

**Meeting:** IAASB  
**Meeting Location:** New York, United States  
**Meeting Dates:** December 7–11, 2015

## Agenda Item 4

### ISA 540 / Special Audit Considerations Relevant to Financial Institutions

#### Objective of Agenda Item

1. The objectives of the IAASB discussion at its December meeting are to:
  - (a) Inform the Board on the Working Group's activities since the September 2015 IAASB meeting;
  - (b) Approve a project proposal on revisions to ISA 540;<sup>1</sup>
  - (c) Obtain input on a publication to update stakeholders on the project's progress, including the audit issues identified arising from IFRS 9,<sup>2</sup> particularly regarding expected credit losses, and preliminary views of the Working Group on what related action the Board may consider in the revision of ISA 540.

#### ISA 540 / Financial Institutions Working Group

2. The Working Group is comprised of the following members:
  - Rich Sharko (Working Group Chair, IAASB Member) (supported by Jamie Shannon, IAASB Technical Advisor)
  - Marc Pickeur (Working Group Co-Chair, IAASB Member)
  - Jean Blascos (IAASB Member, Practitioner, France)<sup>3</sup>
  - Ron Salole (IAASB Member, Non-Practitioner, Canada)
  - Abhijit Bandyopadhyay (National Standard Setter, India)
  - Jean-Jacques Dussutour (Insurance Regulator, France)<sup>4</sup>

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<sup>1</sup> ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

<sup>2</sup> International Financial Reporting Standard (IFRS) 9, *Financial Instruments*

<sup>3</sup> Jean Blascos joined the Working Group in September 2015.

<sup>4</sup> Jean-Jacques Dussutour joined the Working Group in September 2015 and is representing the International Association of Insurance Supervisors on the Working Group.

- Emilio Pera (Practitioner, South Africa)
- Pat Sucher (Banking Regulator, United Kingdom)<sup>5</sup>

Pat Sucher will leave the Working Group as of December 31, 2015. The Basel Committee on Banking Supervision Accounting Expert Group has been asked to consider a replacement. In the meantime, Nic van der Ende will monitor the Working Group's work and provide the Working Group with input on its activities.

### **Activities since September 2015 IAASB Meeting**

3. Since the September 2015 Board meeting, the Working Group met four times by teleconference and once physically. The Working Group and IAASB leadership engaged in several outreach activities, including:
  - Meeting with representatives of the Bank of Japan (Schilder, Sharko, Gunn, James)
  - Meeting with representatives of the Japanese Financial Services Agency (Schilder, Sharko, Gunn, James)
  - Meeting with Japanese bank auditors (Sharko, James)
  - Presentation to International Forum of Independent Audit Regulators' Standards Coordination Working Group (Schilder, Sharko, Gunn, James)
  - Meeting with representatives of the U.S. Securities and Exchange Commission (Sharko, Pickeur, James)
  - Meeting with representatives of the International Monetary Fund (Sharko, Pickeur, James)
  - Meeting with representatives of the Public Company Accounting Oversight Board (Sharko, Pickeur, Healy, James)
  - Meeting with representatives of the Financial Accounting Standards Board (Sharko, Pickeur, Healy, James)
  - Meeting with representatives of the Federal Reserve, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency (Sharko, Pickeur, James)
  - Participation in the Institute of International Finance's three way dialogue meeting between standard setters, regulators and banks, and partly attended by representatives of the large international accounting networks (Pickeur, van den Hout)
  - Meeting with the European Banking Authority's Audit Subgroup (Pickeur)

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<sup>5</sup> Pat Sucher is representing the Basel Committee on Banking Supervision Accounting Expert Group on the Working group.

4. The leadership of the Working Group also receives input from representatives of the Global Public Policy Committee<sup>6</sup> through physical meetings and teleconferences. These representatives are experts in audits of financial institutions.

**Action Requested**

5. The IAASB is asked to provide views on the proposals presented in **Agenda Item 4-A**.

**Material Presented**

Agenda Item 4-A	Issues and Working Group Recommendations
Agenda Item 4-B	Project Proposal – Revisions to ISA 540, <i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i>
Agenda Item 4-C	Publication to Update Stakeholders on the Project's Progress

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<sup>6</sup> The Global Public Policy Committee comprises the six largest international accounting networks: BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG and PwC.