

**Draft Minutes of the 60th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD**

Held on December 9–13, 2013 in New York, USA

Voting Members

Present: Arnold Schilder (Chairman)
Dan Montgomery (Deputy Chair)
Arch Archambault
Jean Blascos
Jianshen Chen
Valdir Coscodai
Cédric Gélard
Jon Grant
Jonas Hällström
Merran Kelsall
Annette Köhler
Charles Landes
Caithlin Mc Cabe
Brendan Murtagh
Marc Pickeur
Tomokazu Sekiguchi
John Wiersema
Bruce Winter

Technical Advisors

Sue Almond (Mr. Murtagh) (December 9 -12)
Brantley Blanchard (Ms. Mc Cabe)
Wolf Böhm (Ms. Köhler)
Karin French (Mr. Archambault)
Alejandro Gonzalez (Mr. Coscodai)
Marek Grabowski (Mr. Grant)
Hiram Hasty (Mr. Landes)
Susan Jones (Mr. Blascos)
Sachiko Kai (Mr. Sekiguchi)
Richard Mifsud (Ms. Kelsall)
Alexandra Popovic (Mr. Hällström)
Jon Rowden (Mr. Winter)
Greg Shields (Mr. Wiersema)
Isabelle Tracq-Sengeissen (Mr. Gélard)
Jacques Vandernoot (Mr. Pickeur)
Denise Weber (Mr. Montgomery)

Apology: Ge Zhang (Mr. Chen)

Non-Voting Observers

Present: Linda de Beer (December 9 – 12), Norio Igarashi
Apology: Juan Maria Arteagoitia

Public Interest Oversight Board (PIOB) Observer

Present: Michael Hafeman

IAASB Technical Staff

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

1. Opening Remarks

WELCOME AND INTRODUCTIONS

Prof. Schilder welcomed the participants to the meeting. He noted that all Board members and technical advisors were in attendance, except technical advisor Mr. Zhang who has given his apology. He welcomed Mr. Hafeman, observing the meeting on behalf of the PIOB, Ms. de Beer, observing on behalf of the IAASB Consultative Advisory Group (CAG), and Mr. Igarashi, observing on behalf of the Japanese Financial Services Agency. He noted apology from Mr. Arteagoitia, the European Commission (EC) observer.

Prof. Schilder extended a special welcome to the public observers at the meeting. He also welcomed Ms. Ashton and Mr. van den Hout, who recently joined the IAASB staff.

Prof. Schilder provided an overview of the agenda for the meeting, and thanked the task forces and staff for their work in preparing the meeting papers.

RECENT DEVELOPMENTS

Prof. Schilder invited Mr. Montgomery to briefly comment on feedback received so far on the IAASB's Auditor Reporting Exposure Draft, the comment deadline for which closed on 22 November 2013. Mr. Montgomery noted that approximately 125 comment letters were received to date, which are now on the IAASB website, and that a few more are still expected. He noted that, in general, the responses were encouraging and indicated broad support for the overall direction of the proposals, as well as the importance of a global solution. As would be expected, however, some respondents expressed concern or disagreement with aspects of the proposals, and many put forward useful suggestions for consideration. Amongst other matters, he noted that there was overall support for the inclusion of Key Audit Matters in the auditor's report, though there are some concerns about whether enough specificity and guidance had been provided in determining and communicating Key Audit Matters. In respect of the topic of auditor reporting on going concern, he noted that, in general, many respondents reiterated the importance of a holistic approach involving the International Accounting Standards Board (IASB). Mr. Montgomery noted that the Drafting Teams have yet to fully study the comments received, which they will do as they prepare for IAASB and CAG discussion on the topic at the March 2014 meetings.

Prof. Schilder noted that the IASB Liaison Working Group provided comments to the IASB on its exposure draft on Insurance Contracts and its exposure draft on Leases and continues to be active in its efforts to provide comments to the IASB on auditability concerns. Then, he thanked Mr. Sekiguchi for his continuing leadership and work liaising with the IASB.

Prof. Schilder reported that there were now 92 jurisdictions using, or committed to using, the clarified ISAs, as Palestine and Vietnam have recently been added. He noted the prospect of reaching 100 by the end of 2014, with specific mention of ongoing developments in Russia, Latin America, the "francophone" jurisdictions in Africa, and the remaining jurisdictions in Europe.

Prof. Schilder noted recent presentation and outreach activities involving many of the Board members and technical advisors, and the current program of upcoming outreach activities. He encouraged the members to continue their respective outreach efforts.

2. Minutes

The IAASB approved the minutes of the September 2013 meeting.

3. ISA 720

Mr. Gélard introduced the topic, summarizing the activities and discussions of the Task Force since the last IAASB meeting. He then led the Board through discussion of the issues and proposals set out in the agenda material.

OBJECTIVES AND WORK EFFORT

Mr. Gélard highlighted the changes proposed to the objectives and work effort, which were developed taking into account comments received from the IAASB and the CAG in September 2013, and with consideration of draft proposals put forward by the U.S. Public Company Accounting Oversight Board (PCAOB).

Objectives

In regard to the proposed objectives, some IAASB members supported the Task Force proposals, noting that the current draft was a significant improvement over the exposure draft. Other IAASB members, however, did not support the objectives. Amongst other matters, the following was noted:

- Some IAASB members noted that they believe that the auditor's ultimate purpose for dealing with other information as part of the audit of the financial statements is to avoid having the other information undermine the credibility of the audited financial statements or the auditor's report, and that an ancillary objective is to avoid the auditor's association with other information that is otherwise misleading. They did not, therefore, support the removal of the concept of inconsistency with the audited financial statements as they believed this helped explain the ultimate purpose of the standard. They also noted that the purpose of an audit of financial statements is not to provide comfort on other information to users. Further comments included that the term "material misstatement of the other information" in the objectives focuses on the other information, rather than on the impact of the other information on the credibility of the audited financial statements or the auditor's report, and may lead to an inappropriate increase in work effort, increase the expectations gap, and thereby also additional legal risk. For these reasons, these members do not support the use of the term "material misstatement of the other information" in the objective and would prefer the objective to either explicitly or implicitly use the term "apparent material inconsistencies".
- By contrast, other IAASB members supported the Task Force's proposed exclusion of the term "inconsistency". IAASB members variously noted that the term "inconsistency" was inadequate to cover all potential problems with the other information that may be detected by the auditor applying an intelligent read. IAASB members also highlighted that users may be more focused on whether the other information has a problem – rather than the mechanism by which the auditor detected the problem. Further comments included that the auditor's ultimate objective was to add confidence to users about whether the auditor knows that the other information is inconsistent with what they know about the entity, and that the concept of inconsistencies with the financial statements is fully covered within the concept of a material misstatement of the other information. Finally, it was noted that focusing on inconsistencies with the audited financial statements would result in losing the focus on

inconsistencies with the auditor's knowledge, which was one of the major improvements of the project to revise ISA 720¹.

