

Meeting: IAASB Consultative Advisory Group (CAG)

Meeting Location: Teleconference

Meeting Date: November 29, 2016

Agenda Item

B

Enhancing Audit Quality: Project Proposal for the Revision of the IAASB's International Standards Relating to Quality Control and Group Audits

Objective of Agenda Item

1. The objective of the agenda item is to obtain the CAG Representatives' views in relation to the project proposal to address the revision of:
 - (a) International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and Related Services Engagements*.
 - (b) International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*; and
 - (c) ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

Project Status and Timeline

2. The appendix to this paper provides a history of discussions with the CAG on the topics of group audits and quality control, including links to the relevant CAG documentation.

Project Proposal

3. **Agenda Item B.1** sets out the project proposal for the revision of the IAASB's International Standards relating to quality control and group audits.
4. The project proposal has been reviewed by both the Steering Committee and the various working groups. The IAASB will be asked to approve this project proposal at its December 2016 meeting. The IAASB is also planning on considering the recommendations of the respective working groups in relation to certain discrete matters proposed in the Invitation to Comment (ITC), *Enhancing Audit Quality: A Focus on Professional Skepticism, Quality Control and Group Audits*.
5. In summary, the project objectives outlined in the project proposal are to:
 - (a) Propose revisions to:
 - (i) ISQC 1 to strengthen and improve a firm's management of quality for all engagements performed under the IAASB's International Standards by more explicitly incorporating a quality management approach, fostering the ability of the standard to be applied to a wide range of circumstances, and enhancing the requirements and application material.

- (ii) ISA 220 to strengthen aspects of quality management for individual engagements by focusing on the identification, assessment and response to quality risks in a broad range of engagement circumstances.
 - (iii) ISA 600 to strengthen the auditor's approach to planning and performance of a group audit and clarify the interaction of ISA 600 to the other ISAs.
 - (b) Propose consequential amendments to other standards that may be necessary as a result of revisions to ISQC 1, ISA 220 and ISA 600.
 - (c) Determine whether non-authoritative guidance and support tools should be developed by the IAASB or others to supplement the revisions or new standard(s). Non-authoritative guidance and support tools may include International Auditing Practice Notes (IAPNs),¹ Staff publications,² project updates, or illustrations / examples to provide assistance on how ISQC 1, ISA 220, ISA 600 and any new standards could be applied, in particular to address concerns regarding the ability of the standards to be applied to a wide range of circumstances.
6. The scope of this project includes the development of new or revised requirements and expanded application material in the respective standards, in order to enhance audit quality through enhancing quality management at the firm and engagement level, and strengthening and clarifying the audit procedures and communications when auditing group financial statements, and when other auditors, who are not component auditors, are involved in the audit.

Matters for CAG Consideration

7. CAG Representatives are asked for their views on:
- (a) The draft project proposal for revising ISQC 1, ISA 220 and ISA 600 (Agenda Item B.1) to inform the IAASB's planned approval of the document at its December 2016 meeting; and
 - (b) Any other matters that would be relevant to the project proposal.

Material Presented – IAASB CAG PAPERS

Agenda Item B.1	Enhancing Audit Quality: Project Proposal for the Revision of the IAASB's International Standards Relating to Quality Control and Group Audits.
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¹ IAPNs do not impose additional requirements on auditors beyond those included in the ISAs, nor do they change the auditor's responsibility to comply with all ISAs relevant to the audit. IAPNs provide practical assistance to auditors. They are intended to be disseminated by those responsible for national standards, or used in developing corresponding national material. They also provide material that firms can use in developing their training programs and internal guidance.

² Staff publications are used to help raise practitioners' awareness of significant new or emerging issues by referring to existing requirements and application material, or to direct their attention to relevant provisions of IAASB pronouncements.

Appendix A

Project History

Project: Group Audits and Quality Control

Summary

	CAG Meeting	IAASB Meeting
Project Commencement	March 2015 September 2015 September 2016	June 2014 (Quality Control only) December 2014 March 2015 June 2015 September 2015 December 2015 June 2016 September 2016
Project Proposal	November 2016	December 2016

CAG Discussions: Detailed References

Information gathering: Responding to Calls to Enhance Audit Quality	<u>March 2015</u> See IAASB CAG meeting material and CAG meeting minutes . <u>September 2015</u> See IAASB CAG meeting material and CAG meeting minutes .
Information gathering: Overview of responses to the ITC, Group Audits and Engagement Quality Control Reviews	<u>September 2016</u> See IAASB CAG meeting material .