

**Minutes of the 77<sup>th</sup> Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD  
Held on June 21–24, 2016 in New York, USA**

**Voting Members**

Present: Arnold Schilder (Chairman)  
Charles Landes (Deputy Chair) (via phone June 24)  
Abhijit Bandyopadhyay  
Jean Blascos  
Fiona Campbell  
Robert Dohrer  
Karin French  
Marek Grabowski  
Merran Kelsall  
Annette Köhler  
Brendan Murtagh  
Marc Pickeur  
Ron Salole  
Rich Sharko  
Sayaka Sumida  
Imran Vanker  
Ge Zhang  
Megan Zietsman

**Technical Advisors**

Sara Ashton (Ms. French)  
Nicolette Bester (Mr. Vanker)  
Wolf Böhm (Prof. Köhler) (June 21–23)  
Dora Burzenski (Ms. Zietsman)  
Chun Wee Chiew (Mr. Murtagh)  
Ahava Goldman (Mr. Dohrer)  
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) (June 21–22)  
Denise Weber (Ms. Campbell)  
Cindy Yang (Mr. Zhang)

Apology: -

**Non-Voting Observers**

Present: Matthew Waldron (IAASB Consultative Advisory Group (CAG) Chairman), Makoto Sonoda (June 21-22) and Takashi Sudo (June 23-24) on behalf of Norio Igarashi (Japanese Financial Services Authority)

Apologies: Juan Maria Arteagoitia (European Commission) and Norio Igarashi (Japanese Financial Services Authority)

**Public Interest Oversight Board (PIOB) Observer**

Present: Michael Holm

Present: **IAASB Technical Staff**

Kathleen Healy (Technical Director), Beverley Bahlmann, Brett James, Nancy Kamp-Roelands, Vijyata Kirpalani, Natalie Klonaridis, Schuyler Simms, Jasper van den Hout, Bradley Williams, James Gunn (Managing Director, Professional Standards)

International Auditing and Assurance Standards Board (IAASB) agenda materials referred to in these minutes can be accessed at <http://www.iaasb.org/meetings/new-york-usa-13>. These minutes are a summary of the decisions made at the March 2016 IAASB meeting, in light of the issues and recommendations in the agenda material put forth by the Task Forces, Working Groups, Drafting Teams 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 (EDs) of the IAASB's proposals, consideration of previous discussions of the Board and its CAG, and feedback from stakeholders through outreach activities.

## 1. Welcome and Approval of Previous Minutes

Prof. Schilder welcomed the participants, PIOB Observer and IAASB CAG Chairman to the meeting. He also recognized Stavros Thomadakis, Chair of the International Ethics Standards Board for Accountants (IESBA), who was observing the discussions on a number of IAASB projects also relevant to IESBA.

Prof. Schilder updated the Board on the discussions at the IAASB National Standard Setters Liaison Group (NSS) meeting held in New York on June 16–17, 2016. The discussions addressed various topics relating to exploring the future, including developments in other types of reporting that was emerging, the status of auditor reporting adoption in various jurisdictions, the emphasis on the scalability of the IAASB's International Standards and what may be the best way to demonstrate this, and the impact of technology on the IAASB's International Standards.

Prof. Schilder welcomed Schuyler Simms, who joined the IAASB Staff in March 2016. He also advised that Mr. Gonzalez will no longer be serving as technical advisor to Mr. Bandyopadhyay and his replacement has not yet been identified.

The minutes of the March 14–18, 2016 IAASB meeting and April 26, 2016 IAASB teleconference were approved as presented.

## 2. Professional Skepticism

Prof. Köhler introduced the topic by providing a brief update of the current status of the work on professional skepticism and emphasizing the importance of a coordinated approach among the independent standard-setting Boards (SSBs). She noted the following:

- The Professional Skepticism Working Group (PSWG) IAASB Subgroup currently has two work streams related to:
  - (i) Supporting the International Standards on Auditing (ISA) 540<sup>1</sup> Task Force, by providing specific recommendations on ways to enhance professional skepticism.
  - (ii) Coordinating with the IESBA and International Accounting Education Standards Board (IAESB) to identify the conceptual issues related to professional skepticism across the IAASB's International Standards, the IESBA *Code of Ethics for Professional Accountants* (IESBA Code) and the IAESB's International Educational Standards (IES), determining where further alignment may be needed, and recommending further actions.
- The IAESB has established a separate Task Force (TF) addressing professional skepticism, which is considering feedback to the IAESB's strategy consultation as well as the responses to the [IAASB's Invitation to Comment: \*Enhancing Audit Quality in the Public Interest, A Focus on Professional\*](#)

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

[Skepticism, Quality Control and Group Audits](#) (ITC). The IAESB will next discuss the topic at their November 2016 meeting, at which time their strategy will also be finalized.

- The IESBA will be presented with the topic at their upcoming June 2016 meeting, and the IESBA will be asked for initial views on several issues related to how professional skepticism is described, and referred to, within the IESBA Code.

The Board emphasized the importance of a coordinated approach among the SSB to enhancing the application of professional skepticism and questioned how the challenges with respect to the different planned timelines of the SSBs could be best managed. Concern was expressed by some members about IESBA potentially seeking to expand the application of professional skepticism beyond assurance engagements without adequate coordination with, and input from, the IAASB.

Prof. Köhler then explained the recommendations of the PSWG IAASB Subgroup that are to be presented to the ISA 540 TF for the purposes of consideration in the ISA 540 project (**Agenda Item 2-A**). She noted that these were based on the extant ISAs and do not yet take into account the responses to the ITC. She requested the Board's feedback. In general, Board members were supportive of the recommendations, and noted the following:

- The terminology selected for use within the standards will depend on what the auditor is being asked to do and will vary on that basis. For example, in describing evidence, in some instances it may be more appropriate to refer to evidence that is "inconsistent" versus that which "contradicts" but this will vary depending on a particular context.
- Implying that the auditor should determine whether management has correctly applied its strategy, or whether the investments or the decisions management makes in running their business are consistent with that strategy, is incorrect since the Board believed that it is not the auditor's role to do so. Instead, the auditor should consider whether all the pieces of information the auditor has as a result of obtaining an understanding of the entity are consistent, and respond appropriately when it may not be, in order to further improve on the understanding of the entity.
- The engagement team discussions should focus on the specific attributes of an account that give rise to risks, the identification of risks and the process to assess the significance of the risks, instead of focusing only on accounting estimates that contain a high level of estimation uncertainty.
- It is necessary to have requirements that draw a link to ISA 230<sup>2</sup> in addition to application material. Based on the recommendation from the PSWG IAASB Subgroup, the Board questioned whether documentation actually assists the auditor in making judgments or whether it actually assists auditors in demonstrating how they have applied professional skepticism.
- It was suggested that culture is relevant to the entity and its environment and also has an important role in how estimates are made, and should be explicitly mentioned within the standards.