- It was suggested that the Task Force consider the extent to which the use of the extant ISA 720 construction and focus on other information that undermines the credibility of the audited financial statements could assist in clarifying the objective.
- An IAASB member expressed the view that ISA 720 (Revised), as an auditing standard, must be focused on the credibility of the financial statements and, therefore, did not support the reordering of the objective. A few IAASB members also noted that the objective of ISA 720 appeared to go beyond the overall objective of the auditor as described in ISA 200.² It was also noted that all ISAs address the financial statement audit, but this standard is focused on the implication of other information so it would be anomalous to draft ISA 720 (Revised) to focus on the effect on the audited financial statements.
- An IAASB member noted that it could be argued that the current drafting of ISA 720 (Revised) implied that the overall objective of the auditor is to perform the audit of financial statements plus some minimum procedures to enhance the credibility of the other information – which would increase the scope of the audit. Other IAASB members disagreed, noting that the work on the other information did not imply additional audit procedures on top of those required to perform an audit of financial statements.

Amongst other matters, it was also noted that:

- The use of “inconsistencies” in the introduction section of the standard was confusing given that the term was not otherwise used.
- The use of “apparent” material misstatement could be read to mean an “obvious” material misstatement. On the other hand, its use is critical in signaling the different work effort when considering whether a material misstatement exists in the other information in contrast to when the auditor considers the possibility of a material misstatement in the financial statements. The term is also used in extant ISA 720 to this effect in relation to material misstatements of fact.

Discussion of an Alternative Approach to the Objective

The IAASB discussed an outline of an alternative approach to the objective to be stated in the standard, which specifically referred to the auditor's ethical obligations and the concept of inconsistency with the financial statements. Supporters of this version noted that, in their view, this alternative approach would produce an objective that was aligned with the overall objective of the auditor in ISA 200. Some IAASB members preferred the Task Force's approach, noting that the alternative approach was more about the IAASB's objective in developing ISA 720 (Revised), rather than the auditor's objective in performing work under the standard.

Members agreed that the objective of ISA 720 (Revised) is not to enhance the credibility of the other information, although this may be a by-product of the work effort and reporting proposals. The Task Force was also asked to try to avoid the reference to procedures in the objective.

¹ ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

² ISA 200, *Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing*

Work Effort

In regard to the auditor's work effort, to further explore members' views, the IAASB discussed an example of other information and shared perspectives on what work effort would be expected, and the implications for the work effort in proposed ISA 720 (Revised). The IAASB then discussed the Task Force's proposals, as well as the alternative work effort requirements described in the Board's agenda material. The approach for the alternative work effort requirements focused on a greater separation of other information between that related to the audited financial statements and the remainder of the other information, with different work efforts attaching to each category.

Some IAASB members supported the Task Force proposals, noting that the current draft was a significant improvement over the exposure draft. Other IAASB members, however, did not support the proposed work effort and expressed concerns about the work effort and the lack of specificity about the categories of items related to the audited financial statements and unrelated to the audited financial statements. Amongst other matters, the following was noted:

- An IAASB member expressed the view that the only work effort that the auditor should be required to perform in addition to looking for inconsistencies with the audited financial statements is if the auditor "stumbles across" a potential issue in the other information as a result of their reading of the other information. The member preferred a clear separation between the issues of dealing with inconsistencies with the audited financial statements, association with misleading other information, and a higher work effort on the other information itself, which might be best addressed by separate standards.
- On the other hand, it was noted that the IAASB had previously decided to move beyond a "stumble across" on the remainder of the other information. It was also noted that the IAASB had supported the concept of an intelligent read of the remaining other information, which is more than a stumble across, but noted that there is no real procedure for the auditor to perform other than reading the other information in light of the auditor's understanding.
- The material addressing circumstances when the auditor becomes aware of a matter that has implications for the auditor's risk assessment could be interpreted to mean that the ISA 720 (Revised) work effort must take place before the date of the auditor's report as otherwise the auditor may not have sufficient appropriate audit evidence.

Several IAASB members expressed support for the Task Force's alternative model, noting that it bifurcated the work effort more clearly than the proposed approach.

Prof. Schilder summarized the discussion by noting that the purpose of an audit of financial statements has not changed, but that audits are carried out in a different environment with greater emphasis on disclosures accompanying the audited financial statements. He noted that users' confidence in the audited financial statements could be damaged if the other information is misleading. He added that ISA 720 (Revised) is a standard on other information within the context of an audit of financial statements, and that intelligent reading of the other information is central to ISA 720 (Revised). He also noted that the concept of limited procedures may be worth exploring and that while the auditor's association with misleading other information needs to be recognized, it was not the central focus of the revision of ISA 720. Finally, he encouraged the Task Force to further develop the alternative work effort as this seemed to receive support from IAASB members.

Discussion of Revised Work Effort Proposals

Taking into account members' comments, the Task Force provided the IAASB with a revised draft of the key work effort requirements and related application material.

Some IAASB members supported the revised work effort requirements, noting that the use of three categories of other information, with associated work effort requirements, greatly clarified the proposed work effort. Others did not agree, and preferred a separation between the concept of an inconsistency and other types of misstatements.

In addition to editorial comments, other significant comments included that:

- The term "apparent material misstatement" should be reinstated as this was an important signal that the auditor was not required to search for material misstatements in the other information.
- The term "knowledge gained during the course of the audit" would include knowledge gained by experts, and this was seen to be too broad. However, others supported the term, noting that the Task Force has tried several alternatives and that this was the best term identified to date.
- The term "there may be a material misstatement of the other information" set too low a bar.
- The use of three categories was supported by some members, while others believed there should only be only two categories; other information that is related to the audited financial statements and other information that is unrelated to the audited financial statements.
- The application material addressing professional judgment should be integrated into other paragraphs to provide greater clarity about the considerations that may be taken into account.
- The application material addressing other information that is unrelated to the auditor's knowledge gained during the course of the audit should be further clarified to make clear that procedures are not required.

