

**Minutes of the 72nd Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
Held on October 29, 2015 by teleconference**

Voting Members

Present: Charles Landes (Deputy Chair)
Jean Blascos
Robert Dohrer
Karin French
Marek Grabowski
Jonas Hällström
Merran Kelsall
Brendan Murtagh
Marc Pickeur
Ron Salole
Rich Sharko
Ge Zhang
Megan Zietsman

Technical Advisors

Wolf Böhm (Ms. Köhler)
Alejandro Gonzalez (Mr. Coscodai)
Hiram Hasty (Mr. Landes)
Josephine Jackson (Mr. Grabowski)
Susan Jones (Mr. Blascos)
Sachiko Kai (Ms. Sumida)
Richard Mifsud (Ms. Kelsall)
Jamie Shannon (Mr. Sharko)
Eric Turner (Mr. Salole)
Inge Vanbeveren (Mr. Pickeur)
Denise Weber (Ms. Campbell)
Cindy Yang (Mr. Zhang)

Apologies: Prof. Schilder (Chairman)
Fiona Campbell
Valdir Coscodai
Annette Köhler
Sayaka Sumida

Jennifer Burns (Ms. Zietsman)
Ahava Goldman (Mr. Dohrer)
Alexandra Popovic (Mr. Hällström)
Chun Wee Chiew (Mr. Murtagh)
Rick Wood (Ms. French)

Non-Voting Observers

Present: Norio Igarashi (Japanese Financial Services Authority), Matthew Waldron (IAASB Consultative Advisory Group (CAG) Chairman)

Apology: Juan Maria Arteagoitia (European Commission)

Public Interest Oversight Board (PIOB) Observer

Apology: Chuck Horstmann

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards), Kathleen Healy (Technical Director), Beverley Bahlmann, Diane Jules, Bradley Williams, Vijyata Kirpalani.

Apology: Brett James, Nancy Kamp-Roelands, Jasper van den Hout

International Auditing and Assurance Standards Board (IAASB) agenda materials referred to in these minutes can be accessed at <http://www.iaasb.org/meetings/iaasb-conference-call-october-29-2015>. Meeting minutes are a summary of the decisions made at IAASB meeting, in light of the issues and recommendations in the agenda material put forth by the Task Forces, Working Groups, and Staff supporting the individual projects. These recommendations are made taking into account feedback from respondents to the IAASB's public consultations, in particular Exposure Drafts of the IAASB's proposals, consideration of previous discussions of the Board and its Consultative Advisory Group (CAG), and feedback from stakeholders through outreach activities.

1. Welcome

Mr. Landes welcomed all participants to the meeting.

2. Overview of the ITC: Enhancing Audit Quality in the Public Interest—A Focus on Quality Control, Group Audits and Professional Skepticism

Ms. Zietsman introduced the draft Overview of the Invitation to Comment (ITC), *Enhancing Audit Quality in the Public Interest—A Focus on Quality Control, Group Audits and Professional Skepticism* (Overview). She explained that the ITC had been split into two separate documents, with the Overview reworked to better facilitate responses from users and preparers of financial statements and audit committee members and their representative organizations. Ms. Zietsman explained that the separate ITC would contain the technical details relating to the topics of professional skepticism, quality control and group audits, together with more detailed questions on specific potential areas for improvement within the IAASB's standards. The Board supported moving forward with the proposed approach to have two separate documents (the Overview and ITC), noting this approach would allow the Overview document to be more tailored to its intended audience (as feedback from these groups is essential) and to better serve as the basis for the planned outreach.

In relation to the draft Overview presented for discussion, the Board acknowledged the significant revisions that had been made since the September 2015 IAASB discussions, in particular highlighting that this had resulted in increased readability and struck a good balance in terms of the intended audience. Mixed views were expressed on the length. Some Board members thought the Overview could be shorter, but other Board members continued to emphasize that the document needed to provide sufficient information for respondents to be able to form informed views on the matters therein. The Enhancements Working Group agreed to further consider the readability and structure of the document in finalizing the document for the December 2015 IAASB meeting.

With regard to the articulation of the public interest matters being addressed by the consultation, the Board agreed that the Overview largely captured the public interest issues being discussed in relation to the priority projects included, but asked that further consideration be given to how matters related to the roles and responsibilities of the engagement partner and engagement quality control reviewer, as well as monitoring and remediation, were appropriately captured therein.

It was noted that further specific improvements could be made, and the Enhancements Working Group was asked to further consider:

- How the relevant detail in the ITC could be most effectively signposted from the Overview. This was viewed to be essential to highlight the deeper discussions in the ITC, and would provide for the ability of readers of the Overview to refer to the detail if they wanted to.

