

Meeting: IAASB
Meeting Location: New York
Meeting Dates: March 17–21, 2014

Agenda Item 3

Auditing Disclosures

Objectives of the Agenda Item

1. To approve the exposure draft (ED) of the changes to the International Standards on Auditing (ISAs) for auditing disclosures.
2. To discuss matters in relation to further explanatory guidance relating to auditing disclosures.

Task Force

3. The Task Force comprises:
 - Marek Grabowski, Chair, IAASB Member
 - Karin French, IAASB Member
 - Cédric Gélard, IAASB Member
 - Tomokazu Sekiguchi, IAASB Member
 - Bruce Winter, IAASB Member
 - Arch Archambault, Retired IAASB Member and previous Task Force Chair

Activities since Last IAASB Discussion

4. The Task Force has held one physical meeting and one teleconference to finalize the changes to the ISAs for exposure, and to develop the proposals for the way forward relating to further explanatory guidance. Staff and the Task Force Chair, as well as the previous Task Force Chair, have held several teleconferences to progress the agenda papers.
5. The Task Force Chair, another Task Force member and IAASB Staff attended the second teleconference with Staff of the International Accounting Standards Board (IASB) and representatives from the International Organization of Securities Commission (IOSCO) and European Securities and Markets Authority (ESMA) to further discuss the IASB's redrafted materiality project scoping paper that is expected to be presented to the IASB in March 2014 for its consideration. It is intended that this project will look at how materiality is applied in practice in International Financial Reporting Standards (IFRSs) and consider whether further guidance is needed.

Matters for IAASB Consideration

Proposed Changes to the ISAs

6. **Agenda Item 3-B** presents the package of changes that the Task Force has developed to respond to issues and concerns raised in response to the IAASB's Discussion Paper, *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications* (DP),¹ for IAASB approval as an ED. Discussion and Task Force views about the changes made since December 2013 can be found in **Agenda Item 3-A**.
7. It is intended that the Task Force Chair will discuss the changes, by ISA, which have been made since December 2013. It is not proposed to revisit the other proposed amendments in the ED where issues and concerns have not been raised before, or where the proposed changes have already been discussed with the IAASB and no substantive points raised, unless it is identified that the changes do not completely address the issues and concerns raised.

Considering the Need for Further Explanatory Guidance

8. During the meeting, IAASB members will also be asked for their views on the matters set out in **Agenda Item 3-C** regarding the need for further explanatory guidance relating to auditing disclosures.

Collaboration and Cooperation for Addressing Issues Relating to Financial Reporting Disclosures

9. The majority of respondents to the DP expressed the view that many of the issues around disclosures could not be solved by the IAASB alone. Moving forward in this area would take a collaborative response in some areas, such as materiality, for an effective response, as well as work by others such as the financial reporting standard setters.
10. The IAASB has considered areas in the auditing standards where progress could be made, and the Task Force believes the proposed changes to the ISAs are an appropriate response to the concerns raised about expectations of auditors in relation to auditing disclosures, as well as the practical challenges arising from the evolving nature of disclosures.
11. The IASB has included the topic of financial reporting disclosures on its technical work plan, and is progressing short- and medium-term actions on the disclosures requirements in its standards. In addition, the IASB is moving forward on its 'materiality initiative' to consider further guidance in this area, and is working collaboratively with the IAASB and the regulators on this. At the same time, the US Financial Accounting Standards Board has also undertaken a project to develop a disclosures framework to improve the effectiveness of disclosures in the notes to the financial statements. This illustrates that advances are being made on many of the issues identified. The IAASB will continue its active liaison and outreach with the many stakeholders involved in these processes, pursuing the objective of continuous improvement, as it seeks to finalize the proposed changes to the ISAs.

¹ The DP, [The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications](#), was published in January 2011. A summary of the responses can be found in the [Feedback Statement](#) published in January 2012.

Materials Presented

Agenda Item 3-A Auditing Disclosures – Issues and Task Force Views on Changes to the ISAs

Agenda Item 3-B Auditing Disclosures – Proposed Changes to the ISAs

Agenda Item 3-C Auditing Disclosures – Issues and Task Force Views on the Need for Further Supplementary Guidance

Action Requested

12. The IAASB is asked to consider the issues and Task Force views presented in **Agenda Item 3-A**, and approve the proposed changes to the ISAs presented in **Agenda Item 3-B** for public consultation.
13. The IAASB is asked to provide views on the matters presented in **Agenda Item 3-C**.