

To: IAESB
From: Prof. Arnold Schilder
Chairman, International Auditing and Assurance Standards Board (IAASB)

International Auditing and Assurance Standards Board (IAASB) – 2018Q4 Progress Report

The summaries below are the meeting highlights from the December 2018 IAASB meeting. For more information on any of the individual projects or initiatives, please visit www.iaasb.org/projects.

ISA 315 (Revised)

The ISA 315 Task Force Chair provided a high level overview of the initial [analysis](#) of the comment letters received on proposed ISA 315 (Revised) (ED–315). The Board discussed respondents’ concerns about the length and complexity of ED–315, and potential difficulties in understanding and applying it in practice, with particular reference to scalability, emphasizing the need to think broadly about how these concerns could be addressed. The Board also acknowledged particular areas of broad support, including the flowcharts, introductory paragraphs, the inherent risk factors, enhancements to IT and the approach taken in relation to automated tools and techniques. The ISA 315 Task Force will continue to analyze the comment letters and will present its initial proposals to respond to the comments received to the Board at the March 2019 meeting.

Quality Management at Firm Level – ISQM 1

In finalizing the ED, the Board discussed the definition of deficiencies and bringing more emphasis to positive findings from the firm’s monitoring activities and how they may be used in the system of quality management. The Board also discussed the requirement for the firm to establish additional quality objectives beyond those required by the standard and further clarifying the identification and assessment of quality risks. In addition, the Board suggested further simplification of the requirement addressing communication with external parties, although in general agreed to retain an explicit reference to transparency reports in the requirement. The Board also discussed network requirements or network services, and adjusted the requirement to clearly reflect the expectations of the firm regarding the effect of network requirements or network services on the firm’s system of quality management.

The Board agreed with requiring engagement quality reviews for audits of “entities of significant public interest” and entities for which the firm determines an engagement quality review is an appropriate response to quality risks.

Engagement Quality Reviews – ISQM 2

The Board supported the requirement for the firm to establish policies or procedures addressing limitations on the engagement partner moving into the role of engagement quality reviewer, including the reference to a cooling-off period for audits of listed entities in the application material. The Board agreed that stakeholder views were needed relating to the objectivity of the engagement quality reviewer and a cooling-off period and supported the ISQM 2 Task Force's recommendation for including specific questions in the Explanatory Memorandum on this matter to be developed in coordination with the IESBA.¹ The Board also clarified the requirement for notifications by the engagement quality reviewer to the engagement partner and, when applicable, individual(s) within the firm, as well as the documentation requirements.

Quality Management at Engagement Level – ISA 220 (Revised)

The Board discussed the requirements that address firm policies or procedures, the role of the engagement partner vis-à-vis other members of the engagement team and the difference between the usages of the phrases “the auditor shall determine” and “the auditor shall be satisfied.” The Board also discussed how best to clarify the requirement addressing communications from the firm about the firm's monitoring and remediation process.

EER

The EER Task Force presented an updated version of the Phase 1 draft guidance, which reflected changes to address feedback received from the IAASB at the September 2018 IAASB meeting, and from other stakeholders, including in relation to a “materiality process” and assertions as they relate to the characteristics of suitable criteria. The Board noted that the draft guidance had significantly improved since discussions at the September 2018 meeting, but that further work on the drafting was required. The Board thereafter discussed a draft Consultation Paper for Phase 1 at a teleconference on January 31, 2019, with a revised name, *Expanded External Reporting*. After making amendments in response to the Board's comments received during the teleconference, the Board approved a Consultation Paper for public comment.

Strategy and Work Plan 2020-2023

The Board discussed the proposed Consultation Paper on the IAASB's Strategy for 2020–2023 and the related Work Plan for 2020–2021 (Strategy and Work Plan). Subject to further consideration about various matters noted by Board members, the Board was supportive of developing a more focused and concise format and presentation of the Strategy and Work Plan. The revised Consultation Paper was thereafter presented to the Board at the January 22, 2019 teleconference. After making amendments in response to the Board's comments received during

¹ International Ethics Standards Board for Accountants

the teleconference, the Board approved the publication of the [Consultation Paper](#) for public comment.