

**Minutes of the 93rd Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
Held on April 24, 2018 by teleconference**

Voting Members

Present: Prof. Arnold Schilder (Chairman)
Megan Zietsman (Deputy Chair)
Abhijit Bandyopadhyay
Chun Wee Chiew
Karin French
Marek Grabowski
Lyn Provost
Fernando Ruiz
Ron Salole
Rich Sharko
Isabelle Tracq-Segeissen

Technical Advisors

Sara Ashton (Ms. French)
Vivienne Bauer (Mr. Ruiz)
Nicolette Bester (Mr. Vanker)
Wolfgang Böhm (Mr. Marten)
Dora Burzenski (Ms. Zietsman)
Sylvia Van Dyk (Ms. Provost)
Andrew Gambier (Mr. Chiew)
Ahava Goldman (Mr. Dohrer)
Hiram Hasty (Mr. Landes)
Susan Jones (Mr. Jui)
Sachiko Kai (Ms. Tracq-Segeissen)
Jamie Shannon (Mr. Sharko)
Eric Turner (Mr. Salole)
Denise Weber (Ms. Campbell)
Shu Duan (Mr. Zhang)
Josephine Jackson (Mr. Grabowski)
Sanjay Vasudeva (Mr. Bandyopadhyay)

Apologies: Fiona Campbell
Robert Dohrer
Len Jui
Charles Landes
Kai-Uwe Marten
Imran Vanker
Ge Zhang

Non-Voting Observers

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

Apology: Juan Maria Arteagoitia (European Commission)

Public Interest Oversight Board (PIOB) Observers

Present: Karen Stothers

IAASB Technical Staff

Present: Matt Waldron (Technical Director), Beverley Bahlmann, Brett James, Phil Minnaar, Schuyler Simms, Jasper van den Hout, Armand Kotze

Apology: James Gunn (Managing Director, Professional Standards), Natalie Klonaridis

International Auditing and Assurance Standards Board (IAASB) agenda materials referred to in these minutes can be accessed at <http://www.iaasb.org/meetings/iaasb-conference-call-april-24-2018>. These minutes are a summary of the decisions made at the April 24, 2018 IAASB meeting, in light of the issues and recommendations in the agenda material put forth by the Task Force and Staff supporting the project. 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. ISA 540¹

Messrs. Sharko and Grabowski introduced the topic, noting that the focus of this teleconference is on certain introductory and requirement paragraphs, and certain related application material paragraphs,² of draft ISA 540 (Revised).³ The Board discussed **Agenda Item 1-A**, and offered various suggestions, including:

- With respect to the introductory paragraphs and related application material:
 - The Board questioned whether the changes to paragraph 2 were needed;
 - The Board was generally of the view that the structure of paragraph 2A was complex and suggested the paragraph be clarified (in particular, the reference to other variations) to better explain the linkage between the inherent risk factors and the measurement of monetary amounts; and
 - The Board was of the view that paragraph A1R was better positioned in the Key Concepts section in the context of the separate assessment of control risk.
- With respect to paragraph 10:
 - There were mixed views about the introductory sentence. Several Board members supported the Task Force's proposal to make the requirement scalable, while others were of the view that the proposed wording would allow for too much flexibility in the extent of effort needed to obtain the understanding needed to provide an appropriate basis for identifying and assessing risks;

¹ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

² The Task Force presented paragraphs 1–6, 10, 13, 15, 18–18C, 27, A1–A3, A8AA–A8B, A25, A41A–A41B, A70–A74B, A92E, A133–A134, A158–A158B.

³ Proposed ISA 540, *Auditing Accounting Estimates and Related Disclosures*

- The Board suggested that paragraph 10(h) be further clarified and focus specifically on estimation uncertainty and susceptibility to misstatement due to management bias or fraud; and
- Several suggestions were received to improve the structure of paragraph 10(i).
- With respect to paragraph 13, it was noted that the introductory sentence is long and complicated.
- With respect to paragraph 15, various suggestions were received to enhance the last sentence as the Board continued to have concerns about scalability and clarity.
- With respect to paragraphs 18 and 18C:
 - The Board suggested that the Task Force revisit paragraph 18(b) as the proposed structure is unclear regarding whether or how the auditor's work effort differs, particularly with respect to the matters in paragraphs 17B–17D, when using management's methods, assumptions or data or when using some or all of the auditor's own methods, assumptions or data; and
 - The Board questioned whether 'sufficient and appropriate audit evidence' is needed in 18C(b).
- With respect to paragraph 27:
 - The Board was of the view that the construct of 27(b) could be clarified and simplified, and some Board members questioned whether the sub-bullets were always significant professional judgements as described in ISA 230; and
 - The Board suggested that the Task Force align the first sub-bullet of 27(b) to be closer to the wording of ISA 315 (Revised).⁴

Ms. Weber also updated the Board on the ISA 315 Task Force's view on the revised introductory paragraphs of proposed ISA 540 (Revised) and noted that the revised key concepts section generally reads well and was easy to understand. She also noted some areas for further improvement, including removing references to lower and higher in paragraph 3A and relocating paragraph 4.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin had a suggestion for paragraph 2A and to the last sentence of paragraph 15. He supported the changes to paragraph 5.

PIOB OBSERVER'S REMARKS

Ms. Stothers thanked the Board members for bringing their views. She welcomed the addition of the words 'susceptibility to fraud' in the standard but noted that, because it is linked to management bias, some stakeholders may be of the view that this needs more prominence. She also suggested to reach out to regulators and get their views on the changes made to enhance scalability.

WAY FORWARD

The IAASB will be asked to approve draft ISA 540 (Revised) at its June 2018 meeting.

⁴ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

2. Next Meeting

The next IAASB meeting is a teleconference and will be held on May 22, 2018.