The Task Force was asked to continue with the three category approach, but to attempt to clarify the boundaries of each category.

DEFINITION OF A MISSTATEMENT OF THE OTHER INFORMATION

Some IAASB members supported the proposed term "material misstatement of the other information" and the revised definition, noting that it was broad enough to cover both inconsistencies and other errors in the other information. Among other matters, IAASB members variously noted that:

- The definition should include reference to the context in which other information is judged, that is with the knowledge that users also have the financial statements from which to gain information. In addition, reference to judgments about materiality may need to include the concept that misstatement could be material individually or in the aggregate.
- Some jurisdictions may prefer that the term "material misstatement of the other information" appear in the auditor's report, rather than the summarized description, as the term itself is commonly understood.

Discussion of Revised Proposals

Taking into account members' comments, the Task Force provided the IAASB with a revised draft of the definition of a misstatement.

The revised definition was supported by some IAASB members. It was seen to recognize the reality for users that the other information was only part of a larger set of information. However, some IAASB members noted variously that materiality judgments should only be made with reference to the other information itself, that the definition appeared to contain an implicit requirement, and that the ISA should separately address inconsistencies between the other information and the audited financial statements as this was difficult to identify in the proposed definition of a misstatement.

SCOPE

The IAASB broadly supported the Task Force's proposals, noting that the proposed scope of ISA 720 (Revised) was much clearer than previous versions. The Task Force was asked to consider the following points:

- While supporting the Task Force's proposals regarding Pillar 3 reports, the use of the term 'prepared for the regulator' in reference to reports prepared in the banking industry should be reconsidered as reports such as the Pillar 3 reports are prepared to improve market discipline rather than for the regulator.
- Whether the application material supporting the definition of an annual report should be focused on the frequency and purpose of annual reports. An IAASB member also noted that the application material appeared to exclude special purpose financial reports from the scope of the standard.
- Whether the term "annual report" could be used instead of "other information." It was noted that there may be no document legally known as the "annual report" and so a more generic concept was needed.
- Whether the term "accompany" in paragraph A4 is needed in light of the revised scope. Mr. Gélard noted that 'accompany' is to allow for when the other information comprises a combination of documents.
- Whether the material addressing public sector and not for profit entities was necessary, as members with experience in the public sector did not find that it provided useful guidance as drafted.

REPORTING

The IAASB discussed the Task Force's proposed version and the alternative version outlined in the agenda material. Some IAASB members expressed the view that an explicit conclusion aided readers' understanding of the issue. Others liked the alternative version's approach of not providing an explicit conclusion. After further debate, the IAASB asked the Task Force to continue to proceed with an explicit conclusion on the other information.

Among other matters, the Task Force was asked to consider the following points:

- The identification of the other information in the report should be more explicit, with further application material provided to clarify what is expected.
- Professional judgment should also be referenced in the illustrative sections of the auditor's report.
- Application material should make clear that the auditor is not required to disclose original information about the entity.

Implications of Other Information Received After the Date of the Auditor's Report

The IAASB discussed the implication of other information received after the date of the auditor's report. Some IAASB members noted that the current drafting lacked clarity on what was expected, and different views were expressed about whether the ISA should mandate reporting in such circumstances. An IAASB member suggested that the auditor's report should specify the other information read and indicate the other information expected to be read after the date of the auditor's report. It was noted, however, that even if the auditor expects to receive other information after the date of the auditor's report, the entity may never issue such other information.

Mr. Gélard noted that the extant ISA 720 includes other information received after the date of the auditor's report in scope, and that it was the reporting on such other information that is difficult to resolve due to the lack of common legal frameworks for reissuing or dual-dating an auditor's report. An IAASB member suggested that the auditor who receives other information after the date of the auditor's report could be exempted from performing subsequent events testing, which would make reissuing the auditor's report more practical.

It was also noted that further guidance on the relationship between other information and subsequent events may be needed, and possibly an amendment to ISA 560,³ as the link to ISA 560 was not immediately apparent to some readers of the ISA.

Prof. Schilder noted that the other information may only be received months later, which would create difficulties, such as the need to extend subsequent events testing and whether a revised report would be useful after such a long period. He noted that further study of the practical aspects of the issues raised is needed, and asked that the Task Force further refine the requirements and application material related to other information received after the date of the auditor's report.

Mandatory Reporting on Other Information

The IAASB discussed whether application material should specify that no other information section is needed in the auditor's report if no other information is received. Some IAASB members supported the Task Force's approach of not mandating reporting in such circumstances, noting that this would create difficulties in some jurisdictions. Others noted that the other information may never be issued, so mandating reporting would risk misleading users.

PIOB OBSERVER'S REMARKS

Mr. Hafeman noted that it is in the public interest for ISA 720 (Revised), when finalized, to be clear about what is expected from the auditor when the other information is received after the date of the auditor's report. He noted that it should also be clear to users what the auditor has done, and that if the auditor has not received any other information then the report should say so. He also commented that the IAASB could mandate reporting in the public interest, recognizing that it may be overridden by national law or regulation.

³ ISA 560, *Subsequent Events*

CAG CHAIRMAN'S REMARKS

Ms. de Beer noted that the CAG had previously expressed concern that the scope section was too judgmental, but she noted that the scope section was much improved now. She also noted that the lack of explicit criteria to determine materiality of a misstatement of the other information was not a concern, as the auditor was not expressing any assurance on the other information.

WAY FORWARD

The Task Force was asked to present a revised draft of ISA 720 (Revised) for possible approval at the March 2014 IAASB meeting. The Task Force was also asked to consider whether a Board teleconference would assist in preparing for the March 2014 IAASB meeting.

4. Strategy

Prof. Schilder explained the Task Force's efforts to revise the draft consultation paper addressing *The IAASB's Proposed Strategy for 2015–2019* (Strategy) and *The IAASB's Proposed Work Program for 2015–2016* (Work Program). He added that general support was also noted during recent outreach with interested stakeholders.

