



IASB Liaison Working Group

Marek Grabowski, Working Group Chair

IAASB Meeting, New York

Agenda Item 6

September 21, 2017

IAASB

**International Auditing
and Assurance
Standards Board**

IASB Liaison Working Group

- The IASB Liaison Working Group is comprised of the following members:
 - Marek Grabowski, Chair of the Working Group, IAASB Member
 - Megan Zietsman, IAASB Deputy Chair
 - Marc Pickeur, IAASB Member
 - Rich Sharko, IAASB Member
 - Ge Zhang, IAASB Member
 - Hiram Hasty, IAASB Technical Advisor
 - Eric Turner, IAASB Technical Advisor

Activities of the IASB Liaison Working Group - 2017

IFRS Practice Statement – Making Materiality Judgements

- IASB Liaison Working Group calls (3 February and 29 March, 2017)
- Call with IASB Staff (10 February, 2017)
- Written feedback to the IASB (31 March, 2017)

Definition of Material (pre- ballot draft of ED)

- IASB Liaison Working Group call (13 February, 2017)
- Written feedback to the IASB (14 February, 2017)

Specific paragraphs of the ED on IFRS 8 and Discussion Paper (DP) on Principles of Disclosure

- IASB Liaison Working Group call (8 June, 2017)
- Call with IASB (27 July, 2017)
- Written feedback to the IASB (10 August, 2017)

Activities of the IASB Liaison Working Group – 2017 (Cont.)

Broader aspects of the
Discussion Paper on
Principles of Disclosure

IASB Liaison Working
Group meetings
(20 June and
20 September, 2017)

IASB–IAASB Leadership
Team Meeting will be held
on October 16, 2017 in
London
(Schilder, Grabowski,
Sharko)

IAASB Practice Statement – Making Materiality Judgments

- Practice Statement to provide guidance on how to use judgment when selecting information to provide in the financial statements
 - Non-mandatory document
- IAASB Feedback:
 - Materiality judged in context of financial statements as a whole
 - Meeting users common information needs (three categories)
 - Impact of publicly available information (does not relieve entity of responsibilities)
 - Not obscuring material information (by aggregation)
 - Quantitative and qualitative materiality factors and their interactions
 - Errors (including cumulative errors)
- Published September 14, 2017 with ED for clarification of definition of ‘material’
 - Changes made for more than 60% of comments or explained in basis for conclusions

Definition of Material

- IASB development of changes to clarify definition of ‘material’
 - Exposure draft issued September 14, 2017
- IAASB feedback to respond to IASB development of proposals for ED (pre-ballot stage):
 - Two matters may change practice:
 - Deleted ‘economic’ from ‘economic decisions of users’ – what other decisions could then be incorporated?
 - Moving ‘individually or collectively’ to a separate sentence – may diminish importance of the concept in the definition
 - ‘Surrounding circumstances’ also important factor in determining materiality – suggestion to add
- Changes made by IASB, or views explained in basis for conclusions, to address comments raised

IFRS 8 (Segments) and Principles of Disclosures (Cross-Referenced Information)

- Commented on specific matters addressed in IASB ED of IFRS 8 (*Operating Segments*) and in Chapter 4 of the IASB Discussion Paper on *Principles of Disclosure* relating to changes to:
 - Explaining difference in segments described within the annual reporting package (paragraph 22(d) of ED-IFRS 8); and
 - Location of cross-referenced information (paragraphs 4.22 and 4.23 of DP-PoD)
 - ED on changes to IFRS 8 - feedback to be assessed in Q4, 2017
- IAASB comments:
 - Confusion from using similar terms when describing annual reporting documents (“annual report” v “annual reporting package” – IAASB also uses term annual report – ISA 720 (Revised))
 - Also inconsistency in the way annual report described in Principles of Disclosure document
 - Timing of availability of documents
 - “Published at the same time”
 - Auditability issues when auditing description of differences in reporting segments if not published at same time
 - Other issues relating to preparation of, and auditing, the proposed information, including materiality
 - Responsibilities of auditor to ‘review’ information under ISA 720 (Revised) (scope differences)
 - Clearly identifying cross-referenced information where it is located

Principles of Disclosures Initiative

- Discussion Paper open to October 2, 2017
 - Developing new or clarifying existing principles to address disclosures issues:
 - Financial statements do not include enough relevant information
 - Financial statements include too much irrelevant information
 - Information being communicated ineffectively in the financial statements
 - Letter to respond to proposals currently under development by IASB Liaison WG
 - IASB will decide response once considered responses to this DP
 - Either make amendments to IAS 1 or develop a new standard for disclosures
- IAASB response:
 - IAASB welcomes further consideration of disclosures issues
 - Broad summary of IAASB Disclosures project completed in March 2015
 - Encouragement to recognize importance of interconnections between amounts on face of financial statements and related information in the notes
 - Support for clarifying matters leading to inconsistent practice or confusion – clearer criteria or factors to consider will help consistency and auditability
 - Support for developing central set of disclosure objectives

Principles of Disclosures Initiative (Cont.)

- IAASB Response (cont.)
 - Supportive of clarification of various terms
 - ‘Statements,’ ‘financial statements,’ ‘primary financial statements’
 - Present and disclose
 - Encouragement to think more about impact of technology
 - Support for and comments on:
 - Providing formatting guidance
 - Clarifying differences in the roles of ‘primary financial statements’ and ‘notes’ but ...
 - Clarify that ‘present’ and ‘presentation’ are also important to disclosures in the notes and elsewhere
 - Further consideration of location of information (including accounting policies)
 - Including non-IFRS information in the Financial Statements
 - Clarification of disclosure of performance measures and unusual/infrequently recurring items
- Further consideration about other matters to be raised with IASB in relation to disclosures from IAASB Disclosure project (qualitative disclosures; anything else?)



IAASB

**International Auditing
and Assurance
Standards Board®**

www.iaasb.org

IAPN.

ISA.

ISAE.

ISQC.

ISRE.

ISRS.

For copyright, trademark, and permissions information, please go to [permissions](#) or contact permissions@ifac.org.
