

Meeting: International Auditing and Assurance Standards Board

Meeting Location: New York, USA

Meeting Date: December 10–13, 2012

Agenda Item

2

Audit Quality

Objective of Agenda Item

1. To approve for issuance a consultation paper titled *A Framework for Audit Quality* (the Framework) presented in **Agenda Item 2-A**.

Task Force

2. Members:
 - Jon Grant, Chair, IAASB Member
 - Bernard Agulhas, Independent Regulatory Board for Auditors, South Africa
 - Arch Archambault, IAASB Member
 - Phil Cowperthwaite, Member of IFAC Small and Medium Practices (SMP) Committee, former IAASB Member
 - Craig Crawford, former IAASB Member
 - Kam Grewal, Canadian Public Accountability Board
 - Gert Jönsson, IAASB Member
 - Merran Kelsall, IAASB Member
 - Thomas Orth, IAESB Member
 - Don Thomson, Member of the International Ethics Standards Board for Accountants (IESBA)
 - Abdullah Yusuf, IAASB Member

Activities since Last IAASB Discussions

3. Since the September 2012 IAASB discussion of the topic, the Task Force held a face-to-face meeting on November 1-2, 2012 to further refine the Framework and discuss the agenda materials for the December 2012 IAASB meeting.

Main Changes from Paper Presented in September

4. The Task Force has considered the comments received from the IAASB at its September 2012 meeting and the IAASB Consultative Advisory Group (CAG). The Task Force believes that it has addressed all substantive issues raised by these groups in a satisfactory manner. Input was also

received on the draft Framework from the International and International Ethics Standards Board for Accountants (IESBA), International Accounting Education Standards Board (IAESB), and the IFAC Small and Medium Practices Committee (SMPC).

- (a) A clean version of the Framework is presented in **Agenda Item 2-A**, and will be discussed at the meeting. A marked-up version of the Framework is presented in **Agenda Item 2-D** showing revisions since the September 2012 meeting.
 - (b) Substantive comments received from the September IAASB on the September 2012 version of the Framework, and the related dispositions are included in **Agenda Item 2-C**.
5. An updated version of the Framework, **Agenda Item 2-A** will be provided to IAASB members just prior to the meeting or will be tabled at the meeting. This updated Framework will reflect changes to the format designed to increase the visual impact of the document, as well as minor editorial revisions received from IAASB members by December 3, 2012.
6. As well as making revisions to wording, based on suggestions from the IAASB and other key stakeholders, there have been several notable changes to the structure of the paper; most notably:
- (a) Rather than having an explanatory memorandum accompanying the consultation paper, discussion of the paper and the questions asked, are included in the front section of the document – prior to the commencement of the Framework itself;
 - (b) The Chairman’s Foreword has been moved to before the Contents page;
 - (c) Considerations pertaining to group audits have been incorporated in to the main body of the paper, rather than being shown in the last section alongside public sector and smaller audits;
 - (d) Appendix 1 describing the Stakeholder Survey has been removed from the document. The lead-in paragraphs and table for the survey are now shown in the front section of the document, prior to the start of the Framework; The summary of the survey will be made available on the website; and
 - (e) Details of the “Areas to Explore” have been removed from the body of the document, and are now outlined in the new Appendix 1.

Material(s) Presented

Agenda Item 2-A	Draft Consultation Paper, <i>A Framework for Audit Quality</i> – clean version
Agenda Item 2-B	<i>A Framework for Audit Quality: Considerations for Roll-out Plan</i>
Agenda Item 2-C	Audit Quality–Summary and Disposition of Comments from September 2012 IAASB Meeting
Agenda Item 2-D	Draft Consultation Paper, <i>A Framework for Audit Quality</i> – marked-up version showing changes since last IAASB Meeting in September

Matters for IAASB Consideration

1. The IAASB is asked to consider the following:
 - (a) Are there any fatal flaws in the Framework, **Agenda Item 2-A** that need to be addressed before it is published as a consultation paper?
 - (b) Are the four questions shown on page 2 of **Agenda Item 2-A** the right questions to ask? Should other questions be added?
 - (c) Are the “Areas to Explore” the correct areas? Are the descriptions of the topics clear, and easy to understand? Should further areas be added; should some of the current areas be removed?
 - (d) Does the Board have views on the draft “roll out” plan included in **Agenda Item 2-B**.
 - (e) Does the Board have views on whether the exposure period for the consultation paper should be the same as for all exposure drafts—120 days?

Action(s) Requested

7. The IAASB is asked to:
 - (a) Provide minor editing revisions, and matters that are not significant with respect to the potential issuance of the consultation paper, to the Task Force Chair via email at j.grant@frc.org.uk, as well as Gary Pflugrath (garypflugrath@ifac.org), prior to the meeting – by Monday, December 3, 2012;
 - (b) Consider and discuss at the meeting, the issues presented in this Agenda Item;
 - (c) Approve for issuance, the consultation paper, *A Framework for Audit Quality* presented in **Agenda Item 2-A**; and
 - (d) Provide input on the draft roll-out plan presented in **Agenda Item 2-B**.