Acknowledging the IAASB's general support at its September 2013 meeting for the themes and projects, Prof. Schilder noted that the Task Force had sought to further enhance the draft Strategy by specifying key strategic messages, and moving away from a focus on delivering projects. He explained that the Task Force was of the view that splitting the document into separate Strategy and Work Program documents would assist in the messaging. He added that the Work Program had also been revised to reflect a more balanced, but achievable, Work Program, which focuses on fewer projects with a view towards completing these initiatives by mid-2017. Using the clarified factors in the Strategy about how projects were selected for prioritization, the Task Force had identified the following priorities in 2015–2016:

- Quality control.
- Professional skepticism.
- Special audit considerations relevant to financial institutions.

With regard to the overall document, the majority of the Board supported the approach to separating the Strategy from the Work Program, with many noting a significant improvement of the articulation around the IAASB's future Strategy. As a few members noted that it would be helpful for respondents to understand upfront not only the purpose of the Consultation Paper but also what matters they were being asked to address in their responses, the IAASB agreed the Consultation Paper should include an Executive Summary.

Prof. Schilder also explained that, in separate breakout sessions to be held during the week's meeting, the IAASB would start consideration of opportunities to improve the efficiency and effectiveness of Board and Staff activities, as a means of enhancing capacity in delivering outputs. The breakout sessions are intended to facilitate an informal exchange of views and ideas.

STRATEGY

In addition to editorial comments, the IAASB agreed the following changes to the proposed Strategy:

- Providing more information about the CAG upfront, as the CAG is an important input to the IAASB's processes.
- Providing a clearer link to explain how the international environment influences the work of the IAASB.
- Further refining the strategic objectives.
- Clarifying that the IAASB will continue to monitor the implementation and use of the ISAs, notwithstanding that there is not a specific ISA Implementation Monitoring project for this.
- Highlighting the importance of work by the NSS, IFAC member bodies and other professional organizations, and the monitoring by the IAASB of the developments that may impact its work.

WORK PROGRAM

Differing views were expressed by IAASB members on both the approach taken in revising the Work Program (i.e., fewer projects using more resources), and how the topics that had been prioritized were presented. An IAASB member was of the view that the proposed Work Program was not ambitious enough, while others questioned the interaction of the "initial activities" in the proposed Work Program for 2015–2016 with the work planned to commence from 2017 onwards. Specifically, concern was expressed by several IAASB members about delaying the commencement of a project on ISA 600,⁴ in light of feedback during the ISA Implementation Monitoring project, as well as from regulators. Prof. Schilder explained that further work is needed to assess the most appropriate actions to address concerns and issues relating to group audits. The IAASB agreed that the proposed Work Program should more clearly explain the information-gathering activities in relation to ISA 600 that would commence in the 2015–2016 period, to attach a sense of urgency to the IAASB's work on what is seen to be a priority project in 2017.

A few IAASB members also suggested that presenting the projects likely to commence in 2017 and beyond together with those topics to be prioritized in 2015–2016 may blur the IAASB's initial priorities and could be incorrectly interpreted that the Board would be starting activities on all these areas in the near term. In addition, several IAASB members noted that it was difficult to assess the timing of the completion of the Board's initial priorities, as well as the implications of projects currently in process that would carry over into 2015.

The PIOB observer, Mr. Hafeman commented that the approach of splitting the strategy and the work program seems useful. However, he suggested that the work program would benefit from more information on prioritization, starting and completion dates, and the estimated resources required for the various projects. He stated that without such information it will be difficult for the PIOB to judge whether the work program is sufficiently complete. Also, he noted that although the strategy involves focusing resources on fewer projects, members earlier in the session mentioned a number of projects that they thought should be dealt with sooner, so providing more information will help in deciding what is achievable in the work program.

⁴ ISA 600, *Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)*

The IAASB agreed to recharacterize the tables within the document to focus on (i) the priorities and actions the IAASB expects to undertake in 2015–2016 and their possible/expected outputs (now referred to as “Table A”); (ii) other projects the IAASB believes should be addressed in 2017 and beyond (to be subject to a separate consultation in mid-2016) in light of its proposed strategic objectives (included as “Appendix 1”) and (iii) the indicative timing of projects both in the Work Program for 2015–2016 and those likely to be undertaken in 2017 and beyond (included as “Appendix 2”).

Other Matters

In addition to editorial comments, the IAASB agreed the following changes to the proposed Work Program:

- Making clear the possible outcomes from a project on special audit considerations relevant to financial institutions.
- Explaining upfront for each project why it was important that the project be prioritized.
- Acknowledging that understanding behavioral impacts would be an important component on the work on the topic of professional skepticism, as would the planned work on ISQC 1.⁵
- Including a diagram to illustrate the various approaches that the IAASB may undertake in relation to individual projects or topics, as a means of providing an overview of the potential stages of a project and the time needed to develop or revise standards.

CAG CHAIRMAN’S REMARKS

Ms. de Beer prefaced her comments by highlighting that the CAG has obviously not yet seen the reworded proposal and hence has not yet had the opportunity to consider them and comment. However, she anticipated that there would be support for the 3 flagship projects, which are aligned with previous CAG comments, in particular the proposed projects on audits of financial institutions and the topic of professional skepticism, which received strong CAG support.

From a drafting point of view she commented that the “maintain support” section for the first key performance indicator was unclear and the focus should be on the global adoption of ISAs.

APPROVAL

After agreeing the necessary changes, the IAASB approved the Strategy and Work Program for consultation with 18 affirmative votes out of the 18 IAASB members present. The IAASB agreed the consultation paper should be issued for public comment through April 4, 2014.

5. Audit Quality

Mr. Grant introduced the topic and highlighted some recent developments relating to the project including:

- A recent update on the PCAOB’s project on audit quality that had included a new definition of audit quality and examples of possible Audit Quality Indicators. He noted that the PCAOB appeared likely to issue a Concept Release in the near future.

⁵ ISQC 1: *International Standard on Quality Control International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

- Guidance on audit quality for audit committees issued by Foundation of Economic Education, Canadian Institute of Chartered Accountants/ Canadian Public Accountability Board and Deloitte.
- A research paper on professional skepticism of auditors in Australia and Egypt.

Mr. Grant also noted that the IAASB's project on audit quality had been discussed by both the International Ethics Standards Board for Accountants and the International Accounting Education Standards Board (IAESB) at recent meetings.

