

**Meeting:** IAASB  
**Meeting Location:** New York  
**Meeting Date:** April 15-19, 2013

## Agenda Item

# 5

### Objective of Agenda Item

1. To obtain the IAASB's views on select issues and Task Force recommendations for enhancing the ISAs in relation to auditing financial statement disclosures.

### Task Force

2. The Task Force comprises:
  - Arch Archambault, Task Force Chair, IAASB Member
  - Cédric Gélard, IAASB Member
  - Tomokazu Sekiguchi, IAASB Member
  - Bruce Winter, IAASB Member
  - Marek Grabowski, IAASB Technical Advisor

### Activities to December 2012, and Since Then

3. The following provide a summary of the IAASB's activities up to December 2012 in relation to the topic of auditing financial statement disclosures:
  - January 2011—Release of the IAASB Discussion Paper (DP), [The Evolving Nature of Financial Reporting: Disclosures and its Audit Implications](#).
  - January 2012— Release of the IAASB [Feedback Statement](#) summarizing what was heard in the responses to the DP from stakeholders.
  - September 2012—IAASB approval a project proposal on the [Audit Implications of Disclosures Required by an Applicable Financial Reporting Framework](#).<sup>1</sup>

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<sup>1</sup> The project proposal stated the following project objectives:

- (i) To determine whether revisions (in the form of new or revised requirements, or additional application material) to the International Standards on Auditing (ISAs) with respect to auditing disclosures are required and, if so, develop such revisions.
- (ii) To consider how such revisions should be presented, for example within the relevant ISAs or in a separate ISA.
- (iii) To determine whether other types of non-authoritative guidance, such as an International Auditing Practice Note (IAPN) or Staff Questions and Answers (Staff Q&A) publication should be developed and, if so, develop the content of such a publication.

The above objectives are not mutually exclusive, and deliberations on each are intended to inform the overall project.

- December 2012—IAASB deliberation on the Task Force’s analysis of potential gaps in the ISAs relative to the issues identified in the responses to the DP as a basis for further Task Force exploration.
4. Since the December 2012 IAASB meeting, the Task Force has held one physical meeting and four teleconferences to further deliberate issues for IAASB consideration.

### Overview of Material Presented

5. **Agenda Item 5-A** sets out the issues and views of the Task Force in two areas:
- I. Possible changes to the ISAs for the planning stage of the audit. These include considerations relating to ISA 300<sup>2</sup> and, to the extent that they apply to planning, ISA 315 (Revised),<sup>3</sup> ISA 320<sup>4</sup> and ISA 260.<sup>5</sup>
  - II. The assertions stated in the ISAs for presentation and disclosure.
6. In respect of (I) above:
- **Agenda Item 5-B** shows in marked text possible changes to the above-noted ISAs that have been identified by the Task Force.
  - For the purposes of the April 2013 IAASB meeting, the Task Force has selected only the planning stage of the audit process for IAASB discussion. This has been done for a number of practical reasons. Firstly, it represents a relatively ‘self-contained’ aspect of the audit and the ISAs themselves, and the issues identified for further consideration are relatively uncomplicated and not anticipated to be significantly influenced by developments occurring by others, such as in relation to materiality.  
  
Secondly, it was an aspect that the Task Force could progress relatively quickly, and the Task Force believed it was important to engage with the IAASB as early as possible, even if only on one aspect of the audit process/ISAs, rather than later when all stages of the audit process had been explored. The remaining stages of the audit process and related ISAs will be considered at a subsequent IAASB meeting.
7. In identifying and developing the potential changes to the ISAs for the planning stage of the audit, the Task Force began by capturing in narrative form the current state of developments in reporting requirements in respect of disclosures and the ‘thought-process’ an auditor might undertake when planning the audit in respect of disclosures. This took into account the existing requirements and guidance in the ISAs, the experience and expectations of the Task Force members, and as appropriate areas where heightened attention may be needed by auditors. The Task Force found this narrative helpful in its deliberations and as a basis for identifying the potential changes to the ISAs shown in **Agenda Item 5-B**.
8. The Task Force has included this narrative in **Agenda Item 5-C** for information (hereafter referred to it as an educational guide (the “guide”) for auditing disclosures). It is not intended that Agenda

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<sup>2</sup> ISA 300, *Planning an Audit of Financial Statements*

<sup>3</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

<sup>4</sup> ISA 320, *Materiality in Planning and Performing the Audit*

<sup>5</sup> ISA 260, *Communication with Those charged with Governance*

Item 5-C will be discussed in detail at the April 2013 IAASB meeting, but may be referred to during discussions about the potential changes to the ISAs. Nevertheless, a potential role for the guide is as a basis for development of a non-authoritative Board or staff publication in the future. Accordingly, the Task Force welcomes any general observations that the IAASB may have on Agenda Item 5-C.

### **Materials Presented**

Agenda Item 5-A	Auditing Disclosures – Select Issues and Task Force Views
Agenda Item 5-B	Potential Changes to the ISAs
Agenda Item 5-C	Guide - Audit [Planning] Considerations Relating to Disclosures
Agenda Item 5-D	ISA 315 (Revised), <i>Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment</i> – for reference

### **Action Requested**

9. The IAASB is asked to consider and provide its views on the issues in **Agenda Item 5-A** and the material in **Agenda Item 5-B**, including whether the IAASB has the view that additional changes should be considered.