

IAASB

IAASB Meeting Recap

IAASB Meeting
September 2016

ISA 315 (Revised)

- Requirement for auditor to understand internal control relevant to the audit:
 - Support for the ISA 315 (Revised) Task Force (the TF) to continue to explore scalability
 - Clearer link between the overarching requirement in ISA 315 (Revised) to understand internal control, and the requirements in ISA 315 (Revised) related to understanding each of the individual components of internal control
 - Retain existing audit risk model
 - Other helpful feedback for the TF to consider as progresses its work

ISA 315 (Revised) (cont.)

- Identification of significant risks:
 - Retain concept of significant risk in ISA 315 (Revised)
 - TF to explore revising the definition with a focus on the nature of the risk
 - Support for proposed factors for the auditor to consider in the identification of inherent risk (complexity, ambiguity, change and uncertainty) – may want to consider data and management bias
 - Proposed filters – support for TF continuing to explore this line of thinking
- Spectrum of risks
 - Support for the TF continuing to explore – caution of unnecessary complexity

Enhancing Audit Quality—Quality Control and Group Audits

- Quality Control
 - Move forward on developing QMA
 - Further consideration about scalability for firms performing different types of services once QMA sufficiently developed
 - Agreement that Crossover Working Group will start to develop standard for using others in an audit
 - Agreement that will continue to bring feedback from ITC to Board as discuss changes to ISQC 1 and ISA 220
- Group Audits
 - Agreed working group will progress issues related to group audits on slower timeline as changes to quality control standards are progressed, in particular developing new standard for using others on an audit
- Will develop project proposals for standard-setting for Quality Control and Group Audits for approval at December 2016 IAASB meeting

Enhancing Audit Quality—Timing of Projects

- Timing
 - Speed of standard-setting vs taking time to consider changes comprehensively
 - Timeline presented in Agenda Item 5-A on basis of targeted changes – some aspects of work effort will require new thinking resulting in longer timelines
 - Allow more time for more developing changes – including consulting stakeholders and outreach as appropriate
 - Revised timeline will be considered in December 2016; same time as finalization of Work Plan for 2017–2018 and also informed by discussions on other projects
- Continue to engage with CAG on directional matters

Group Audits—Specific Issues

- Agreed to explore approach to a group audit to focus on assessing the risks of material misstatement (i.e., stronger linkage to ISA 315 (Revised)) at group financial statement level

Quality Control—Engagement Quality Control Review

Requirement for engagement to be subject to an EQC review

- More robust requirements for firm consideration of which entities should be subject to EQC reviews, risk-based approach:
 - Difficulty in defining PIE, jurisdictions can add on if necessary, links better with the principles of a QMA
 - Risk consideration – focus on public interest impact (likelihood and magnitude), less focus on the size of the entity, the difficulty of the audit or complexities involved
 - Requirements: refer also to what the jurisdictional regulators require (this could encourage regulators to establish specific requirements as needed for their jurisdictions)
- Differentiate between scalability and proportionality
 - Scalability – whether or not the requirement applies (e.g. listed vs. non-listed)
 - Proportionality – if the requirement applies, to what extent (e.g. perhaps EQC review is not as extensive, or not performed every year)

Quality Control—Engagement Quality Control Review

- Criteria – some other things to think about:
 - Government funding
 - New industry for the firm, new requirements that are complex (e.g. revenue recognition), experience with the client (too long and too short)

Objective and scope

- EQC reviews are a firm level control, although is performed at an engagement level
- Current focus on significant judgments appropriate. Clarity needed on what significant judgments means
- Timing of the EQC review - throughout the audit process
- Role of the EQC reviewer in relation to the engagement team – doesn't become part of engagement team or reliance on EQC reviewer to make decisions
 - Careful that the EQC reviewer's responsibility is not inappropriately extended to that of what the EP is responsible for

Quality Control—Engagement Quality Control Review (cont.)

Transparency and interactions with TCWG

- Be transparent about when the EQC review is performed to build public trust, but not in the individual auditor's reports
- Agree with WG regarding not requiring interactions and communications with TCWG about the EQC review; perhaps revisit in the future whether to communicate about the EQC review

EQC reviewer

- Importance of authority / professional respect
- Caution that requirements are not too onerous – restriction on availability
- Cooling-off – mixed views, but consider:
 - Who does it apply to – listed entities, PIEs
 - Prescriptive period lacks a proper basis (2, 5 years?)
 - No prescriptive period creates differences in practice

Professional skepticism

- Board feedback on the PSWG's preliminary recommendations
 - Strong support for the continued coordination among IAASB, IESBA, and IAESB
 - Agreement to continue support for the current IAASB projects (ISA 540, ISA 315, QC, and Group Audits)
 - Support to commence information-gathering on a project related to Audit Evidence (ISA 500) and Audit Documentation (ISA 230)
 - Support for the concept of a thought-piece, feedback statement or other brief publication to give prominence to the work of the Joint Working Group
 - IAASB provided its views on coordination with IESBA in relation to strawman

Professional skepticism (cont.)

- Clarification of the PSWG's preliminary recommendations in relation to “longer-term” issues
 - Work will commence on the issues now, but we anticipate that these issues may require a longer-term effort to appropriately evaluate implications
- PIOB Remarks (preliminary views)
 - Important that PAIBs weigh in on the public interest issue of potentially extending the concept of professional skepticism to non-assurance engagements
 - The PSWG discussions should consider whether the extent to which audit firms are commercially dependent on clients may be a threat to their independence or the ability to be professional skeptical

Agreed-Upon Procedures

Agreed-Upon Procedures IAASB discussion summary

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