Prof. Köhler presented the professional skepticism matrix (**Agenda Item 2-B**), which was created in order to conceptualize how the application of professional skepticism could be augmented throughout the extant standards, with specific attention to auditing accounting estimates. Board members shared the following general views on considerations to improve the matrix, particularly for other standard-setting projects:

- Take into account the importance of impediments, including culture, biases (especially cognitive biases of the auditor), and familiarity threats.

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<sup>2</sup> ISA 230, *Audit Documentation*

- Emphasize that discussions among the engagement team should include “appropriate” members of the engagement team, for example, the engagement quality control reviewer or any auditor’s expert.
- Remain alert to suggestions that focus only on improving application guidance versus including additional requirements, as the IAASB needs to demonstrate that it is making changes to sufficiently “move the bar” and change auditor performance.
- Consider including additional feedback from the analysis of the responses to the ITC.

Board members agreed that it may be useful for the PSWG IAASB Subgroup to provide support to the other IAASB projects, in particular ISA 540. The Board also highlighted longer-term issues that the Board may need to consider further in light of feedback to the ITC, including:

- Exploring whether fundamental changes to ISA 200<sup>3</sup> (whether in ISA 200 or further in particular standards) are needed to potentially revise the definition of professional skepticism.
- Considering whether changes are needed to ISA 500<sup>4</sup> to address issues surrounding sufficient appropriate audit evidence and contradictory audit evidence.
- Considering whether changes are needed to ISA 230 related to documentation of professional judgments and the link between professional judgments and professional skepticism.

Board members agreed that the focus of the PSWG should be addressing the conceptual issues related to professional skepticism across the International Standards, the IESBA Code and the IES. The PSWG was encouraged to think about how best to provide clarity on these concepts, for example, through educational materials or practical guidance, such as a joint thought piece on how the concept is used in the International Standards, the IESBA Code and the IES, or whether changes to the respective SSB’s authoritative literature may be necessary.

#### PIOB OBSERVER REMARKS

Mr. Holm supported the recommendations by the PSWG for consideration by the ISA 540 TF.

#### WAY FORWARD

The PSWG will present a detailed analysis of the responses to the ITC at the September 2016 IAASB meeting, with a special focus on the following topics relevant to enhancing professional skepticism:

- The concept of professional skepticism, including views from respondents about whether there is a need for changes to the concept.
- Feedback to the ITC on the impediments to professional skepticism and how this might be addressed within the IAASB’s standards as well as those of other SSB, or through other potential actions.
- Views on the link between professional skepticism and sufficient appropriate audit evidence.

### **3. Non-Compliance with Laws and Regulations (NOCLAR)**

The Board considered the NOCLAR Task Force’s (NOCLAR TF) recommendations in response to the issues raised by the Board in the March 2016 meeting and April 2016 teleconference, as well as comments from respondents in response to the July 2015 NOCLAR Exposure Draft, *Responding to Non-Compliance*

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<sup>3</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>4</sup> ISA 500, *Audit Evidence*

or *Suspected Non-Compliance with Laws or Regulations*, that had not previously been discussed by the Board.

Except for the matters highlighted below and various editorial and other less substantive amendments, the Board generally agreed with the NOCLAR TF's recommendations as set out in **Agenda Items 3-A and 3-B**.

#### THE AUDITOR'S DETERMINATION OF WHETHER TO REPORT IDENTIFIED OR SUSPECTED NOCLAR TO AN APPROPRIATE AUTHORITY OUTSIDE THE ENTITY

While the Board thought that paragraph 29 of proposed ISA 250<sup>5</sup> (**Agenda Item 3-B**) and the related application material had been improved, there were still concerns with how the auditor's determination of whether to report identified or suspected NOCLAR to an appropriate authority outside the entity were described. For example, there was a view that the proposed wording "...the auditor shall...determine whether reporting to an appropriate authority outside the entity is required or *appropriate* in the circumstances" would create an additional requirement in the form of this explicit determination as to whether such reporting was appropriate. Accordingly, the Board agreed that paragraph 29 should instead focus the auditor on determining what provisions are contained in law, regulation or relevant ethical requirements regarding reporting of NOCLAR, in line with the overall objective of the project. The Board also agreed to retain paragraph A28 in proposed ISA 250 (Revised), which summarizes the various possible scenarios contained in law, regulation or relevant ethical requirements regarding reporting of NOCLAR to an appropriate authority.

#### DEFINITION OF NON-COMPLIANCE

The Board in general agreed with the proposed revisions to the definition of non-compliance in paragraph 12 of proposed ISA 250, these revisions better align the definition with how non-compliance is described in the revised IESBA Code. However, the Board concluded that the description of "personal misconduct unrelated to the business activities of the entity", proposed to be included in application material, should in fact be located in the definition, as locating it in the application material was seen to, in effect, change the meaning of non-compliance.

The Board also considered the example of personal misconduct related to the business activities of the entity that was introduced in paragraph A9 of proposed ISA 250. The Board explored other possible examples, but concluded that the example proposed by the NOCLAR TF was the most appropriate. Furthermore, the IAASB considered whether it was appropriate to refer to the exclusion of the third parties from the definition of non-compliance (i.e., paragraph 225.9(b) of the revised IESBA Code). The IAASB agreed to remove the reference to third parties on the basis that the example described in the revised IESBA Code would be rare, if at all possible, in an audit of financial statements, and would create more confusion.

#### GROUP AUDITS

In light of changes to the IESBA's NOCLAR provisions since their re-ED, an IAASB member raised concerns regarding the extent to which the ISAs indicate that the group engagement partner may have a responsibility to communicate NOCLAR to other auditors performing work at components who are not scoped in for the purposes of the audit of the group financial statements. This Board member believed that

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<sup>5</sup> ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

conforming amendments to ISA 600<sup>6</sup> would be necessary to draw attention to this responsibility as expanded in the IESBA Code, and that the proposed revisions to paragraph 9 and A35 of proposed ISA 250 were not adequate and would be easily missed. Furthermore, this member was concerned that any revisions to ISA 600 would only come into effect in a few years' time.

The IAASB noted that there are existing provisions in ISA 600 that, to some extent, address the issues arising from the amendments in the revised IESBA Code. The IAASB therefore did not believe a conforming amendment to ISA 600 would be appropriate at this time, since developing this amendment would require a more thorough consideration of the impact of NOCLAR on this standard than simply highlighting the communication requirement in the revised IESBA Code, and could create confusion with how a component auditor is defined.

