

**Minutes of the 86th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
Held on August 1, 2017 by Teleconference**

Voting Members

Present: Arnold Schilder (Chairman)
Megan Zietsman (Deputy Chair)
Fiona Campbell
Robert Dohrer
Karin French
Marek Grabowski
Len Jui
Annette Köhler
Brendan Murtagh
Marc Pickeur¹
Ron Salole
Rich Sharko
Sayaka Sumida
Imran Vanker
Ge Zhang

Technical Advisors

Sara Ashton (Ms. French)
Nicolette Bester (Mr. Vanker)
Wolf Böhm (Prof. Köhler)
Dora Burzenski (Ms. Zietsman)
Chun Wee Chiew (Mr. Murtagh)
Ahava Goldman (Mr. Dohrer)
Hiram Hasty (Mr. Landes)
Josephine Jackson (Mr. Grabowski)
Susan Jones (Mr. Jui)
Sachiko Kai (Ms. Sumida)
Jamie Shannon (Mr. Sharko)
Eric Turner (Mr. Salole)
Sylvia van Dyk (Ms. Provost)
Denise Weber (Ms. Campbell)

Apologies: Abhijit Bandyopadhyay
Chuck Landes
Lyn Provost

Shu Duan (Mr. Zhang)
Sanjay Vasudeva (Mr. Bandyopadhyay)

Non-Voting Observers

Present: Jim Dalkin (IAASB Consultative Advisory Group (CAG) Chair), Yoshinao Matsumoto (Japanese Financial Services Authority)

Apology: Juan Maria Arteagoitia (European Commission)

Public Interest Oversight Board (PIOB) Observer

Present: Karen Stothers

¹ Mr. Pickeur did not have a technical advisor for this teleconference.

IAASB Technical Staff

Present: Matt Waldron (Technical Director), Beverley Bahlmann, Brett James, Natalie Klonaridis, Schuyler Simms

Apologies: Csilla Molnar, Jasper van den Hout, James Gunn (Managing Director, Professional Standards)

International Auditing and Assurance Standards Board (IAASB) agenda materials referred to in these minutes can be accessed at www.iaasb.org/meetings/iaasb-conference-call-august-1-2017. These minutes are a summary of the decisions made at the August 2017 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. Quality Management: Elements² and the Quality Management Process

Ms. French introduced the topic, noting the Quality Control Task Force's (QCTF) proposals regarding how the quality objectives, quality risks and responses would be established in ISQC 1,³ in particular (i) the proposed specificity of the prescribed quality objectives and quality risks, (ii) how the concept of the elements in extant ISQC 1 would be retained in the revised standard, and (iii) how the prescribed quality risks would be established from the extant requirements in ISQC 1.

QUALITY MANAGEMENT PROCESS

The IAASB generally supported the QCTF's proposals in relation to how the quality objectives, quality risks and responses would be established in revised ISQC 1, noting that the prescribed quality objectives and quality risks would be need to be further refined. The IAASB provided the following additional comments:

- Given the overlap across the various quality objectives, it was suggested that the relationship between the quality objectives be illustrated, including how they interrelate with the other components of revised ISQC 1 (i.e., governance and leadership, and monitoring and remediation).
- Examples of additional quality objectives would be helpful in understanding circumstances when additional quality objectives may be appropriate, in particular for small-and medium-sized practices.
- The articulation of the requirement for the firm to identify quality risks in addition to the prescribed quality risks will be extremely important in order to capture the flexibility of the standard.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin supported the proposed approach, given its principles-based nature and scalability.

² Elements refers to the following elements in extant ISQC 1: (i) relevant ethical requirements, (ii) acceptance and continuance of client relationships and specific engagements, (iii) human resources, and (iv) engagement performance.

³ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and Related Services Engagements*

PIOB OBSERVER REMARKS

Ms. Stothers questioned how professional skepticism is captured in the quality objectives and the quality risks.

WAY FORWARD

The QCTF will continue to develop the quality objectives, quality risks and responses in revised ISQC 1 for further discussion at the IAASB December 2017 meeting. The QCTF will also be undertaking outreach with a variety of stakeholders in the fourth quarter of 2017 and will use the working draft of revised ISQC 1 presented to the IAASB in June 2017, together with the proposals in **Agenda Item 1–B** for the purposes of the outreach. The working draft of revised ISQC 1 to be used for the outreach will also include limited amendments that address some of the IAASB's feedback from the June 2017 meeting

QUALITY MANAGEMENT AT THE ENGAGEMENT LEVEL

Ms. Zietsman introduced the topic and recommendations set out in **Agenda Item 1-A**, explaining the modified approach to revising ISA 220⁴ to address comments from the IAASB at the June 2017 IAASB meeting, noting that the revisions to ISA 220 will still remain focused on incorporating more proactive management of quality risks at the engagement level while addressing the responsibilities of the engagement partner. Ms. Zietsman also explained the proposal for how the revisions to ISA 220 would be expected to align to the changes being proposed to ISQC 1, adding that both the ISA 220 Task Force and QCTF will continue to coordinate as changes to both ISQC 1 and ISA 220 are progressed.

Board members expressed support for:

- Retaining the extant elements of ISA 220 (i.e., Leadership Responsibilities, Relevant Ethical Requirements, Acceptance and Continuance of Client Relationships and Audit Engagements, Assignment of Engagement Teams, Engagement Performance (including direction, supervision, and performance; reviews, consultation; engagement quality control review and differences of opinion)).
- The revised approach proposed by the ISA 220 DT for revising the requirements, with a caveat that the Board would only be in a position to express full support when the proposed revisions are drafted.
- Continuing efforts to achieve alignment between ISQC 1 and ISA 220, i.e., noting that this involves a two-way process, and that the task forces on both projects need to continue to coordinate to ensure that both standards interconnect appropriately.

The following observations were made by various Board members for further consideration by the ISA 220 DT:

- Agreement to align the terminology in ISA 220 with ISQC 1, but caution about using exactly the same phrases in certain instances because quality management at the engagement level is not necessarily be the same as quality management at the firm level (which is about the firm's entire system of quality management).
- Further consideration should be given to addressing the importance of communication in the revised standard, noting the variety of different types of communications (i.e., focusing on communications between the engagement partner and the engagement team, as well as on other types of

⁴ International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*

communications such as communications between engagement partners or teams with the firm's quality resources, and communications with management and those charged with governance.

- Varying views were expressed related to the approach set out in paragraph 27 of **Agenda Item 1-A**, and the Task Force was encouraged to further reflect on how the engagement partner would be expected to consider what would need to be done in relation to quality for that engagement, including how to understand and apply the firm's policies and procedures at the engagement level.

Board members also cautioned that:

- The proposed revisions should not weaken the current requirements of the standard.
- The engagement partner's responsibilities should be balanced with the responsibilities of the firm, and not duplicative of the firm's efforts, or efforts within a network structure.

IAASB CAG CHAIRMAN'S REMARKS

Mr. Dalkin was supportive of the direction of the revised approach to amending ISA 220.

PIOB OBSERVER REMARKS

Ms. Stothers expressed support for the alignment of the changes being proposed to ISQC 1 and ISA 220.

WAY FORWARD

The ISA 220 TF will continue to progress the changes to ISA 220, coordinating with the QCTF as necessary, for revised proposals to be presented to the IAASB for discussion at the December 2017 IAASB meeting.

2. Next Meeting

The next IAASB meeting will be September 18–22, 2017, to be held in New York, United States of America.

3. Closing

Prof. Schilder thanked the Task Forces and the IAASB staff and closed the meeting.