

IAASB Meeting Highlights and Decisions

February 2013

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This summary of decisions of the International Auditing and Assurance Standards Board (IAASB) has been prepared for information purposes only. Except for approval of documents for public exposure and issue of final Standards, decisions reported are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IAASB.

A brief [audio podcast summary](#) of the main outcomes of the February 2013 IAASB meeting is also available on the IAASB website.

For more detailed information about IAASB projects, please refer to the project summaries under [Current Projects](#).

Auditor Reporting

The IAASB further deliberated issues relating to the concept of auditor commentary introduced in its June 2012 Invitation to Comment (ITC), *Improving the Auditor's Report*. Amongst other matters, the IAASB supported the following:

- A revised objective of the auditor for purposes of determining additional information to be included in the auditor's report, as follows: "The objective of the auditor, having formed an opinion on the financial statements, is to communicate in the auditor's report those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements." The objective would be included in a proposed new International Standard on Auditing (ISA), tentatively labeled ISA 701.

The IAASB noted that the revised objective is not intended to signal a shift away from significant matters in the financial statements. Rather, it is intended to articulate a focus in the auditor's thought process of selecting matters to report based on the audit performed, with reference to the disclosures in the financial statements as appropriate, thereby enhancing users' understanding of the entity based on insights from further information about the audit.

- Presentation of this additional information as a separate section of the auditor's report under the heading *Key Audit Matters*.

Amongst other matters, the IAASB noted the following matters for further consideration:

- How proposed ISA 701 should best reflect the IAASB's view that the auditor's judgment of what to report externally is derived from what had been communicated

with those charged with governance, and whether any clarifications are needed to the requirements or guidance in ISA 260, *Communication with Those Charged with Governance*.

- How the introductory language in the illustrative example of the new section in the auditor's report could be drafted to clearly explain to users that the matters discussed in the auditor's report is not intended to be a comprehensive list of all matters discussed with those charged with governance.
- Whether the initial list of factors intended to guide the auditor's decision-making process in relation to external reporting could be further streamlined.
- Whether the proposed requirement for the auditor to include a statement in the auditor's report when no matters for external reporting had been identified is appropriate.

The IAASB also deliberated stakeholder responses to the remaining suggested improvements included in its June 2012 ITC. Amongst other matters, the IAASB supported the following:

- Inclusion of an explicit statement in the auditor's report with respect to other information. In this regard, the IAASB acknowledged the need to take into account feedback from respondents to the exposure draft of proposed revised ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying the Audited Financial Statements and the Auditor's Report Thereon*.
- Specifying the text to be used in the auditor's report to describe the auditor's responsibilities for the audit of the financial statements. To address concerns about the length of this standardized material, the IAASB agreed that auditors could be permitted to include this material in an appendix to the auditor's report. The IAASB also acknowledged that law, regulation or national auditing standards may explicitly permit the auditor to exclude this material from the auditor's report and instead refer to a website of an appropriate authority.

In relation to the matter of disclosure of the name of the engagement partner in the auditor's report, the IAASB noted that further study is needed before concluding on whether the IAASB should require disclosure in all circumstances.

The IAASB also considered proposed revised requirements in ISA 700, *Forming an Opinion and Reporting on Financial Statements*, and a revised illustrative auditor's report.

Finally, the IAASB received an update about work underway by the International Accounting Standards Board and the US Financial Accounting Standards Board relating to going concern.

The IAASB will consider drafts of proposed new and revised auditor reporting ISAs and a revised illustrative auditor's report at its April 2013 meeting. The IAASB will also consider recommendations in relation to auditor reporting on going concern.

[Using the Work of Internal Auditors – Direct Assistance](#)

The IAASB approved for issue ISA 610 (Revised 2013), *Using the Work of Internal*

Auditors, subject to confirmation from the Public Interest Oversight Board that due process has been followed. ISA 610 (Revised 2013) now includes material addressing the external auditor's responsibilities if using internal auditors to provide direct assistance under the direction, supervision and review of the external auditor. The IAASB also approved related conforming amendments to the definition of "engagement team" for purpose of alignment with the International Ethics Standards Board for Accountants' (IESBA) revised definition of the term in the IESBA's *Code of Ethics for Professional Accountants*, and conforming amendments to other ISAs.

The material on direct assistance in ISA 610 (Revised 2013) is effective for audits of financial statements for periods beginning on or after December 15, 2014

[Assurance Engagements Other than Audits or Reviews of Historical Financial Information](#)

The IAASB received a presentation providing further background on the nature and scope of direct engagements, along with examples of direct engagement assurance reports. The IAASB discussed how the features of direct engagements relate to concepts in proposed International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

The IAASB will further consider issues and a revised draft of the ISAE at its April 2013 meeting.

[ISA Implementation Monitoring](#)

The IAASB received an overview of the preliminary findings from Phase 2 of its ISA Implementation Monitoring project. A draft report of findings will be presented to the IAASB at its April 2013 meeting.

[Future Strategy and Work Program](#)

The IAASB discussed the process for developing its future Strategy and Work Program for the period commencing 2015. Amongst other matters, the IAASB agreed to explore changing the period for its future Strategy from three years to five years (i.e., 2015–2019) to help enhance stakeholders' understanding of the IAASB's medium- and longer-term priorities, complemented by a two-year Work Program, updated annually, to enable the IAASB to better forecast its short-term deliverables and be more responsive to emerging developments.

The IAASB also discussed the format and questions for a proposed stakeholder survey, the initial step in the IAASB's strategy consultation process. The survey will be released electronically in early March 2013 with a 60-day comment period. Results from the survey will inform the development of a more detailed Consultation Paper, planned for release by the end of 2013.

[Next Meeting](#)

The next IAASB meeting will be held in New York, United States, on April 15–19, 2013.