Notwithstanding this view, the IAASB determined that emphasis should be included in ISA 250 regarding the additional responsibilities that may be contained in relevant ethical requirements relating to group audit situations, in a manner similar to how other additional provisions in the IESBA Code had been referenced in ISA 250 (Revised). The IAASB agreed to also highlight that the additional responsibilities that may be contained in relevant ethical requirements may include communicating instances of identified or suspected NOCLAR to other auditors (e.g., in an audit of group financial statements) (see paragraph 9 of ISA 250 (Revised)). This has been supported by application material that explains what such communication might entail (see paragraph A8 of ISA 250 (Revised)), with reference to the specific paragraphs in the IESBA Code. The IAASB was of the view that this positioning in ISA 250 has the benefit of highlighting the communication requirements in the IESBA Code that may apply in cases where ISA 600 does not apply – for example, to auditors performing statutory audits at a component who are not otherwise involved in the audit of the group financial statements.

#### DOCUMENTATION

The Board considered the documentation requirements in paragraph 30 of proposed ISA 250. The IAASB agreed with the Task Force's view that the existing requirements in ISA 250 were somewhat limited, and may not appropriately guide the auditor in documenting their significant professional judgments, and the discussion of how management have responded to the identified or suspected NOCLAR. Accordingly, the IAASB agreed to enhance the documentation requirements (see paragraph 30 of ISA 250 (Revised)). However, concerns were raised with certain of the changes proposed by the Task Force regarding the implication that the auditor is expected to document the procedures performed to comply with law, regulation or relevant ethical requirements, on the basis that these procedures are not for the purposes of the audit and this should not form part of the audit documentation. Accordingly, the Board resolved to remove the reference to law, regulation or relevant ethical requirements in the documentation requirements and improve the alignment with other ISAs, including ISA 230.

Furthermore, it was debated whether the proposed application material in paragraph A37 of proposed ISA 250 should be elevated to the requirements, to more explicitly highlight that law, regulation or relevant ethical requirements may contain additional documentation requirements. The Board agreed that paragraph 9 of ISA 250 (Revised) would be a more suitable location to highlight the possible additional documentation requirements, since it is here that the additional responsibilities contained in law, regulation or relevant ethical requirements are discussed.

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<sup>6</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

#### POTENTIAL IMPLICATIONS OF IDENTIFIED OR SUSPECTED NON-COMPLIANCE FOR THE AUDITOR'S REPORT

A Board member raised concern regarding how the possible implications for the auditor's report was articulated in paragraph A26 of proposed ISA 250. The member highlighted that, in summarizing the application material in paragraph A18 of extant ISA 250, certain key aspects had been lost, in particular reference to reporting "in exceptional cases". There was also a concern from another Board member that, in describing other possible implications on the auditor's report beyond modified opinions, the proposed standard created an impression that auditors may choose another mechanism for communicating the NOCLAR instead of modifying the opinion when a modification is actually required. Furthermore, it was questioned whether it is appropriate to refer to reporting "identified and suspected" NOCLAR in the auditor's report, as it was believed that reporting "suspected" NOCLAR would be problematic in practice. The Board resolved to better clarify the possible implications on the auditor's report, in light of how this is articulated in paragraph A18 of extant ISA 250, and to avoid inadvertently implying that the auditor may choose not to modify the opinion. Furthermore, it was noted that there are jurisdictions where "suspected" NOCLAR is required to be communicated in the auditor's report.

#### THE IMPACT IN JURISDICTIONS WHO DO NOT ADOPT, OR PLAN TO ADOPT, THE IESBA CODE

The Board was updated on the outcome of the discussion regarding the application of paragraph 14 and A14 of ISA 200, which was previously discussed by the Board at the March 2016 meeting. At that time, it was indicated that further exploration of the interpretation of paragraph 14 and A14 of ISA 200 would be referred to the IAASB Steering Committee. Ms. Healy indicated that the matter was also tabled at the recent NSS meeting, in order to understand the implications of paragraph 14 and A14 of ISA 200 and the history thereof. The NSS had provided feedback about the approaches adopted in their jurisdictions, and how they establish the equivalency to the IESBA Code, but did not indicate that ISA 200 as currently drafted was particularly problematic. Instead it was noted that, consistent with current practice, the IAASB's International Standards need to refer to the principle of compliance with relevant ethical requirements in the requirements, with specific reference to the IESBA Code in the application material where additional prominence is believed to be necessary. The Board concluded that the concern raised does not appear to have broad relevance internationally at this time, and therefore there is no present need to clarify ISA 200. Mr. Gunn noted this may be a matter for monitoring by the IAASB, taking into account any pertinent findings from the post-implementation review the IESBA intends to undertake in the future regarding the NOCLAR provisions in the revised IESBA Code. It was also acknowledged that the determination of how national ethical requirements (when not the IESBA Code), the IESBA Code, and the ISAs interrelate is a matter for local or jurisdictional consideration, although it was recognized that the relevant ethical requirements applied would need to be high quality.

#### DUE PROCESS CONSIDERATIONS

Mr. Murtagh noted that IESBA has undertaken extensive consultation on NOCLAR over a period of six and a half years and the Board has been kept apprised of the developments with IESBA over that time. He indicated that the IESBA, in approving the NOCLAR revisions to the IESBA Code, had confirmed in their due process considerations that there were no fundamental changes since the IESBA Exposure Draft. Mr. Murtagh noted that, due to the limited nature of amendments to ISA 250 and the related conforming amendments and the extensive consultations by IESBA, the NOCLAR Task Force did not believe that additional activities (including roundtables or field testing) were necessary in order to solicit views on the matter. The IAASB concurred with this view.

The IAASB also confirmed the NOCLAR TF's position that all significant issues raised by respondents to the ED have been presented to the Board. Mr. Murtagh also highlighted there have been appropriate and

adequate interactions with the Board and CAG, including joint sessions with the IESBA CAG. He also indicated that the impact of the changes to the revised IESBA Code since the IESBA Exposure Draft on the International Standards have been considered. Ms. Healy advised the IAASB that it had adhered to its stated due process in finalizing the revised standard.

#### APPROVAL

After agreeing all necessary changes to proposed ISA 250 (Revised) and the related conforming amendments:

- The Board approved ISA 250 (Revised), with 16 affirmative votes out of the 18 Board members present. Prof. Köhler and Mr. Pickeur abstained.
- The Board approved the conforming amendments to the International Standards, with 15 votes out of the 18 Board members present. Prof. Köhler and Mr. Pickeur abstained, and Mr. Sharko dissented.

