

Areas Requiring Coordination: Staff Overview and Observations

Objective of the Joint IAASB and IESBA Discussion

The objective of this Agenda Item is to provide the IAASB and the IESBA with an overview of the Standard Setting Boards' (SSBs') Staff's assessment to date of the possible areas where further coordination may be needed.

Background

1. At the June 2016 IAASB and IESBA meetings, the Boards received an update on the activities to enhance the coordination between the SSBs. This included a tentative outline of a more systematic and structured process for coordination, featuring a mechanism to inventory, capture and manage coordination issues, early assessment of the type of coordination required, periodic oversight review by the SSB Chairs jointly, and periodic Board updates.
2. Since the June 2016 SSB meetings, the need to coordinate the work of the SSBs has been identified as a strategic priority and the SSB Staff have been active in this regard, developing various proposals for the Boards' consideration. In June 2017, the IAASB Steering Committee (SC) and IESBA Planning Committee (PC) held a joint meeting to discuss these proposals, in preparation for the September 2017 joint Board session.
3. **Agenda Item J-2** sets out the proposed general principles, criteria and other key considerations for IAASB and IESBA coordination. This includes a proposal for the SSBs' Staff to jointly maintain a central inventory of topics requiring, or that may require, coordination, in order to facilitate and support the management of the coordination efforts (the Inventory of Topics of Mutual Interests). The Inventory of Topics of Mutual Interest has already been developed by the Staff of the various SSBs, and continues to be refined as more information becomes available about the SSBs' respective projects.
4. The SSB Staff note that how coordination activities may be undertaken across the various topics of mutual interest may vary, and there may be no coordination needed in relation to certain topics that overlap. In particular, **Agenda Item J-2** notes that there are some topics that may give rise to expectations of close coordination because of the perceived extent to which the relevant issues overlap the respective remits of the SSBs and the potential far-reaching implications of changes in one SSB's standards for the other SSB's standards. However, there are other topics where there may only be a need for an awareness or understanding of the possible implications of potential changes in one SSB's standards for the other SSB's standards (e.g., changes to the description of a key term or concept that is used by, or referred to in, the other SSB's standards).
5. The SSBs' Staff have not yet performed an assessment of whether or how coordination should be undertaken for each of the topics included in the Inventory of Topics of Mutual Interest. The SSBs' Staff are of the view that the Boards should first determine an objective and general approach for coordination, as this will provide a guideline for assessing whether or how coordination should be undertaken. Nevertheless, the SSBs' Staff have considered each of the topics included in the Inventory of Topics of Mutual Interest, and provided a Staff view about their relative importance in

order to assist in the prioritization of topics that might require more immediate attention. In forming a view about the relative importance of the various topics, the SSBs' Staff considered the possible impact of the matters on the other SSBs and the planned timing of the related projects or initiatives.

Overview of Areas Requiring or Potentially Requiring Coordination

6. The Inventory of Topics for Mutual Interest is categorized as follows:
- (a) Matters that are currently being coordinated. For example, the joint initiative related to professional skepticism.
 - (b) Matters for which coordination may be required but has not yet been initiated, and which relate to topics that affect active or recently completed projects of each of the SSBs. For example, the revisions to the Code arising from the IESBA's projects on Safeguards and Long Association of Senior Personnel may have implications for the IAASB's International Standards, in particular International Standard on Quality Control (ISQC) 1¹ and various International Standards on Auditing (ISAs). The IAASB currently has two projects related to quality control (ISQC 1 and ISA 220²) that could consider the impact of the IESBA's projects on Safeguards and Long Association of Senior Personnel in relation to those standards; however, there are currently no IAASB projects addressing the other ISAs that may also be affected.
 - (c) Matters for which coordination may be required but has not yet been initiated, and which relate to a topic that affects an active or recently completed project of one of the SSBs; however, the other SSB does not currently have arrangements in place to consider the relevant matter (e.g., it is not an active or recently completed project of the other SSB or there is no appointed member liaison). For these matters, it is envisioned that the SSB Staff would actively monitor the matter until appropriate arrangements are determined. For example, as highlighted above, the IESBA's Safeguards project may impact a variety of ISAs for which the IAASB does not currently have a project underway. There are other matters that have also been identified in this category, including:
 - Phase 1 of the IESBA's Revision of Part C of the Code³ that includes revisions to Section 320⁴ and the introduction of a new Section 370.⁵ The changes are not specifically related to a particular project of the IAASB, but introduce enhanced provisions in the Code that might be relevant to auditors.