Mr. Grant noted that the IAASB had made good progress in discussing the Framework for Audit Quality (AQ Framework) at its September meeting and that a recent Task Force meeting had focused on addressing the various issues raised. He also noted that a number of detailed drafting points had been received from IAASB members in advance of the meeting and encouraged others to provide detailed drafting suggestions directly to staff.

LENGTH OF THE DOCUMENT

Mr. Grant noted that the Task Force had adopted the suggestion to have the detailed explanation of the various input attributes be presented in an Appendix to the AQ Framework.

There was discussion about whether an executive summary could usefully be prepared. In the view of the Task Force it would be very difficult to provide a meaningful summary within the AQ Framework itself and that this was best done using an alternative mechanism such as an 'At a Glance'. The IAASB agreed that having a contents page would be helpful, and that the first section of the AQ Framework would be renamed "Overview."

STATUS AND TITLE

In relation to the non-authoritative status of the AQ Framework, an IAASB member suggested that terms such as "need to" should be removed from the document as this may create the impression of requirements.

There was discussion about the placement of the Framework in the Handbook. Mr. Grant mentioned that the placement of the AQ Framework in the Handbook had not been discussed during Task Force meetings and that the Task Force would be content to defer to staff's decision on this matter. An IAASB member asked whether, if the AQ Framework was to be included in the Handbook, this would change its status from that exposed for consultation and that this would therefore trigger a need for re-exposure. The IAASB concluded that re-exposure would not be necessary and re-affirmed its intent for the AQ Framework to be non-authoritative.

Prof. Schilder suggested that the AQ Framework should be included in the Handbook as it was a high quality paper on which the IAASB spent much time on discussion and consultation, including with the CAG. Mr. Gunn, however, noted a concern about the volume it would add to the Handbook. Another IAASB member observed that if it was to be included in the Handbook, there would be a need to update it on a regular basis.

BALANCE OF THE DOCUMENT

Mr. Grant observed that the balance of the document had been discussed in September and it had been agreed that no substantive change was needed. There had, however, been suggestions on how the main diagram might be improved.

The Task Force had made changes to diagram as a result. IAASB members had varying views on the new diagram and in particular what should be represented in the middle. Prof. Schilder mentioned that there were views that having the auditor in the middle would give too much prominence, but on the other hand it was clear that regulators preferred the focus to be on the auditor. The option of having audit in the middle was also discussed. After discussion it was decided to keep audit quality in the middle as the whole AQ Framework is about audit quality. There was support for separating the process factors from the input factors.

DEFINITION OF AUDIT QUALITY

At the September meeting the IAASB had made suggestions as to how the paragraphs discussing audit quality and quality audits might be improved. These had been implemented by the Task Force. Additional drafting comments were suggested and agreed upon.

CONTEXTUAL FACTORS

As a result on responses to the Consultation Paper, additional contextual factors had been added to the AQ Framework. There had been support for this approach from both the CAG and the IAASB in September. Based on comments received at those meetings, the Task Force had decided to remove the distinction between factors affecting the quality of financial reporting from those affecting audit quality more directly. Some additional detailed comments on different contextual paragraphs were made and changes agreed.

ROOT CAUSE ANALYSIS

One particular response to the Consultation Paper had encouraged the IAASB to include guidance within the AQ Framework dealing with root cause analysis. Mr. Grant explained that the Task Force had discussed this and concluded that this was a complex issue that required more consideration than was possible within the timeframe of the project and this was best addressed as part of any future revision of ISQC 1. An IAASB member mentioned that root cause analysis can be performed at different levels and that engagement at the right time is important to improving audit quality. Another expressed concern in regard to smaller organizations having to perform root cause analysis.

CAG CHAIRMAN'S REMARKS

In regard to the placement of the AQ Framework in the IAASB's Handbook, Ms. de Beer noted that while the Handbook would give prominence to it for auditors, it was unlikely to be accessed by other stakeholders through the Handbook. She suggested that, to stimulate the use of the AQ Framework among as many organizations as possible, the IAASB should consider a separate publication.

Ms. de Beer noted a concern that the auditor has been removed from the middle of the diagram, which creates the impression that the auditor is just one role-player in audit quality. The comment was made at many occasions at the CAG that, despite a poor regulatory framework, a lack of high quality management, etc. audit quality should still be achieved.

FUTURE WORK

Ms. Kelsall made a presentation on the Task Force's views about future work on the AQ Framework. It was planned that the work would be taken forward by a smaller task force and staff. After the communication around the initial launch it was planned that a stakeholder mapping exercise would be performed to identify further priorities in outreach. IAASB members were positive about the future work plan. An IAASB member noted that two particular projects would be especially important: stimulating organizations to develop user guides to audit committees using the AQ framework and monitoring the measurement of audit quality.

Mr. Grant raised the question about whether there should be more coordination within IFAC to take the AQ Framework forward across a broad front, including possible action on some or all of the areas to explore noted in the Consultation Paper. Prof. Schilder confirmed that he will raise this point further in the IFAC Council Meetings.

It was also observed that NSS have an important role in promoting and advancing the AQ Framework. Prof. Schilder confirmed that the AQ Framework would be discussed at the next meeting of the NSS. In addition, it will be a topic to be covered at the World Congress of Accountants 2014. An observer expressed the view that audit quality should not be an isolated topic and that all stakeholders should be encouraged to think about their role in improving audit quality. It was concluded that IAASB has an important coordinating role in stimulating other organizations to use the AQ Framework in their activities.

The PIOB observer, Mr. Hafeman, stated that it will be important to identify responsibilities for taking action for promoting the AQ Framework, because just publishing it is unlikely to accomplish much. He responded affirmatively to Prof. Schilder's suggestion that the PIOB might help by drawing attention to the Framework in its public report.

APPROVAL

Mr. Gunn summarized the due process followed in developing the Framework, which included public exposure, discussion with the IAASB CAG at the various stages of the project and bringing comments received from the CAG to the attention of the IAASB. He drew attention to the agenda material noting the Task Force's view that it has reflected all significant matters as a result of its deliberations in the issues papers presented to the IAASB at its meetings, and its view that further consultation either to further inform the IAASB on a specific matters or as a result of the changes from the proposed Framework, which were not fundamental in nature, is not necessary.

After agreeing the necessary changes, the IAASB approved the "Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality" with 18 affirmative votes out of the 18 IAASB members present, and confirmed that re-exposure on the document is not warranted.