Although Prof. Köhler indicated her appreciation for the work of the NOCLAR TF, she did not believe that the process of the project from the outset was appropriate, as in her view an earlier and more in depth discussion and exchange with the IESBA on some of the issues may have come to a different outcome on both the revised IESBA Code and the International Standards. Accordingly, Prof. Köhler highlighted that it would not be appropriate to vote against ISA 250 (Revised) and the related conforming amendments and instead abstain, since the NOCLAR TF had faithfully implemented the necessary changes to the International Standards arising from the NOCLAR provisions in the IESBA Code, which she believed to be very important from a due process perspective. However, she felt there needed to have been better and earlier coordination with the IESBA, which may have resulted in other outcomes on some of the matters, particularly the work effort requirements in the revised IESBA Code that flow into the IAASB Standards and how both the assurance and non-assurance engagements have been addressed.

Similar to the concerns of Prof. Köhler, Mr. Pickeur indicated that the NOCLAR TF had performed their work appropriately, but that there had not been a proper discussion by the Board about the collaboration with the IESBA, i.e., why the IAASB should collaborate with the IESBA and what the objectives of the collaboration would be. He believed the collaboration did not work well. He is also concerned that linking the ISA's and the IESBA Code may compromise the endorsement of the ISA's in those jurisdictions where the IESBA Code is not used.

Mr. Sharko, although supportive of the changes to ISA 250 (Revised), did not vote in favor of the conforming amendments as, in his view, they were not comprehensive. He believed it is misleading not to make a conforming amendment to ISA 600 to make it clear that, under the revised IESBA Code, the reporting of NOCLAR by the group engagement partner to the rest of the group might include an obligation to communicate to auditors who are not scoped in for purposes of the audit of the group financial statements (i.e., statutory auditors).

#### CONSIDERATION OF THE NEED FOR RE-EXPOSURE

The IAASB agreed with the NOCLAR TF's view that there was not a need for re-exposure of ISA 250 (Revised) or the conforming amendments, as the changes made since the ED are in response to the comments received on exposure and do not fundamentally change the principles of the standards from what was intended in the ED.

PIOB OBSERVER REMARKS

Mr. Holm highlighted the comments previously suggested by the PIOB, noting that the PIOB believed the sequencing of paragraph 29 of ISA 250 (Revised) and the related application material to be important, starting with the duty to report and then addressing the exceptions. Mr. Holm also expressed his support for retaining the application material in paragraph A28 of ISA 250 (Revised).

**4. Invitation to Comment**

Ms. Zietsman noted the Quality Control and Group Audits Working Groups (WGs) had met earlier in the week to begin considering the feedback from the ITC and had developed an updated [presentation](#) for discussion with the IAASB. Mmes. Zietsman, Köhler and French provided a high-level update of the themes that had been heard about the various topics, based on input from the various outreach activities while the ITC was out for comment, including the roundtables held in Amsterdam, Paris and Kuala Lumpur.

Ms. Healy noted that there was a good response across a broad range of stakeholders to the call for input. She explained that many responses had been robustly prepared with much thoughtful consideration of the issues presented and the possible actions the IAASB might take. She explained that the responses to the ITC, many of which had only recently been received, would be analyzed in detail by staff and the respective WGs, with more detailed feedback to be provided at future IAASB meetings (either generally or in connection with the discussions of specific issues). It was suggested that greater details about the views of individual stakeholder groups, and discussion about where the views were varied within those groups, or across groups, would be helpful to aid the Board's consideration of next steps.

Ms. Healy also added that further consideration was being given to prioritization of work on the topics covered by the ITC, especially in light of the many aspects that crossed over the various projects. She further explained that the Audit Quality Enhancements Coordination Group would also be considering in particular how the projects could be progressed in a timely manner while taking into account the many crossover issues.

PIOB OBSERVER REMARKS

Mr. Holm commended the Board on its activities to solicit input, and noted the PIOB has already committed to providing feedback to the IAASB as to their views on what are the key issues to be addressed. He encouraged the Board to think carefully about how the projects could be progressed and the time required to do so, noting however the expectations of some stakeholders for changes to the standards to be accomplished relatively soon.

WAY FORWARD

Ms. Healy noted that detailed feedback from the ITC, and potential suggestions about the way forward on professional skepticism, quality control and group audits, would be presented at the September 2016 IAASB and CAG meetings.

**5. ISA 540**

Mr. Sharko and Mr. Pickeur introduced the topic by highlighting the anticipated timeline for 2016, the outreach performed with financial institutions and non-financial institutions, and the interactions with other IAASB initiatives, such as the PSWG and ISA 315 (Revised)<sup>7</sup> WGs. The IAASB's discussion on ISA 540

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

focused on the definitions in ISA 540, the identification and assessment of risks, how the scalability of the standard can be explained for less complex/low estimation uncertainty accounting estimates, and the ISA 540 TF's initial thinking on the work effort. Mr. Sharko also updated the Board on the ISA 540 TF's discussion in respect of the PSWG's recommendations to the ISA 540 TF. He noted that the ISA 540 TF supported many of the recommendations and will consider them as the project further develops.

In general, the Board noted support for:

- The increased level of granularity in the risk assessment requirements and application material, and the increased focus on the control environment over accounting estimates.
- Merging paragraph 10 and 11 of ISA 540, as the Board was of the view that the factors used for the identification of the risk of material misstatement are the same as the factors used for the determination of which risks are significant.
- The factors that the auditor should consider, at a minimum, when identifying and assessing the risk of material misstatement and the determination of whether any of the risks identified are significant risks.
- The ISA 540 TF's proposal that no further procedures are necessary if the estimation uncertainty is resolved before the date of the auditor's report.

