IAASB
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Standards Board

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IAASB Meeting Highlights and Decisions

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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 podcast recording giving a short audio summary of the main outcomes of the December 2012 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.

Audit Quality

The IAASB approved for public comment the Consultation Paper, *A Framework for Audit Quality.* The proposed Framework describes a number of factors that contribute to increasing the likelihood of quality audits being consistently performed and encourages audit firms and other stakeholders to challenge themselves about whether there is more that they can do to increase audit quality in their particular environments. The objectives of the Framework are to raise awareness of the key elements of audit quality, encourage stakeholders to explore ways to improve audit quality, and facilitate greater dialogue between key stakeholders on the topic.

The proposed Framework will be released by mid-January 2013 with a 120-day comment period.

Auditor Reporting

The IAASB discussed responses received on aspects of its June 2012 Invitation to Comment, *Improving the Auditor's Report*, and the feedback obtained from its three roundtables and other outreach on the topic.

In relation to auditor commentary (AC), the IAASB agreed to continue to pursue the concept of AC. Amongst other matters, the IAASB asked the Task Force to further consider the following:

- A revised objective and title for AC, taking into account the view that a focus on key audit areas and significant auditor judgment may be a useful way forward to respond to concerns from all stakeholders that the auditor should not provide original information about an entity.

- Requirements for AC for listed entities, recognizing that a post-implementation review may be a useful means to inform the IAASB about whether wider application of requirements for AC would be appropriate.

- Criteria to guide robust auditor judgments about what matters to include in AC and the level of detail that should be provided, taking into account the support from many ITC respondents for the IAASB to explore using significant risks as the starting point for AC.

The IAASB also asked the Task Force to further consider whether the concepts of Emphasis of Matter and Other Matter paragraphs should be retained, and how best to engage stakeholders, in particular investors and analysts, as it works to refine the concept of AC and develop further illustrative examples.

The IAASB also agreed to continue to explore auditor reporting on going concern (GC). Amongst other matters, the IAASB asked the Task Force to further consider how work underway by accounting standard setters, including the International Accounting Standards Board and the US Financial Accounting Standards Board, may affect the nature and timing of the IAASB's proposals. It also asked the Task Force to further consider whether reporting on GC should be required for all entities, or whether an approach based on the importance of GC considerations to the individual entity would be preferable.

In relation to the "building blocks" approach, the IAASB confirmed that the design of extant International Standard on Auditing (ISA) 700, *Forming an Opinion and Reporting on Financial Statements*, which allows flexibility when law or regulation prescribes the form and content of the auditor's report, should be retained. Nevertheless, amongst other matters, the IAASB asked the Task Force to further explore how requirements for the auditor's report, including the use of titles, subtitles and headings, could achieve an appropriate balance between consistency and relevance.

The IAASB reaffirmed its commitment to developing an exposure draft of proposed revised auditor reporting standards by June 2013. It also noted the importance of alignment, to the extent practicable, with others currently addressing auditor reporting, including the European Commission, UK Financial Reporting Council and US Public Company Accounting Oversight Board.

The IAASB will further consider relevant issues at its February 2013 meeting.

Disclosures

The IAASB discussed key issues identified by the Task Force on areas where enhancements to the ISAs may be appropriate in relation to auditing financial statement disclosures. The IAASB will further consider issues at its April 2013 meeting.

Using the Work of Internal Auditors – Direct Assistance

In light of comments received on the International Ethics Standards Board for Accountants' (IESBA) exposure draft of a proposed revised definition of the term "engagement team," the IAASB considered limited amendments to the material dealing with the use of internal auditors to provide direct assistance on the external audit (Direct Assistance) previously approved for inclusion in ISA 610 (Revised), *Using the Work of Internal Auditors.*

The IAASB will consider approving the final Direct Assistance material for inclusion in ISA 610 (Revised) at its February 2013 meeting, subject to the IESBA's approval of its revised definition of the term "engagement team".

Assurance Engagements Other than Audits or Reviews of Historical Financial Information

The IAASB discussed Task Force proposals in relation to respondents' comments on selected issues arising from the exposure draft of proposed International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. Amongst other matters, the IAASB provided input on the terminology to express the work effort required for both limited assurance and reasonable assurance engagements, and discussed Task Force proposals addressing direct engagements.

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

Next Meeting

The next IAASB meeting will be held in Brussels, Belgium, on February 12–14, 2013.