

Meeting: IESBA Meeting
Meeting Location: New York
Meeting Date: December 3-6, 2019

Agenda Item 6

IAASB-IESBA Coordination

Objectives

1. To receive an update on recent IAASB-IESBA coordination activities.
2. To receive a briefing on final proposals¹ of the IAASB's Agreed-upon Procedures (AUP) Task Force regarding disclosure pertaining to independence in the practitioner's report.
3. In relation to the IAASB's ISQM 2² project, to consider proposed changes to Section 120³ of the Code to address the issue of objectivity when an individual is appointed to the role of an engagement quality reviewer (EQR) immediately after having served as a member of the audit engagement team.
4. To consider preliminary proposals of the IAASB's ISA 220 Task Force regarding broadening the scope of the definition of "engagement team" in ISA 220 (Revised)⁴ to include component auditors in a group audit context, and the related implications for the Code.
5. To receive a briefing on the IAASB's preliminary proposals to revise ISA 600⁵ as they pertain to the independence of component auditors in a group audit context.

IESBA Coordination Representatives

6. IESBA representatives involved in the coordination activities with the IAASB are as follows:

IESBA Liaison to the IAASB

- Sylvie Soulier, IESBA and Planning Committee Member

ISQM 1

- Andrew Pinkney, IESBA Technical Advisor
- Jens Poll, IESBA Member

ISQM 2

- Mike Ashley, IESBA Member

¹ Proposed International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-upon Procedures Engagements*, to be considered with a view to final approval at the December 2019 IAASB meeting

² Proposed International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*

³ Section 120, *The Conceptual Framework*

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

⁵ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

- Denise Canavan, IESBA Technical Advisor

ISA 220

- Sundeep Takwani, IESBA Member

Background

7. The IAASB considered revisions to drafts of proposed ISQM 1,⁶ ISQM 2, and ISA 220 (Revised) (i.e., the QM standards) at its September 2019 meeting. Approval of these proposed standards is scheduled for the June 2020 IAASB meeting.
8. The IAASB considered key issues and the approach to revising ISA 600 at its September 2019 meeting. Approval of the exposure draft is scheduled for the March 2020 IAASB meeting.

Activities since September 2019 IESBA Meeting

9. Since the September 2019 IESBA meeting, IESBA representatives and Staff have liaised with the IAASB's various Task Forces and Staff to provide input on the Task Forces' respective work streams. In particular, representatives and staff of the IAASB and IESBA held joint teleconferences in October and November 2019 to discuss coordination matters on the proposed ISQM 2, ISA 220 (Revised) and ISA 600 (Revised).
10. In early November 2019, Ms. Soulier briefed the Planning Committee on the activities pertaining to IAASB-IESBA coordination.
11. In relation to the proposed changes to Section 120 of the Code regarding the issue of EQR objectivity, a conference call will be arranged in December 2019 for the IESBA CAG to consider the proposed changes and related project proposal.

Format of the Session

12. At the December 2019 IESBA meeting, the IESBA Liaison member to the IAASB, Ms. Sylvie Soulier, will outline the significant matters that were raised with the IAASB representatives on the proposed ISRS 4400 (Revised), ISQM 2, ISA 220 (Revised) and ISA 600 (Revised). In support of this presentation, the following agenda material is provided.

Proposed ISRS 4400 (Revised)

13. **Agenda Item 6-A** summarizes the AUP Task Force's final proposals relating to ISRS 4400 (Revised) as they pertain to independence.

Proposed ISQM 2

14. **Agenda Item 6-B** summarizes the key issue relating to the objectivity of the EQR and sets out proposed changes to Section 120 of the Code. Agenda Item **6-C** is the project proposal for the changes to the Code.

⁶ Proposed ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

Proposed ISA 220 (Revised) / ISA 600 (Revised)

15. **Agenda Item 6-D** summarizes the key issue relating to the definition of engagement team as well as the ISA 600 Task Force's proposals relating to the independence of component auditors in a group audit context, and the proposed way forward with respect to the Code.

Material Presented

Agenda Item 6-A	Agreed-upon Procedures Engagements – Final IAASB Task Force Proposals Relating to Independence
Agenda Item 6-B	Objectivity of Engagement Quality Reviewer – Issue and Proposals
Agenda Item 6-C	Objectivity of Engagement Quality Reviewer – Project Proposal
Agenda Item 6-D	Definition of Engagement Team and Independence of Component Auditors in a Group Audit – Issues and Proposals
Supplement A	Extract of December 2019 IAASB Agenda Material Pertaining to EQR Objectivity

Action Requested

16. IESBA members are asked:
- (a) For any comments on the final proposals of the IAASB's AUP Task Force as they pertain to independence;
 - (b) To consider the issue of objectivity of the EQR and the proposals presented in **Agenda Item 6-B**, including the proposed changes to the Code with a view to approving those changes for exposure;
 - (c) To consider and approve the project proposal in **Agenda Item 6-C** relating to addressing the issue of EQR objectivity in the Code; and
 - (d) To consider the issues and proposals in **Agenda Item 6-D** and provide input and direction to the IESBA coordination representatives.