The Board raised the following matters for the ISA 540 TF to consider:

- Proposed paragraph 4A addressing the scalability of ISA 540 was seen by some as not being sufficiently robust. Given that the scalability of ISA 540 is of importance to small and medium practices (SMPs), the Board suggested to explain more explicitly how and when the ISA can be scaled for accounting estimates that are less complex or have a low estimation uncertainty.
- To simplify the definitions, the Board suggested that some of the proposed definitions may be better placed in the application material and that other definitions could be simplified by including further explanations to support these definitions in the application material. It was also noted that the definitions will need to be reviewed again, once the work effort section is further advanced.
- With respect to the definition of an "accounting estimate", some Board members noted that the definition includes some circularity and questioned whether the word "monetary" was needed. The Board also questioned whether there should be a separate definition for "data" and "assumptions", or whether a definition for the term "input" could be included to cover both. The Board was of the view that combining the terms could improve the readability of the definitions.
- Some Board members suggested combining or re-ordering the new requirements in paragraphs 8(d), 8(e) and 8(f) in the risk assessment section, in order to improve the readability and clarity. It was also noted that the construct of paragraph 8 was complex and that breaking it up could improve its readability.
- One Board member asked the ISA 540 TF to consider changing the wording of paragraph 8(d), as under a two-tier model the supervisory board may not approve the individual accounting estimates since this is done by management.
- It was noted that many of the new examples added to the application material relate to the expected credit loss model and some Board members therefore suggested to include more examples related to non-financial institutions.
- With regards to the ISA 540 TF's initial thinking on the work effort:

- The Board agreed with the notion of the overarching principle-based work effort requirement, but questioned whether such a requirement would be useful given that it is very broad.
- It was noted that it could be difficult to mandate detailed procedures linked to the risk assessment given the different facts and circumstances of each audit engagement, and that it could therefore be challenging to find the right balance in the level of detail of the requirement.
- The Board suggested to focus on the persuasiveness of the evidence or the intensiveness of the response when designing procedures for accounting estimates that give rise to significant risks.
- The Board noted that ISA 330<sup>8</sup> already includes a standback provision.

#### PIOB OBSERVER COMMENTS

Mr. Holm supported the Board's work in this area and highlighted the importance of the Board progressing the project in accordance with the communicated timeline, recognizing the Board's and TF's commitment to do so is already evident.

#### WAY FORWARD

The ISA 540 TF will continue to work on proposed ISA 540 (Revised) and intends to submit a paper to the Board on the use of third-party data sources at the July 2016 teleconference, with a first draft of the Exposure Draft of ISA 540 (Revised) to be presented at both the IAASB and CAG September 2016 meetings. The Chairs of the ISA 540 TF, PSWG, and ISA 315 (Revised) WG will continue to liaise on matters of mutual interest.

#### 6. ISA 315 (Revised)

Ms. Campbell provided an overview of **Agenda Item 7-A** on the initial scoping of a project to revise ISA 315 (Revised), drawing the Board's attention to the background on the project, the outreach undertaken to date, the ISA 315 (Revised) WG's preliminary views on a project proposal, the significant issues identified.

#### PROJECT PROPOSAL

The IAASB generally supported the ISA 315 (Revised) WG's proposed project objectives, and the overall focus and direction of the project. In addition to clarification and editorial comments, the Board highlighted several items for the WG to further consider in developing a project proposal:

- The project objective in paragraph 10 (a) of **Agenda Item 7-A**, was viewed by some as being too broad and may benefit from additional specificity. Another member cautioned against making this objective too narrow and urged the ISA 315 (Revised) WG to maintain a balance between being too broad and not narrowing the scope such that only limited matters are to be addressed.
- Several Board members emphasized the importance of developing practical, non-authoritative guidance and support tools concurrently with the revisions to the standard, in particular for SMPs. It was noted that it should be emphasized in the project proposal that the development of guidance was an important aspect of the project, while making clear that this would be in support of the revised

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<sup>8</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

requirements. Ms. Campbell acknowledged the importance of developing the guidance during the course of the project.

- Members variously suggested that information technology (IT) should feature more prominently in the project objectives, while another suggested that issues in **Agenda Item 7-A** currently under “modernizing and future-proofing” should be separated from the “business processes section” so that IT issues are more prominent.

#### MAJOR ISSUES ON WHICH THE PROJECT WOULD FOCUS

In relation to the major issues to be focused on in the proposed project on revising ISA 315 (Revised) as set out in **Agenda Item 7-A**, Board members expressed general support for the issues that had been identified. The following detailed points were made for the WG’s further consideration:

- In relation to internal controls:
  - One member noted that the requirements and guidance in extant ISA 315 (Revised) to understand the financial reporting process (or the way that transactions flow within the entity’s system) should be separated in the standard from those that address the required understanding of internal control, as it is not very clear in the current standard what the difference is between a process and a control is. Doing so may help facilitate the implementation of the standard from a practical perspective. Another Board member agreed in principle, citing recent technological advances that have occurred such as blockchain (e.g., bitcoin), where understanding the process may have more relevance than understanding the control. Other members cautioned that such a separation may potentially result in a fundamental change in the standard. It was agreed that further consideration would be given to this matter.
  - It was noted that more clarity was needed about what the understanding of internal control was used for – that is, not only to perform an effective risk assessment but also to provide a basis for further audit procedures. It was also suggested that this clarification could help to better explain the expected work effort in relation to this understanding and how the understanding is documented.
  - The Board cautioned the ISA 315 (Revised) WG to not emphasize any one component of internal control (such as control activities) as being more important than another. The auditor’s approach to internal control differs from audit to audit and any emphasis in the standard on one or more elements may result in auditors focusing on that element, where a consideration of the other elements may be more appropriate for the particular audit engagement. One Board member observed that this can be a common approach among SMPs, where there is often a focus on control activities at the expense of the other elements of internal control.
- While agreeing that the ISA 315 (Revised) WG should assess whether it would be beneficial for ISA 315 (Revised) to take into account enhancements in the revised COSO<sup>9</sup> *Internal Control – Integrated Framework (2013)*, the Board emphasized that ISA 315 (Revised) should remain framework-neutral. However, it was noted that the principles within the framework could still be used as a starting point in considering how the standard might be re-organized. It was suggested a presentation to the Board on the updated COSO Framework could be useful.

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<sup>9</sup> Committee of Sponsoring Organizations of the Treadway Commission

