broadley, NSS Hong Kong Representative	

10. In recognition of the need for a holistic approach to improving audit quality, a joint WG will also be formed to explore the topic of professional skepticism, enabling the IAASB, the International Accounting Education Standards Board and the International Ethics Standards Board for Accountants to consider what actions may be appropriate within their collective Standards and other potential outputs to strengthen auditor behavior and enhance professional skepticism.

#### *Timing*

11. The QC, GA and FI WGs had already set out ambitious timetables towards public consultation on important matters, with DPs for the individual topics having been initially proposed for the period June–December 2015.
12. The current proposal is for the IAASB to continue its robust discussions on the issues to be presented by the QC, GA and FI WGs and the PIWG at the June 2015 and September 2015 IAASB meetings, to inform the DP, which will be presented for approval in December 2015. The significant issues and an outline of the DP will be discussed with the IAASB CAG at its September 2015 meeting. In the interim, dialogue with stakeholders, in particular, regulators and audit oversight bodies as well as accounting firms (including small and medium practices), will continue at the project and leadership level.
13. The DP would be issued for a 150 day comment period, ending in May 2016. During this comment period, further outreach and other activities, such as roundtables or public hearings, will be planned.
14. Responses to the DP, as well as input from the outreach and other activities, will be used to inform the scope of the standard-setting project(s), with project proposals expected to be presented to the IAASB for approval in September 2016.

## **Material Presented**

Agenda Item 1-A

Presentation – Responding to Calls to Improve Audit Quality

### **Matters for IAASB Consideration**

1. The IAASB is asked for its views on:
  - The approach to the DP, including noting any further concerns or advantages of this approach not already identified; and
  - The PI issues identified for exploration in the DP, including whether there are other PI crossover issues that should be included.
  - Any other matters that should be taken into account in moving forward with this approach?