

**Draft Minutes of the 61<sup>st</sup> Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD  
Held on February 7, 2014 by Teleconference**

**Voting Members****Technical Advisors**

Present:	Arnold Schilder (Chairman)	Wolf Böhm (Ms. Köhler)
	Dan Montgomery (Deputy Chair)	Jennifer Burns (Ms. Zietsman)
	Jean Blascos	Alejandro Gonzalez (Mr. Coscodai)
	Valdir Coscodai	Hiram Hasty (Mr. Landes)
	Karin French	Susan Jones (Mr. Blascos)
	Cédric Gélard	Len Jui (Mr. Tang)
	Marek Grabowski	Sachiko Kai (Mr. Sekiguchi)
	Jonas Hällström	Maria Manasses (Ms. French)
	Merran Kelsall	Richard Mifsud (Ms. Kelsall)
	Charles Landes	Jon Rowden (Mr. Winter)
	Brendan Murtagh	Greg Shields (Mr. Wiersema)
	Marc Pickeur	Isabelle Tracq-Sengeissen (Mr. Gélard)
	Tomokazu Sekiguchi	Denise Weber (Mr. Montgomery)
	Jianhua Tang	
	John Wiersema	
	Bruce Winter	
	Megan Zietsman	
Apologies:	Annette Köhler	Sue Almond (Mr. Murtagh)
		Alexandra Popovic (Mr. Hällström)
		Jacques Vandernoot (Mr. Pickeur)

**Non-Voting Observers**

Present:	Linda de Beer, Norio Igarashi
Apologies:	Juan Maria Arteagoitia

**Public Interest Oversight Board (PIOB) Observer**

Present:	Julie Galbo
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**IAASB Technical Staff**

Present:	James Gunn (Technical Director), Sara Ashton, Beverley Bahlmann, Kathleen Healy, Jasper van den Hout, Brett James, Diane Jules,
Apologies:	Jim Sylph (IFAC Executive Director), Nancy Kamp-Roelands

## 1. Opening Remarks

Prof. Schilder welcomed the participants to the teleconference meeting, noting that the purpose of the meeting is to provide feedback for the Task Force as to whether the Board would support the Task Force's proposals for revised objectives for inclusion in ISA 720 (Revised). He welcomed incoming board members Ms. French, Mr. Grabowski, Mr. Tang, and Ms. Zietsman and noted apologies from Ms. Köhler and Mr. Arteagoitia.

## 2. ISA 720

Mr. Gélard introduced the topic, noting that the objectives have been revised in light of comments made by some members at the December 2013 IAASB meeting. Mr. Gélard highlighted that the concerns expressed could be briefly summarized as follows:

- The objectives should address the auditor's consideration of whether the other information is materially inconsistent with the financial statements, because such inconsistencies may undermine the credibility of the audited financial statements and the auditor's report thereon (including that an inconsistency may indicate that the financial statements are materially misstated).
- The objectives should focus the auditor on meeting the auditor's ethical obligations not to be knowingly associated with other information that is otherwise misleading.

A majority of members noted that the proposed objectives were generally responsive to the concerns raised, and expressed support for the direction proposed by the Task Force, subject to some further clarification. To this end, the Task Force was asked to consider several specific points, including:

- "Perform[ing] certain limited procedures to consider..." could be read as applying to the consistency check with the auditor's knowledge, whereas many members believed that it should only relate to the consistency check with the financial statements. It was also noted that this phrase suggested that procedures needed to be performed in order to "consider," which was not in keeping with past IAASB discussions and other ISAs that the term "consider" implied only an exercise of the mind. An IAASB member noted that the term "consider" may not be clear enough about what the auditor is required to do, and suggested use of an alternative term such as "evaluate," "determine," or "conclude."
- The word "limited" in "certain limited procedures" could be misconstrued as implying that limited assurance had been obtained. A suggestion was made that the phrase "certain specified procedures" could be used instead. It was also suggested that the use of "certain limited procedures" was too prescriptive and did not align with the ISA 720 work effort.
- While most members supported the use of the phrase "apparent material inconsistency," a few members believed that this threshold was too high or that the term "apparent" would not translate easily.
- Some members also noted that the placement of the statement "...because such an inconsistency may undermine the credibility of the financial statements and the auditor's report thereon" was confusing, as it was difficult to see how an inconsistency with the auditor's knowledge could undermine the credibility of the financial statements and the auditor's report thereon as users would not know what the auditor knew. A few members questioned whether this phrase needed to be in the objectives as it was not seen as essential. However, other members supported its inclusion,

noting that they found that this clarified the purpose of the auditor's work effort in regard to the other information.

- The proposed revised ISA should be clear about the usage of the phrase "the auditor's knowledge gained during the course of the audit" as a few members believed that all the auditor's knowledge needs to be applied, particularly with respect to the auditor's ethical obligations to not be associated with misleading other information.
- The objectives could be further simplified, perhaps by being less procedural. A few members noted that the objectives proposed in December 2013 were clearer, whereas the current proposal was lengthier and more complicated.

Mr. Gunn noted that Board Member Köhler, who was unable to join the teleconference, sent comments to staff which he brought to the attention of the Board. In brief, this member did not agree with the proposed objectives. Among other matters, this member noted that paragraphs (a) and (b) of the objectives mix up the auditor's responsibility for other information that undermines the financial statements, due to that information being materially inconsistent with the financial statements, with the auditor's responsibility for other information that is otherwise misleading. This member also noted that proposed objective of ISA 720 regarding reporting needs to be clear that the objective is not to provide comfort on the other information but to be transparent with the users about the association of the auditors with the other information.

#### CAG CHAIRMAN'S REMARKS

Ms. de Beer noted that the CAG had not had the opportunity to discuss the Task Force's revised proposals for the objectives of ISA 720, but would do so at its March 2014 meeting. She noted that the CAG's past discussions had focused on whether the proposed objectives are raising the bar above the extant ISA. She noted that, while some members had called for the objectives to be less procedural, the Board may need to be pragmatic to address the concern raised by Board members before that previous versions of the objectives created uncertainty and could lead to different interpretations by auditors applying the standard.

#### PIOB OBSERVER'S REMARKS

Ms. Galbo noted that the PIOB had a number of concerns about the draft. She noted that it was unclear what some of the terms mean, such as "certain limited procedures," "apparent," and "material inconsistency." She added that the objectives did not seem to address the auditor's required actions, the timing of those actions, and the reporting thereon. She also added that the objectives were not clear, and that the lack of clarity was not in the public interest. She concluded by noting that, while a lot of work has been done, the PIOB believes there is more work to be done prior to finalizing the proposed ISA.

In response, Mr. Gélard and Mr. Montgomery noted that the topic for discussion was limited to the objectives, and the refinements and subtlety of the standards are not reflected in that single paragraph. They noted that the full ISA will be presented at the March 2014 IAASB meeting.

### **3. Next Meeting**

The next meeting of the IAASB is scheduled for March 17–21, 2014 in New York, USA.

Prof. Schilder noted that the minutes of the December 2013 IAASB meeting and this teleconference meeting would be approved at the March 2014 IAASB meeting.

**4. Closing**

Prof. Schilder thanked the IAASB members, technical advisors, observers and staff for their contributions to the meeting. He then closed the meeting.