- While agreeing with the ISA 315 (Revised) WG's proposal to explore whether the concept of significant risk is achieving the intended objective, the ISA 315 (Revised) WG was cautioned to consider the implications of potentially making wholesale changes in this area. It was noted that, while the identification of significant risks has its challenges, auditors are familiar with the concept, and firm audit methodologies encompass this key aspect of the IAASB's risk model. Therefore significant changes could have substantial implications for auditors. Ms. Campbell agreed and noted that the ISA 315 (Revised) WG is, and will continue to be, mindful of the practical implications of any changes proposed.
- Although supportive of clarifying how identifying inherent and control risks interact, Board members cautioned about making the approach too prescriptive.
- While expressing preliminary support for the concepts addressed in the "drivers of risk" diagram (diagram 1 of **Agenda Item 7-A**), Board members noted that additional text further explaining the diagram would provide more clarity. One Board member suggested incorporating the input factors that affect audit quality from the [IAASB's Framework for Audit Quality](#) into this diagram. Although recognizing that the diagram is two-dimensional, another Board member suggested that further consideration be given to the judgments around magnitude and likelihood of misstatement as they are not entirely linear, and at some point likely intersect. For example, there may be the increased likelihood of a smaller misstatement, or less likelihood of a material misstatement, and that further consideration could be given to whether guidance around the assessment of the risks of material misstatement could incorporate these concepts.
- Board members noted that further clarification was needed about the interaction of assertions and account balances and transactions when assessing risks (i.e., in relation to paragraphs 26 and 26(a) of ISA 315 (Revised)) and that this should be more clearly specified in the project proposal.
- In light of the changes in the business environment and the nature of the way business is carried out, including evolving technologies, the Board suggested that the project should also focus on scenarios when substantive procedures alone are not enough (e.g., the effects of the evolving complexity of an entity's IT system, which may indicate that it is not enough to undertake a substantive audit approach in addressing certain assertions).
- Members noted that a challenge for many SMPs is in the application of ISA 315 (Revised), which could vary significantly in different circumstances, and documentation of the audit work that has been done. It was further noted that, in many instances, SMPs are performing the procedures to meet the requirements of the standard but have challenges with documenting the work performed. It was also added that the IAASB should also take into account the challenges expressed in applying the ISAs in audits of very small (micro) entities, and therefore think more openly about what the solutions in this area may be. Ms. Campbell clarified that the audit of micro-entities is not in the scope of a project on ISA 315 (Revised). However, it will be considered as part of the scalability of the standard which is part of the project. This includes the possible development of non-authoritative guidance that can further explain the scalability of ISA 315 (Revised) which may assist audits of very small (micro) entities.
- One Board member suggested further consideration needed to be given to public sector issues. Ms. Healy noted that IAASB CAG has public sector representation from INTOSAI<sup>10</sup> and as the project progresses, dialogue with INTOSAI will continue to obtain appropriate input at key stages of the project.

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<sup>10</sup> The International Organization of Supreme Audit Institutions

With regarding to outreach, the Board encouraged the ISA 315 (Revised) WG to continue with appropriate outreach at the various stages of the project. In addition to the outreach already performed as noted in **Agenda Item 7-A**, the Board suggested that outreach also be conducted with the larger firms, through the Forum of Firms and Global Public Policy Committee (GPPC).

#### IAASB CAG CHAIRMAN'S REMARKS

Mr. Waldron was enthusiastic about the project and commended the progress the WG has made to date, including consideration about how to progress the project forward at a more rapid pace. He encouraged the ISA 315 (Revised) WG to present a project proposal to the September 2016 IAASB CAG and IAASB meetings for discussion.

#### PIOB OBSERVER REMARKS

Mr. Holm commended the WG on the matters set out in **Agenda Item 7-A**. However, he noted that the composition of the WG could be a concern for the PIOB, as the majority of the ISA 315 (Revised) WG was comprised of Technical Advisors. Mr. Holm noted that composition of TFs and WGs would be an item of discussion at the upcoming PIOB meeting. Prof. Schilder at the informal meeting with PIOB leadership and staff indicated there was already a good discussion on the IAASB's efforts to balance the compositions and the perceptions about the process, noting it is an important issue to explore. He noted his view that the current balance is appropriate for this stage of the project, in particular in light of the significant progress that was being made by this WG and the effective discussion that had resulted based on the agenda material.

#### WAY FORWARD

The IAASB directed the WG to present a project proposal for approval at the IAASB's September 2016 meeting, together with issues and recommendations on priority topics, including those matters that require coordination with the ISA 540 TF. These matters will also be discussed with the CAG at its September 2016 meeting.

## 7. Data Analytics

Mr. Dohrer provided the Board with an overview of the Data Analytics Working Group (DAWG) publication (**Agenda Item 8-A**) and the process followed in its development. Mr. Dohrer noted that the objectives of the publication are to:

- Raise awareness with stakeholders;
- Deliver a message that the ISAs do not prohibit the use of data analytics in a financial statement audit; and
- Communicate the way forward for the IAASB's data analytics initiative.

The Board was in agreement with the stated objectives, noting that in certain areas of the publication a more proactive approach should be taken to achieve those objectives (such as formalizing the request for input). Board members commented that the DAWG publication is written in an approachable style, with an appropriate balance between identifying challenges while not trying to provide solutions. It was noted that, in the responses to the ITC, data analytics is an area where stakeholders want the IAASB to continue to focus and the publication would be one way of demonstrating the IAASB's commitment to progressing matters relating to data analytics. The IAASB emphasized the importance of moving forward with a

collaborative approach, which includes appropriate stakeholders such as audit oversight bodies, in understanding how audit quality can be enhanced with the use of data analytics.

While some Board members were of the view that the publication should be updated to be a formal Discussion Paper, others were of the view that the initiative is at too early a stage for a Discussion Paper. The Board ultimately agreed that the publication should not be referred to as a Discussion Paper, and instead should be deliberate about the request for stakeholder input and communicating anticipated next steps.

In addition to the above and various suggested clarifications and editorial comments, Board members provided the following comments:

- Readers should be provided with helpful context, i.e., to describe more clearly the purpose of the publication and the activities that have been carried out in its development.
- Where reference is being made to concepts that are addressed in the ISAs, terms and phrases consistent with the ISAs should be used, without changing the style of the publication.
- The publication should be clear that use of data analytics would not enable obtaining an absolute level of assurance.
- Various changes to the diagrams in the publication were suggested, in order to clarify the messages being communicated.
- The difference between data analytics and computer assisted audit techniques (CAATs) could be more clearly described, which may also assist readers in seeing the potential for data analytics to enhance audit quality.
- An additional challenge could be added, to highlight the difficulty in review and supervision of this type of work, even in cases where the reviewer has an appropriate level of expertise.
- With respect to SMPs, there were suggestions to:
  - Clarify the section of the paper describing how data analytics could benefit SMPs; and
  - Give thought on whether, and to what extent, the publication should address the potential market implications for SMPs. For example, while there are vendors in the marketplace offering data analytics solutions that SMPs are able to use effectively, there can be significant upfront investment needed when first embarking on the use of data analytics.
- It was suggested to clarify the pace of evolution versus revolution, balancing the views of some that the IAASB should not move ahead too quickly, with others that want the IAASB to consider standard setting at a faster pace.
- An additional question could be asked in the publication as to what stakeholders believe the IAASB's next steps should be.

The Board also had the view that the topic would likely greatly benefit from some practical guidance at some point in the future, such as non-authoritative guidance about the risks associated with the use of data analytics in a financial statement audit.

#### WAY FORWARD

The Board supported the issuance of the DAWG publication. The Board was also supportive of the DAWG's active involvement in the IAASB's current standard-setting projects and assessing the potential impact of

data analytics on the ISAs affected by this topic, also noting that data analytics was frequently mentioned by respondents to the ITC.