¹ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

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

³ [Changes to Part C of the Code Addressing Preparation and Presentation of Information, and Pressure to Breach the Fundamental Principles](#)

⁴ Extant Part C, Section 320, *Preparation and Reporting of Information*

⁵ Extant Part C, Section 370, *Pressure to Breach the Fundamental Principles*

- The IESBA's project addressing the applicability of Part C of the Code to professional accountants in public practice (PAPPs) clarifies the circumstances in which Part C should also apply to PAPPs. This may impact certain IAASB standards, in particular ISA 200⁶ and ISA 700 (Revised).⁷ The IAASB does not currently have a project related to this, or that addresses these standards.
 - The IAASB's projects on quality control at the firm level (ISQC 1) and engagement level (ISA 220) are addressing numerous matters that may be of relevance to the Code, for example, networks, firm governance, engagement quality control reviews and the responsibility for independence at a firm leadership level. There are also possible revisions to the requirements in ISQC 1 addressing relevant ethical requirements, including independence, due to the proposed new risk-based approach to quality management. The IESBA does not currently have projects related to these matters.
 - The IAASB's project in relation to agreed-upon procedures includes consideration of matters related to the independence of the practitioner when performing such engagements. The IESBA does not currently have a project related to this matter.
 - Phase 2 of the IESBA's Revision of Part C of the Code project includes a review of the inducement provisions in the Code and conforming amendments to the independence provisions relating to gifts and hospitality. There may be limited implications for the IAASB's Standards.
- (d) Matters in relation to future projects or initiatives that might require coordination as part of information gathering activities, outreach or project scoping. Examples of such matters include:
- The implications of trends and developments in technology and innovation (e.g., data analytics, emergent artificial intelligence, social networks, cloud computing, etc); and
 - The IESBA's fact-finding initiative on the topic of fees charged by audit firms.
7. In addition, the SSBs' Staff have identified that there are routine updates or amendments that may be necessary for the purposes of continued alignment between the IAASB's International Standards and the IESBA Code. For example, the IESBA's project on the restructuring of the Code will necessitate updates throughout the IAASB's International Standards with respect to references that are currently made to the IESBA Code. The SSBs' Staff anticipates this to be a straightforward, but time-consuming exercise.

IAESB

8. The IAESB's work contributes to the effective application of the IAASB's and IESBA's standards. While this paper is principally directed at IAASB and IESBA coordination matters, as noted above, there are topics where opportunities may exist for coordination between IAESB and IAASB and/or IESBA (e.g., professional skepticism (as already happening), technology and emerging external

⁶ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

reporting). IAASB and IESBA Staff will therefore also coordinate efforts with IAESB Staff on topics of mutual interest.

Way Forward

9. Once an objective and general approach for coordination has been considered and established by the Boards, the SSBs' Staff will perform an assessment of whether or how coordination should be undertaken for each of the topics included in the Inventory of Topics of Mutual Interest, for further discussion with the IAASB SC / IESBA PC. Taking into consideration the parameters of the Boards' respective work plans, the SSB's Staff will continue to prioritize those matters that require more immediate attention, and will consider appropriate actions to address other matters, including routine updates.
10. Furthermore, as noted in **Agenda Item J-4**, aligning the IAASB and IESBA Strategy and Work Plan cycles would facilitate consistent approaches and joint consideration by the SSBs regarding both technical subjects and major themes. Such alignment would contribute to more upfront consideration of matters of mutual interest, thereby reducing difficulties that may be encountered in harmonizing the SSBs' consideration of the relevant matters.

Matter for Joint IAASB and IESBA Consideration

1. Meeting participants are asked for reactions to the matters addressed in this paper, in particular the areas requiring or potentially requiring coordination (paragraphs 6-7).