



**Meeting:** IAASB/IESBA CAGs

**Meeting Location:** Madrid, Spain

**Meeting Date:** September 12, 2017

## Agenda Item

# J2

### IAASB and IESBA Coordination

#### Objective of Agenda Item

1. To receive an update on discussions relating to IAASB and IESBA coordination.

#### Status of the Initiative and Timeline

##### *Background*

2. The importance of ongoing coordination on areas of mutual interest is recognized in both the IAASB's *Work Plan for 2017–2018* and the IESBA's *Strategy and Work Plan, 2014–2018*. Coordination between the IAASB and IESBA in the past has been on an ad hoc basis. Recent completed projects on which there has been coordination include:
  - Responding to non-compliance with laws and regulations (NOCLAR).
  - The IAASB's new and revised Auditor Reporting standards, particularly with respect to referring to the auditor's compliance with relevant ethical requirements in the auditor's report.
  - Revision of the definition of "engagement team" in the Code to facilitate revisions to International Standard on Auditing (ISA) 610<sup>1</sup> with respect to the matter of internal auditors providing direct assistance to the external auditor.
3. Such ad hoc coordination has generally worked well. However, it is recognized that there can be practical challenges to achieving optimal coordination, for example, different levels of priority the standard setting boards (SSBs) have assigned to the particular topic, little available capacity on crowded work programs, and different stages reached in due process. Accordingly, there is a need to consider how the SSBs should best approach coordination and what general considerations should be guiding their coordination efforts.
4. The need for coordination has also been emphasized more recently in the light of the SSBs' ambitious agendas and heightened stakeholder expectations for timely outputs. In particular, recent discussions on the topic of professional skepticism have highlighted concerns from, and expectations of, the Public Interest Oversight Board (PIOB) and the CAGs that there be appropriate coordination between the SSBs. Other stakeholders, including regulators and firms, have echoed similar expectations.
5. There could also be circumstances where an action by one SSB creates expectations of coordinated action by the other SSB. This could occur, for example, when one SSB determines that it needs to

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<sup>1</sup> ISA 610 (Revised), *Using the Work of Internal Auditors*

respond to a new issue that has arisen in one of its projects, and such response could have implications for the standards of the other SSB.

#### *Upcoming Joint IAASB and IESBA Session*

6. In September 2017, the IAASB and IESBA will hold an inaugural joint session to consider a number of matters relating to coordination, including:
  - An overview of the SSBs' Staff's assessment to date of the possible areas where further coordination may be needed.
  - General principles, criteria and other key considerations for IAASB and IESBA coordination in relation to their standard-setting work.
  - Proposals relating to the matter of the objectivity of the engagement quality control reviewer. The proposals were developed by the IAASB's Quality Control Task Force, in conjunction with the IAASB and IESBA members responsible for coordination matters in relation to the Boards, and IAASB and IESBA Staff.
  - Recommendations concerning alignment of the future IAASB and IESBA Strategy and Work Plan cycles, how that might best be accomplished, and the implications.

#### *Coordination with the International Accounting Education Standards Board (IAESB)*

7. The work of the International Accounting Education Standards Board (IAESB) contributes to the effective application of the IAASB's and IESBA's standards. While the focus of the IAASB and IESBA joint session is principally directed at IAASB and IESBA coordination matters, the three SSBs' Staff have identified topics where opportunities may exist for coordination among the three SSBs (e.g., professional skepticism (as already happening), technology, and emerging external reporting). The Staff of the IAASB and IESBA plan to also coordinate efforts with IAESB Staff on topics of mutual interest.

#### **Format of the September 2017 Joint CAG Session**

8. The Chairmen of the CAGs will briefly introduce the topic. The Chairmen of the IAASB and the IESBA will then brief the CAGs on the general context for the SSBs' coordination efforts, including the upcoming joint IAASB and IESBA session. Representatives of the CAGs will then be asked to share any perspectives or reflections on matters pertaining to the SSBs' coordination.

#### **Material Presented – FOR IAASB and IESBA CAGs REFERENCE PURPOSES ONLY**

*[Links to be provided]*

Agenda Item J, Joint IAASB and IESBA Sessions Agenda

Agenda Items J-1 and J-2, Areas Requiring Coordination and Proposed Approach to Coordination

Agenda Item J-3, Objectivity of the Engagement Quality Control Reviewer

Agenda Item J-4, IAASB and IESBA Future Strategies and Work Plans