The Board directed the DAWG to continue with its outreach activities, exploring whether involvement of a project advisory panel and IAASB or hosted events would be effective in further information gathering and facilitating a two-way dialogue with stakeholders.

## **8. IESBA Coordination**

Mr. Gunn introduced the topic, explaining that the purpose of the session is to update the Board on preliminary thinking related to the enhancing process of coordination between the IAASB and the IESBA, and to obtain Board members' reactions to the proposed way forward.

Mr. Gunn reported that he has held informal discussions with a number of IAASB and IESBA members, as well as with the Boards' steering and planning committees, and summarized the feedback from those discussions. He then described a preliminary staff way-forward proposal, in summary: a more systematic and structured process for coordination, featuring a mechanism to inventory, capture and manage coordination issues, early assessment of type of coordination required, periodic oversight review by Chairs jointly, and periodic Board updates.

Board members were generally supportive of the suggestions made by Mr. Gunn for a way forward, but emphasized the need to proactively identify issues of common interest in a timely manner, and for timely communication on matters of mutual interest as projects progress. Accordingly, any proposed way forward should be flexible and not cumbersome, nor consume unnecessary Board or Staff resources. Board members also noted the importance of:

- Considering cross-board representation on task forces where there are matters of mutual interest.
- Each respective Board understanding the next steps from all other SSBs involved.
- Timely responses from each Board where there are decisions to be made by one Board that would have implications for other Boards.

Board members also supported the proposal to extend the coordination monitoring exercise to include the IAESB.

A Board member questioned the need for coordination when there were some jurisdictions that, although using the ISAs, did not use the IESBA Code. Other Board members highlighted the importance of the need for the SSBs to coordinate their efforts on matters of mutual interest.

### **IAASB CAG CHAIRMAN'S REMARKS**

Mr. Waldron noted that every member of the IESBA CAG is represented on the IAASB CAG, with only a few on the IAASB CAG that are not members of the IESBA CAG. He suggested that the CAGs could also be used to input on crossover issues and facilitate discussion on matters of mutual interest.

### **WAY FORWARD**

Prof. Schilder thanked Mr. Gunn for his efforts and welcomed further progress in operationalizing the staff proposals. He noted the importance of effective and efficient coordination between the SSBs, while respecting their independence when moving forward on their respective projects.

## 9. Integrated Reporting

Ms. Kelsall provided an overview of the key changes made to the draft Discussion Paper (DP), *Supporting Credibility and Trust in Emerging Forms of External Reporting (EER)*, (**Agenda Item 11-A**) that were in response to the considerations and suggestions of the Board at its March 2016 meeting. The Board was generally supportive of the contents of the draft DP. However, the Board found the DP to be too long and explored how to reduce its length. It was suggested that the key messages be extracted both within the DP itself as well as within an “At a Glance” supplement. It was also suggested that the DP distinguish between a general part for a broad stakeholder group (currently Sections I-III), and a more detailed part for the more technical readers (currently Section IV). It was recommended that the ITC or the *Framework for Audit Quality* could serve as examples of such a structure. There were also suggestions to move some of the text to the IRWG project webpage or include some material in appendices for those stakeholders who would like to have more background.

In finalizing the DP, the Board asked the Integrated Reporting Working Group (IRWG) to consider the following:

- Clarifying the purpose of the DP (since it would assist in reducing the length of the paper) and identifying the relevant questions for stakeholders.
- Including key messages for different stakeholder groups in the front of the DP to facilitate easier navigation and assist stakeholders in identifying what is most relevant to them.
- The design and navigation of the DP, including how the figures, tables and footnotes are presented, in order to improve the readability of the DP. The Board also suggested including the questions throughout the DP.
- Toning down the conclusion that a subject-specific standard is not appropriate at this stage in order to prevent pre-empting the discussion.
- Classifying the ten challenges identified in the DP between what preparers, reporting framework developers and assurance standard setters can do.
- Using the term “assurance” appropriately. The Board debated how the term “assurance” should be used, i.e., in the context of assurance engagements or in broader terms as stakeholders would understand it, and concluded that the latter is appropriate in order to prevent confusion among readers.

### IAASB CAG CHAIRMAN’S REMARKS

Mr. Waldron complimented the IRWG for the quality of the paper and asked the IRWG not to sacrifice the quality in addressing the length of the paper. He asked the IRWG to provide further clarity to investors on the scope of ISA 720 (Revised)<sup>11</sup> when EER information is included in the annual report and the additional confidence a separate assurance engagement on the EER information would bring. He agreed that developing a supplementary “At a Glance” document will help engage with a broader stakeholder group and asked the IRWG to consider how the questions in this document would be included, in order that stakeholders do not need to revert to the DP for further clarity or background to the matter.

### WAY FORWARD

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<sup>11</sup> ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

The Board agreed with publishing the DP after a final review by the IAASB Chairman and Technical Director.

## 10. Agreed-Upon Procedures

Mr. Salole presented a first draft of the Agreed-Upon Procedures Working Group's (AUPWG) Discussion Paper (DP) to the IAASB. He explained that the DP is based on the outreach the AUPWG has performed to date and outlines the current demands for Agreed-Upon Procedures (AUP) engagements and the issues identified in the outreach. The DP discusses possible modifications that could be made in ISRS 4400<sup>12</sup> to address the identified issues and examines the demand for multi-scope engagements. The Board discussed these matters and supported the direction of the AUPWG. The Board was of the view that the AUPWG had addresses the significant areas in ISRS 4400 that need to be improved or clarified. The Board members provided the following specific comments:

- It was questioned whether the revision and clarification of ISRS 4400 should have priority over providing guidance on multi-scope engagements. Accordingly, it was suggested that a question be added in the DP to address this.
- The multi-scope section was seen to be relatively short compared to the rest of the paper. Accordingly, it was suggested that additional discussion on this topic be added. It was noted that this would also provide the AUPWG with an opportunity to enhance the explanation of what the differences are between a hybrid and a multi-scope engagement.
- In order to generate better responses, it was suggested that the questions could be more open, especially with respect to the use of professional judgment in an AUP engagement.
- With respect to the use of professional judgment in an AUP engagement, the AUPWG was asked to further elaborate on its proposals, given the fundamental nature of this issue. It was therefore suggested that the DP include a question on whether the use of professional judgment should be allowed when performing an AUP engagement. It was also noted that the independence of practitioners performing AUP engagements should be considered in conjunction with this issue, as allowing more judgment might give rise to the need for the practitioner to be independent.
- There were mixed views about whether a practitioner that performs an AUP engagement should be independent. The Board agreed that the AUPWG should formally liaise with the IESBA on this topic.
- With respect to the ambiguity of certain wording in an AUP report, the Board was of the view that the ambiguity of a word often comes from the context and therefore suggested not to prohibit or suggest the use of certain words.
- With respect to the restriction of use and distribution of the report of factual findings, an approach similar to that in ISA 800 (Revised)<sup>13</sup> was suggested. Under this approach, the auditor would include in the report of factual findings a paragraph alerting the users to the fact that the report of factual findings is prepared and agreed with certain users and that, as a result, the report of factual findings may not be suitable for another purpose. Additional application material in line with ISA 800 (Revised) dealing with the ability of the auditor to restrict distribution or use could also be considered.
- There was support for the AUPWG's proposal to clearly distinguish communications arising from