6. Disclosures

Mr. Archambault introduced the topic, noting that input from the IAASB and IAASB CAG from the respective September 2013 meetings, as well as input from the Small and Medium Practices Committee on the proposed changes to the ISAs relating to auditing disclosures, had been very helpful. He added that consideration had been given to this input, and the Task Force had continued to improve the proposed changes to help drive auditor behavior when auditing disclosures.

Mr. Archambault noted that the changes to the ISAs that are being proposed are intended to address the significant issues that had been raised by respondents to the 2011 Discussion paper, *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications*, including:

- Additional application material in ISA 300,⁶ to focus auditors on disclosures early in the audit process so that sufficient time is planned.
- Additions to ISA 300 and ISA 315,⁷ including examples, to emphasize auditor considerations about disclosures that are generated by systems and processes that are not part of the general ledger system.
- Changes to ISA 320,⁸ in both the requirements and the application material, to clarify that the concept of materiality applies to non-quantitative disclosures.
- Changes to the existing assertions for ‘presentation and disclosure’ in ISA 315 by combining the assertions for presentation and disclosure with the assertions for classes of transactions and events, and account balances. He explained that, as they were interrelated, combining them would help auditors to apply them more effectively. He added that further guidance in ISA 315 had also been proposed for those disclosures that are not directly related to classes of transaction and events, or account balances. Mr. Archambault explained that there was no longer an assertion for ‘presentation’, but added that further guidance on the auditor’s consideration of the presentation of the financial statements had been added to ISA 700,⁹ as it was at this stage of the audit that the auditor would be able to fully consider presentation. He also noted that considerations around presentation had not been eliminated from planning as it was still contemplated in ISA 330,¹⁰ paragraph A59.
- Improving the definition of financial statements to help make clear the meaning of “disclosures”.
- Adding application material in ISA 450,¹¹ for accumulating and evaluating misstatements in disclosures, in particular for non-quantitative disclosures.
- Conforming changes to ISA 580,¹² to be consistent with the changes being proposed to ISA 210¹³.
- Expanding the application material in ISA 700 relating to the evaluation of the financial statements, including the “stand-back” review, to provide more guidance for auditors on this critical aspect of the audit. Mr. Archambault explained, notwithstanding that the Task Force had previously proposed changes to the requirements in ISA 700, that on further reflection the requirements are sufficiently robust, and that the Task Force believed more guidance on the application of these requirements was needed.

⁶ ISA 300, *Planning an Audit of Financial Statements*

⁷ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

⁸ ISA 320, *Materiality in Planning and Performing an Audit*

⁹ ISA 700, *Forming an Opinion and Reporting on Financial Statements*

¹⁰ ISA 330, *The Auditor’s Responses to Assessed Risks*

¹¹ ISA 450, *Evaluation of Misstatements Identified during the Audit*

¹² ISA 580, *Written Representations*

¹³ ISA 210, *Agreeing the Terms of Audit Engagements*

Mr. Archambault also noted that the Task Force was continuing its efforts to follow the IASB efforts on disclosures. He added that the IASB was in the process of developing short- and medium term strategies to address concerns about how financial information is disclosed, including amendments to International Accounting Standard (IAS) 1,¹⁴ and the establishment of a Working Group, with participation from both the IAASB and the International Organization of Securities Commissions, to further consider guidance on materiality for disclosures. The IASB has also planned medium-term steps that may result in a fuller revision of the disclosure requirements in International Financial Reporting Standards (IFRS). Mr. Archambault emphasized that as part of the disclosures project, the Task Force will continue to actively follow developments in this area. He added that the Task Force, at its October Task Force meeting, had received an update from IASB Staff, which allowed Task Force members to understand the activities of the IASB in this area, as well as enabling a sharing of views on some areas of concern such as materiality. Mr. Archambault also explained that members of the Task Force, as well as Staff, were participating in the IASB's Working Group on its materiality initiative, and that the Working Group was in the process of developing the scope of a possible project in this area for presentation for the IASB's consideration in 2014.

General concern was again raised by a few IAASB members about the disruption that may be caused by 'opening up' various ISAs for amendments from this project, with some of the same ISAs under consideration for change in both current IAASB projects, as well as possible IAASB projects in the future work program. Mr. Archambault noted that at present the only project that was currently underway that would affect the same standards are proposed amendments, in particular to ISA 260¹⁵ and ISA 700, as part of the auditor reporting project. He explained that the decision about the effective date for the changes to the ISAs from the disclosures project would consider the effective dates of any changes arising from the auditor reporting project, and that these would be coordinated where possible to avoid disruptions. He also added that other future possible projects on some of the same ISAs, such as a possible project to revise ISA 315, planned in the future strategy, is at this time both a long way off and also uncertain in timing.

IAASB COMMENTS ON SPECIFIC ISAS

IAASB members generally agreed with the proposed changes, but noted various editorial changes as well as several areas where further Task Force consideration was needed, including:

- ISA 200—further reflection on the proposed changes to the definition of financial statements, in particular relating to consistency with ISA 700 and the use of commonly understood terms in the definition.
- ISA 210—whether the proposed enhancement for management's responsibility to provide support for disclosures should be extended beyond disclosures.
- ISA 300—providing more relevant examples of matters that the auditor could identify by considering disclosures earlier in the audit process.
- ISA 315—clarifying the level at which risk assessment relating to disclosures is performed, i.e., whether this is done at the individual disclosure level or a higher level.

¹⁴ IAS 1, *Presentation of Financial Statements*

¹⁵ ISA 260, *Communication with Those Charged with Governance*

- ISA 320—revising the wording of the new requirement relating to applying the concept of materiality to non-quantitative disclosures. A few IAASB members had the view that the consideration of non-quantitative disclosures was better placed in ISA 315, where the concept of materiality is operationalized, while others agreed that ISA 320 was appropriate, but that the construct and wording of the requirements should be further considered. An IAASB member noted that documentation requirements relating to the proposed changes had not been explicitly addressed.
- ISA 330—aligning the changes proposed in the requirement, relating to reconciling the financial statements with the underlying accounting records, to ISA 315.
- ISA 330—re-considering the guidance on the adequacy of presentation and disclosure to align it with its underlying requirement.
- ISA 450—adding guidance on how misstatements of amounts in the notes to the financial statements are accumulated.
- ISA 450—Distinguishing between a compliance framework and a fair presentation framework in the proposed new examples of a misstatement.

