

Meeting: IAASB Teleconference
Meeting Location: Teleconference
Meeting Dates: October 29, 2015

Agenda Item 1

Enhancing Audit Quality in the Public Interest—A Focus on Quality Control, Group Audits and Professional Skepticism

Objective of Agenda Item

1. To obtain the IAASB's views on a revised Overview of the IAASB's Invitation to Comment (ITC) on *Enhancing Audit Quality in the Public Interest—A Focus on Quality Control, Group Audits and Professional Skepticism*.

Enhancing Audit Quality Coordination Group

2. The Enhancing Audit Quality Coordination Group (Enhancements Group) comprises:
 - Megan Zietsman, Overall Chair and Chair of the Group Audits Working Group (GAWG)
 - Karin French, Chair of the Quality Control Working Group (QCQG)
 - Annette Köhler, Chair of the Professional Skepticism Working Group (PSWG)
 - Rich Sharko, Chair of the Financial Institutions Working Group (FIWG)
 - Brendan Murtagh, IAASB Member, serving as the Liaison to the International Ethics Standards Board for Accountants (IESBA) and the IFAC Small and Medium Practices (SMP) Committee
 - Correspondent Member: Merran Kelsall, IAASB Member, currently the Audit Quality Liaison as a former member of the Audit Quality Task Force

Activities since Last IAASB Discussion

3. The Enhancements Group has met once via teleconference since the September Board meeting, and will meet again in person before the Board teleconference.

Significant Issues

4. Further to comments received on the forepart of the ITC presented to the IAASB Consultative Advisory Group (CAG) and IAASB at their respective September 2015 meetings, the Enhancements Working Group has revised the forepart to:
 - Rarticulate the issues and possible actions in a non-technical manner designed to better appeal to the intended audience (i.e., preparers, investors, audit committee members).
 - Include a table of contents to make it easier to navigate through the document.

- Enhance the description of the Quality Management Approach (QMA) for ISQC 1¹ and make the discussion more prominent.
 - Eliminate duplication or redundancy.
 - Revise the questions to invite different perspectives from the stakeholders for whom the document is intended.
 - Provide more context for the considerations about professional skepticism.
 - Eliminate the specific section on Financial Institutions (including ISA 540)² as the Board had agreed to not include this topic in this consultation. However, consideration has been given to maintaining the more broad topics relating to using experts in the audit and how to articulate requirements in a way that encourages professional skepticism. Further revisions to the Overview may be necessary as the Financial Institutions Working Group's efforts progress.
5. In addition, the Overview has been repackaged as a separate document, i.e., separate from the more detailed ITC). The Overview has been designed to introduce the matters in the consultation, and is intended to facilitate responses from users and preparers of financial statements and audit committee members and their organizations. The Enhancements Working Group believes that this approach and the revised version of the Overview that results will better appeal to those stakeholders for whom it is intended.
 6. The ITC will contain the technical details on how the IAASB's standards currently address specific matters related to quality control, group audits and professional skepticism, the issues that have been identified, and the possible actions the IAASB may undertake to address these concerns. The ITC will also contain more detailed questions on specific potential areas for improvement within the IAASB's standards. The Enhancements Group plans to provide a roadmap at the end of the Overview to the ITC to assist readers of the Overview to locate more details in the ITC should they wish to do so.
 7. In relation to the Group Audits section, the Enhancements Group recognizes that this topic is covered to a lesser extent in this Overview document. Many of the issues and possible actions related to Group Audits are more technical in nature, and therefore have not been included in the Overview so as to preserve the non-technical nature of this document. However, those issues that are expected to resonate with the intended stakeholders for the Overview have been included. The GAWG will give further consideration to the appropriate amount of detail in the Overview in light of the Board's feedback and their discussions at the upcoming GAWG meeting. Staff is also considering whether more on the topic of professional skepticism can be added in the detailed ITC beyond what is already described in paragraphs 46–49 of the Overview.
 8. The intent of the teleconference is to obtain IAASB views on the matters set out below in order to help progress the Overview to finalization at the December 2015 IAASB meeting. Comments of an editorial nature can be sent to IAASB Staff offline.

¹ 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*

² ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

9. The ITC (containing the detailed sections on Quality Control, Group Audits and Professional Skepticism) will be presented for Board discussion at the December IAASB meeting. Within the ITC, there will be a more detailed introductory section incorporating some of the material previously included in the forepart, which describes the crossover issues and common themes.

Matters for IAASB Consideration

Questions 1 and 2 below will be dealt with together on the teleconference, and questions 3 and 4 will be asked separately.

1. Do IAASB members agree that the Overview in Agenda Item 1-A is presented at the right level of detail for the intended target audience (i.e. preparers, investors and audit committee members)?
2. Do IAASB members agree with the completeness of the public interest issues set out in paragraph 17 of Agenda Item 1-A? If not, please explain what else should be included.
3. With respect to specific content:
 - (a) Does the revised section on QMA adequately explain what the revised approach to quality control might entail?
 - (b) Does the group audits section adequately explain the most significant issues, bearing in mind the technical nature of them?
4. Do IAASB members have any other comments relating to the Overview that will help facilitate its finalization in December 2015?

Material Presented

Agenda Item 1-A	Overview of the Invitation to Comment: Enhancing Audit Quality in the Public Interest—A Focus on Quality Control, Group Audits and Professional Skepticism
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