- How to better contextualize the development of the IAASB's *Work Plan for 2015–2016* (Work Plan) and the rationale for the focus on quality control, group audits and professional skepticism as the priority topics, as this was seen as being helpful in framing the discussion for readers of the Overview and explaining the context of the projects addressed therein.
- Making the discussion on professional skepticism more prominent in the document. Some Board members were also of the view that more description of the IAASB's discussions to date on professional skepticism would be important and informative to respondents. However, others acknowledged that the Professional Skepticism Working Group had only recently commenced its work on the topic and may not be in a position to put forth possible actions at this stage, but rather the group and the IAASB would benefit from using the consultation to gather further information that could then inform the ongoing work. It was noted that this context would be useful to include in the Overview and ITC.
- Providing more insight in the Overview about the matters relating to group audits that are covered in the more detailed ITC. It was noted that this should be done in a manner that would be appropriate to the intended audience of the Overview, i.e., without overly complex technical details. Board members observed that more content on group audits in the Overview would also help achieve better balance of the content between the three projects in the ITC, and address observations made by some Board members that there appeared to be an imbalance among the topics.
- How better linkages to the *Framework for Audit Quality* could be provided, in particular with respect to how the Quality Management Approach(QMA) in the quality control section could seek to promote an emphasis on quality at all levels and in all process within a firm and at the audit engagement level.
- How current developments could be further linked to the need to "future proof" the ISAs and ISQC 1¹ to support auditors operating in evolving environments in performing quality audits
- Whether a greater emphasis on governance of firms was needed as this was specifically highlighted in the Work Plan for quality control.
- How the issues and possible actions relating to possible changes to address issues identified relating to network of firms were being articulated, as ISQC 1 was directed at the firm and not the network level.
- Whether the questions could be more targeted to solicit appropriate feedback. As part of this, it was noted the IAASB should seek to understand the expectations that respondents may have of others to address some of the public interest issues highlighted in the Overview, in light of the interactions in the financial reporting supply chain that affect audit quality. It was also noted that the questions should be open-ended in nature so as to encourage broad based feedback.
- Whether the regulatory concerns could be highlighted first, as matters arising in audits today.
- Various other changes and editorials to clarify certain matters, or provide additional insight, throughout the document, including to not appear presumptive about certain courses of action.

QUALITY MANAGEMENT APPROACH

In relation to the detailed revisions made to the QMA section, there were mixed views about the level of detail needed in the Overview versus the ITC. Some Board members suggested that the Overview section

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*

could be condensed, with some of the more technical details (including some of the tables) only being included in the ITC. Others suggested that additional examples of how the QMA approach would be undertaken could also be useful.

Other comments on the QMA included:

- Some concern about the tone in relation to perceived deficiencies or criticism of ISQC 1, as well as the view that various interpretations exist as to what is intended by “preventative” versus “detective” controls. It was also noted that such terms may not be well-understood by the intended audience.
- Whether more could be done in the text to address the scalability of the QMA approach, in anticipation of concerns about adopting such an approach from small and medium practices.
- It was suggested that the ITC should highlight that the QMA will impact quality control at the engagement level (i.e., ISA 220)² and ISA 600.³
- References to the COSO Framework⁴ in relation to the QMA in the Overview were noted as potentially confusing.

WAY FORWARD

A revised Overview (together with the ITC) will be presented for IAASB discussion and finalization at the December 2015 IAASB meeting.

3. Consultative Advisory Group Chair’s Remarks

Mr. Waldron supported the direction taken in the drafting of the Overview, and the changes made to respond to Board and CAG members’ comments. He asked that further consideration be given to making the document more readable and relevant to the intended audience. In particular, he asked that further consideration be given to making clear upfront for whom the document is intended, and its purpose. He also agreed that cross-referencing to the more detailed sections in the ITC, where relevant, was essential and would provide readers with the opportunity, if they so wished, to obtain more information about the matters in the Overview. He requested the Enhancements Group to also consider the placement of the questions, including whether they should be placed towards the beginning of the document.

4. Next Meeting

The next meeting of the IAASB is scheduled for December 7–11, 2015 in New York, USA.

5. Closing

Mr. Landes thanked the IAASB members, technical advisors, observers, and Staff for their contributions. He then closed the meeting.

² ISA 220, *Quality Control for an Audit of Financial Statements*

³ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁴ *Committee of Sponsoring Organizations of the Treadway Commission (COSO ERM Framework)*