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<sup>12</sup> International Standard On Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

<sup>13</sup> ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

additional services, such as recommendations and management letters, from the report of factual findings, in order to avoid confusion.

#### WAY FORWARD

The AUPWG will present a revised DP to the Board at the September 2016 meeting, with the intention of it being finalized and issued in the fourth quarter of 2016.

### 11. Forward Work Plan

Ms. Healy introduced the session, noting that Board views on the survey design and content, as well as supplementary information, would be needed to finalize the survey for publication.

#### *Survey Content*

Ms. Healy explained that the feedback from the ITC needed to be considered in order to understand the priorities set out in the survey. Ms. Healy reminded the Board that the priorities were presented taking into account the resources of the Board, the interconnectivity of issues in the various topics and the need for coordination with others. She added that the due process of the Board, resources and other relevant information for understanding the process for developing the Work Plan for 2017–2018 would be set out in a supplemental document to accompany the survey.

Ms. Healy explained that the prioritization of topics had also been discussed with NSS at its annual meeting in June 2016. She noted that NSS generally concurred, but underscored the importance of revising ISA 600 as well as highlighted the need for further consideration about a project on materiality. She added that NSS also emphasized that a focus on scalability was needed, including further consideration about implementation tools or guidance, and the importance of the AUP project for SMPs. She further explained that the SMP Committee had also emphasized the importance of the AUP project in its input to this agenda item.

In response to the proposed prioritization of topics, as well as the approach, Board members variously recognized the interconnectivity of the topics, the available resources and need to operate effectively, and maintaining the balance between the speed of standard-setting and setting high-quality standards, with proper, robust debates and appropriate consultation. In addition to general support for the prioritization as set out in the survey, Board members variously noted:

- The need to understand the impact of the responses to the ITC, thereby driving, as a first step, the determination about how the projects could be progressed, as well as the prioritization thereof. It was also noted that the communication between the various task forces on matters of mutual interest was also essential.
- That there needs to be a focus on addressing the issues that have been identified, as the standards are not entirely broken.
- The need to address scalability issues.
- The importance of making progress on professional skepticism as it relates to the ISAs, in light of its impact on the significant projects currently underway.
- The need to focus on finalizing the proposed changes ISA 540 and progress the changes to ISA 315 (Revised).
- The need to address the crossover and other identified significant issues in order to progress all the projects in a timely manner.

- The importance of advancing the discussions about data analytics.
- That it was preferable to expose a revised standard only once in totality, and therefore that there is only one implementation date once finalized.

### *Survey Design*

In response to the design of the survey, Board members variously suggested that the survey should:

- Provide more emphasis on explaining the process to develop the IAASB's *Strategy for 2015–2019* and the *Work Plan for 2015–2016*, highlighting that the proposed priorities were an extension of previous significant consultations.
- Better explain the importance of coordination with IESBA, as well as a focus on the needs of SMPs. In addition, it was suggested that it was important to understand stakeholders' views on the importance of focusing on these areas.
- Require an explanation when a respondent did not agree with the prioritization of projects.
- Make clear that the other projects (not in the prioritization section) would not come onto the Board's agenda until there was a clear need, and that this may be at the expense of an existing project.

### IAASB CAG CHAIRMAN'S REMARKS

Although agreeing with the prioritization of the topics and the approach, Mr. Waldron urged the IAASB to further consider the length of time it takes for the standard-setting process. He also queried what the Board's capacity was for new and emerging issues, such as alternative performance and non-GAAP measures. Ms. Healy responded that the Innovation Working Group continued to monitor emerging developments, and would raise matters of significance with the Steering Committee in the first instance. In addition, she added that the consultation on integrated reporting / emerging external reporting developments may highlight some of these matters.

With regard to the survey design, Mr. Waldron recommended further consideration to keeping the survey concise, such as including some of the detail about the project in hover boxes, as well as how the questions could be articulated so as to encourage open responses.

### PIOB OBSERVER REMARKS

Mr. Holm noted that attention would be needed for the post-implementation of auditor reporting, and also emphasized the need for further consideration about going concern.

He also added that he was pleased to see the way that the survey had been adjusted over the course of the week to reflect the input from the Board, and that he believed it was a good consultation document to solicit appropriate input on the priorities of the Board.

### WAY FORWARD

The Board agreed that the survey consultation could be finalized, but emphasized the need to continue to communicate about the progress of the projects. The Board also agreed that survey consultation would be open for comments until September 30, 2016 to be able to finalize at the December 2016 IAASB meeting.

## **12. Closing Remarks from IAASB CAG Chairman**

Mr. Waldron acknowledged that as the projects progressed they were becoming more complex, and emphasized the need for the Board to continue to be responsive to comments from the CAG. At the same

time, he committed to continue encouraging relevant input in a timely manner from the CAG, either at the biannual CAG meetings or through teleconferences as appropriate.

**13. PIOB Observer Remarks**

Mr. Holm thanked Prof. Schilder. He noted he was pleased with the approval of the amendments to ISA 250, and encouraged the Board to keep focused on progressing and finalizing its projects in a timely manner. Mr. Holm also acknowledged the hard work of all during the week.

**14. Next Meeting**

The IAASB will hold a teleconference on July 26, 2016. The next IAASB physical meeting will be September 19–23 in Hong Kong.

**15. Closing**

Prof. Schilder thanked all for their help in finalizing NOCLAR.

Ms. Healy provided an update on future meetings and reported that the staff is currently finalizing the arrangements for the March 2017 Board meeting, which will be held in Lima, Peru. Ms. Healy noted that the Steering Committee had discussed the possibility of a fifth meeting for 2017 and would report back to the Board in due course as to the suggested forward agenda and meetings and teleconferences necessary to progress the relevant topics.

Prof. Schilder then closed the meeting.