Mr. Archambault agreed that the Task Force would further consider these matters.

In relation to the proposed changes to the assertions, the IAASB agreed to combine the assertions for disclosures with those for transactions and events, and account balances, notwithstanding that an IAASB member did not agree with the way that the assertions were being changed and another was of the view that auditor behavior would not be significantly changed by these amendments. In relation to the changes being proposed, some IAASB members had concern about presentation being eliminated as an assertion, in particular losing some of the underlying concepts relating to presentation, such as understandability. Mr. Archambault agreed that the Task Force would reconsider reinstating presentation, and its related concepts, to the assertions.

Concern was raised by a few IAASB members about the new changes proposed to ISA 580, including that representations from management about audit evidence were not a substitute for audit evidence. Mr. Archambault noted that the Task Force would again consider the proposed changes to ISA 580.

THE WAY FORWARD

Mr. Archambault noted that conforming amendments to other standards, such as those in the ISA 800 - series, would also be considered.

With respect to Mr. Archambault's proposal to move the changes forward to an exposure draft, the consensus of the Board was to do so as the changes were relevant and needed. Several IAASB members also suggested that the Task Force consider developing complementary guidance, such as an International Auditing Practice Note (IAPN) or other staff document, as they believed that it would also be useful, especially if it could be released with the exposure draft. A few IAASB members expressed different views, including to not move forward since, in their view, the changes were less likely to influence auditor behavior because of the limited number of new or amended requirements, and to rather develop an IAPN or other staff guidance as that was believed to be more appropriate.

Mr. Archambault thanked the IAASB for the input and, given the consensus of the Board, agreed that the Task Force would progress the proposed changes to an exposure draft for IAASB consideration in March 2014. He added that the Task Force would also continue to develop additional guidance, such as an IAPN or other staff guidance, for discussion later in 2014.

CAG CHAIRMAN'S REMARKS

Ms. de Beer noted that, even though the individual changes to the various ISAs can easily be considered as minor and insignificant, the Board should not forget that collectively they have a significant impact to address concern areas previous raised in so far as the need for clarification and divergent practices are concerned. She stressed that, based on previous CAG views, there is an urgent need to get the exposure draft out as soon as possible and it would be a pity if it is held back for other projects or educational material.

7. IASB Annual Review

Mr. Sekiguchi provided an update on the key activities undertaken by the IAASB–IASB Working Group (the 'Working Group'), reminding members that the main objective of the Working Group is to monitor the development of IASB projects to identify potentially significant verifiability and auditability issues in the IASB's proposals. The IAASB agreed that it is important to continue to actively monitor the verifiability and auditability of the IASB's proposed pronouncements. Further to Mr. Archambault's comments during the disclosures discussion on the IASB's materiality initiative, in which the IAASB also participates, Mr. Sekiguchi also explained the Working Group's link to the IASB's materiality initiative through his participation in this initiative.

Mr. Sekiguchi noted that recent comment letters prepared by the Working Group included responses to the IASB's exposure drafts on leases,¹⁶ insurance contracts,¹⁷ financial instruments (expected credit losses)¹⁸ and the limited amendments to IFRS 9.^{19 20} He explained that the key common themes that had been raised for further consideration by the IASB included:

- Further clarifying key principles and critical terms to enable consistent application from an auditing perspective.
- Expanding the guidance for areas where significant professional judgments are expected to be made (e.g., credit impairment).
- Emphasizing management's responsibility for documentation to support how transactions have been accounted for.

In addition, the response letters emphasized the importance of more guidance on materiality considerations for many of the IASB's proposals.

Mr. Sekiguchi explained that going forward the Working Group will continue to actively monitor the IASB's consultative documents, adding that the Working Group is currently in the process of preparing a response to the IASB's Discussion Paper on its Conceptual Framework.²¹

¹⁶ IASB Exposure Draft ED/2013/6, *Leases*

¹⁷ IASB Exposure Draft ED/2013/7, *Insurance Contracts*

¹⁸ IASB Exposure Draft ED/2013/3, *Financial Instruments: Expected Credit Losses*

¹⁹ IASB Exposure Draft ED/2012/4, *Classification and Measurement: Limited Amendments to IFRS 9*

²⁰ IFRS 9, *Financial Instruments*

²¹ IASB Discussion paper DP/2013/1, *A Review of the Conceptual Framework for Financial Reporting*

An IAASB member enquired whether there is a mechanism in place to be able to escalate comments about significant issues in a comment letter but that had not been addressed by the IASB. Mr. Sekiguchi responded that there is no formal mechanism in place, but noted that in such a situation further dialogue with appropriate IASB Staff as appropriate would be undertaken. He also added that there were other opportunities for discussions with the IASB, such as the IASB-IAASB leadership meetings, as well as the liaison between the Working Group Chairs and the IASB liaison Staff.

Prof. Schilder thanked Mr. Sekiguchi for his efforts as Chair of the Working Group, and commended the efforts of the group in preparing the comment letters. He also noted that the next meeting between the IAASB and IASB leadership was due to take place at the end of January 2014.

8. Direct Engagements: Update on Developments in Canadian Assurance Standards

Further to a request from the Chairman, Mr. Wiersema made a presentation to the Board on the Canadian experience with assurance standards. Mr. Wiersema's presentation covered the Canadian context and experience and his suggestions for moving forward at the international level. He focused on public sector audits by legislative auditors.

Mr. Wiersema explained that Canada first issued standards for assurance engagements, covering both attest and direct engagements, in 1997. They were developed by a task force comprised of senior and experienced attest and direct engagement practitioners and have since been widely adopted in the public sector in Canada. The Canadian Auditing and Assurance Standards Board (CAASB), which is comprised of both public and private sector representatives, has established a task force to update its assurance standards. The task force, which includes 4 senior experienced direct engagement practitioners, intends to prepare CSAE 3000²² for attest engagements (adopted with minimal changes from ISAE 3000²³) and CSAE 3001²⁴ for direct engagements (based on CSAE 3000, with changes relating solely to differences between attestation engagement and direct engagements).

