Agenda Item

4

Audit Quality

Objectives of Agenda Item

1. The objectives of this Agenda Item are:

   (a) To approve the proposed revised Framework Audit Quality: Key Elements that Describe an Environment for Audit Quality (the Framework); and

   (b) To obtain IAASB’s views on future actions by the IAASB and others to promote usage of the Framework, and support the enhancement of audit quality more broadly.

2. Agenda Item 4-A discusses the key issues from the feedback received from the September 2013 IAASB and the IAASB Consultative Advisory Group (CAG) meetings, the input from the Small- and Medium Practices Committee (SMPC), and the Task Force recommendations in response. A clean version and a marked-up version (showing changes from September) of the Framework is available as Agenda Item 4-B and Agenda Item 4-C respectively.

Task Force

3. Members:

   • Jon Grant, Chair, IAASB Member
   • Bernard Agulhas, Independent Regulatory Board for Auditors, South Africa
   • Arch Archambault, IAASB Member
   • Craig Crawford, KPMG (former IAASB Member)
   • Kam Grewal, Canadian Public Accountability Board
   • Merran Kelsall, IAASB Member
   • Thomas Orth, International Accounting Education Standards Board (IAESB) Member
   • Don Thomson, International Ethics Standards Board for Accountants (IESBA) Member
Background

4. The IAASB issued its Consultation Paper to solicit feedback on the proposed Framework in January 2013. The deadline for comments on the Consultation Paper ended May 15, 2013. Seventy six responses were received.

5. The responses and the Task Force’s preliminary views on how to respond to them were discussed with the IAASB and the CAG in September, as well as with IAESB and IESBA.

6. The Task Force met in November 2013 to discuss how best to respond to the various suggestions and to finalize papers for the December 2013 IAASB meeting. The Task Force also discussed actions that would be needed to support use of the Framework in the short to medium term, as well as possible actions that the IAASB may wish to take in the longer term.

7. In the Task Force’s view, the significant matters it has identified as a result of its deliberations since the beginning of this project, and its considerations therein, have all been reflected in the issues papers presented to the IAASB at its meetings. In the Task Force’s view, there are no significant matters it has discussed in this project that have not been brought to the IAASB’s attention.

8. The Task Force believes that the changes it is proposing at the December 2013 to the final Framework wording are fine-tuning changes in response to matters raised during consultation. The Task Force believes that these refinements are helpful clarifications that do not represent substantive or fundamental changes to the Framework from that which was set out in consultation, but rather improved it in response to comments received. The Task Force also does not believe there are specific aspects on which further consultation is needed before finalizing.

Placement of the Framework

9. The IAASB indicated in September 2013 a preference for including the Framework in the Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements (the Handbook), in order to give the Framework sufficient prominence. However, it was noted that the Framework is different in nature from the standards and other pronouncements, including the International Framework for Assurance Engagements, already within the Handbook.

10. In the light of the proposed initiatives to give prominence to, and promote awareness and use of the Framework (including a new, separate section on the IAASB website – this and other suggested initiatives will be presented at the December 2013 meeting), Staff does not believe it is essential that the Framework be placed in the Handbook. It is noted that the Framework may occupy more than 100 pages in the Handbook.

11. If, however, IAASB recommends that the Framework be placed in the Handbook, Staff would suggest that it be placed in the front of Handbook, Volume II, before the International Framework for Assurance Engagements.
Materials Presented

Agenda Item 4-A  Audit Quality – Issues Paper
Agenda Item 4-B  Clean Version of Proposed Revised Framework
Agenda Item 4-C  Mark up Version of Proposed Revised Framework (Showing Changes from September)

Actions Requested

12. IAASB Members are asked for their views on the revisions recommended by the Task Force in response to comments received at the September IAASB meeting, and to approve the Framework.

13. IAASB Members are also asked for views on future actions with regard to promoting usage of the Framework once it is released, and the extent of the IAASB’s involvement in initiatives aimed at supporting the enhancement of audit quality more broadly.

Drafting comments on the Framework are welcome and are requested via email on or before Wednesday December 4, 2013 to NancyKamp@iaasb.org