Mr. Wiersema made four suggestions for moving forward at the international level regarding possible development of an ISAE on direct engagements:

- While there are many similarities between attest and direct engagements, there are also important differences. A separate ISAE on direct engagements is needed;
- An ISAE for direct engagements would be in the public interest. It would help improve the quality and provide a basis for making practitioners who perform such engagements more accountable;
- If the IAASB decides to develop an ISAE on direct engagements, it should fully engage senior and experienced direct engagement practitioners in this process; and
- The concept and terminology in an ISAE on direct engagements should resonate with practitioners who perform such engagements.

²² Canadian Standard on Assurance Engagements (CSAE) 3000, *Attestation Engagements Other Than Audits or Reviews of Historical Financial Information*

²³ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

²⁴ CSAE 3001, *Direct Engagements*

During the Board discussion, it was noted that the International Organization of Supreme Audit Institutions (INTOSAI) deals with financial compliance and performance audits and has not seen the need to develop direct engagement standards separate from attestation engagement standard. INTOSAI recognizes the need for robust standards, but is not likely to develop standards on direct engagements in the near term. It was noted that the Memorandum of Understanding between the IAASB and INTOSAI addresses the ISAs, but does not encompass developing other international standards, such as ISAEs.

There was a brief discussion of a key technical matter, being how the concept of “subject matter information” relates to direct engagements. IAASB members expressed a range of views on that matter.

IAASB members also noted that some national auditing standard-setters have developed, or plan to develop, standards on direct engagements. The IAASB may learn from their work and take this into account in deciding whether to pursue developing an ISAE. It was also noted that follow-up work would be needed to understand whether there would be a significant demand for an ISAE on direct engagements.

The Chairman thanked Mr. Wiersema for his presentation.

9. Chairman’s Farewell Remarks

Prof. Schilder noted that the terms of service for IAASB members Messrs. Archambault, Grant and Chen and Ms. Mc Cabe end this year. He highlighted each of their many achievements over their terms and thanked them for their tremendous service to the IAASB and their contributions to the public interest. The Board members noted their appreciation for Prof. Schilder’s comments and noted that it had been a privilege to serve on the Board with so many talented individuals.

In addition, Prof. Schilder noted that this would be the last year of service for technical advisors Messrs. Blanchard and Zhang, and thanked them for their contributions. He noted that technical advisors Ms. French and Mr. Grabowski will be returning next year as Board members, and congratulated them on their appointments.

Prof. Schilder also noted that Mr. Hafeman will be rotating off the PIOB in March 2014. He noted Mr. Hafeman’s long standing service with the PIOB, including his active role in helping clarify the concept of public interest, and the many IAASB meetings he observed in that capacity. Prof. Schilder thanked Mr. Hafeman for his work in providing oversight of the work of the IAASB and wished him well in the future.

10. PIOB Observer’s Remarks

Mr. Hafeman congratulated the IAASB on a successful meeting. He noted the good work done by the task forces on the projects discussed during the meeting, including the Disclosures project for which he hopes a proposed exposure draft will be presented at the next meeting. He was particularly encouraged to see the documents on Audit Quality and IAASB Strategy approved, and noted the need to engage actively with others to promote use of the Audit Quality Framework and to obtain broad and useful input on the Strategy consultation document.

Mr. Hafeman noted that the ISA 720 project involved some particularly difficult issues. He expressed the hope that the discussions during the week will serve to clarify the way forward and that the issues can be addressed in the next draft. The goal is to produce a quality standard that is clear to auditors in what they are required to do and clear to users in how auditors have reached their conclusions.

He noted that, in his experience, encountering fundamental issues on which there is disagreement is not unique to the ISA 720 project, nor unique to this Board; other standard setting boards face similar difficulties. With respect to ISA 720 in particular, in his opinion, it may have been useful to spend more time discussing the key issues at an earlier stage in the project.

Mr. Hafeman noted that the break-out session to explore Board efficiency was a useful exercise in generating ideas about how issues can be resolved more effectively and efficiently. He noted that the break-out discussions were lively and that he looked forward to the output of them. He further noted that all standard setting boards have to deal with limited resources and at the same time respond to the evolving needs of the user. He intends to suggest to his colleagues that other standard setting boards engage in a similar exercise.

Mr. Hafeman noted two suggestions with respect to Board procedure. Firstly, to help ensure that full advantage of CAG input is taken, it would be useful if minutes of CAG meetings were distributed with the Board papers. Secondly, to assist those that follow the Board deliberations via the audio recording of the Board or otherwise not physically present for the meetings, Staff could post all papers distributed in hard copy format in the meeting to the IAASB website after the meeting. This would enable a broader group to better follow the discussions of the Board. It would also be useful to PIOB staff when following each project.

Mr. Hafeman noted the interest in the topic of direct engagements and the extent of their use in both the public sector and elsewhere. He noted that any future project by the Board on the topic could provide an excellent opportunity to leverage the work of national standards setters in the work of IAASB.

Mr. Hafeman acknowledged the importance of obtaining informal input from stakeholders on the topics and issues being considered by the Board, though the standards should ultimately reflect a decision based on the members' judgments on what is best in the public interest and what is technically sound. He further noted that undue weight should not be given to those stakeholders with whom the members have direct contact, keeping in mind the significant global use of the Board's standards. He further noted that developing and emerging economies are equally important as the more developed ones, and are underrepresented on both the Board and the CAG, and often in the written comments. Therefore, it is important that the Board take particular care to ensure that the standards are clearly drafted and capable of use everywhere.

Mr. Hafeman noted the involvement of several of the technical advisors in the work of the task forces, observing that their contribution is substantial and goes beyond providing assistance to their respective members during a meeting. He expressed the PIOB's appreciation of their hard work. In the past, he noted that concerns had been raised about excessive participation by technical advisors in Board discussions such that members themselves then had not always adequate time to express their views. However, he noted that it is not the intention to strictly prohibit technical advisors from expressing views in the meetings, especially on technical issues where they may have particular expertise or experience.

Mr. Hafeman also reported that at the last PIOB meeting, the first meeting with all three CAG chairs together was held, noting that it was useful and would be repeated periodically. He also said that the PIOB had deliberated on the future of the IAESB, concluding that it had an important ongoing role and that any significant changes that might be considered should be subject to public consultation.

Mr. Hafeman noted his pleasure in observing the activities of the IAASB over the last nine years and that he greatly appreciates the work of the Board.

11. Next Meeting

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

12. Closing

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