

IAASB Meeting Highlights and Decisions

December 2015

Contact: Kathleen Healy, IAASB Technical Director (KathleenHealy@iaasb.org)

This summary of decisions of the International Auditing and Assurance Standards Board® (IAASB®) has been prepared for information purposes only. Except for approval of documents for public exposure and issue of final Standards, decisions reported are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IAASB.

A [podcast](#) recording giving a short audio summary of the main outcomes of the December 2015 IAASB meeting is also available on the IAASB website, as are the agenda materials that were considered by the IAASB.

For more detailed information about IAASB projects, please refer to the project summaries under [Current Projects](#).

Enhancing Audit Quality in the Public Interest

The IAASB unanimously and wholeheartedly approved the [Invitation to Comment: Enhancing Audit Quality in the Public Interest – A Focus on Professional Skepticism, Quality Control and Group Audits](#) (the ITC) and the [Overview](#) of the ITC: *Enhancing Audit Quality in the Public Interest – A Focus on Professional Skepticism, Quality Control and Group Audits* (the Overview). The Overview is a new type of publication that summarizes the key areas the IAASB is exploring and the direction it may take. This publication is aimed at engaging investors, preparers, audit committees and other users of audited financial statements that have an interest in audit quality but may not be as familiar with more technical aspects of the International Standards on Auditing™ (ISA). Both publications contain specific questions for respondents, with comments requested by May 16, 2016. The IAASB intends to supplement these public consultations with outreach events in 2016.

On the topic of professional skepticism, the IAASB received a presentation from two academics on their [summarization of academic research](#) on professional skepticism for the period 2013–2015. Themes from this academic research have been incorporated into the ITC and the Overview.

Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures

The IAASB approved a project proposal to revise ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*. Consistent with the Board's discussions at its September 2015 meeting, the project will deal holistically with a number of issues relevant to auditing accounting estimates, including auditing issues arising from the adoption of Expected Credit Loss models and issues related to audits of financial institutions. While ISA 540 is already a robust standard, the IAASB believes that it is worth examining whether changes to it are needed in light of evolving accounting standards, audit practice, and audit inspection findings.

In summary, the project objectives are to:

- Establish more robust requirements and appropriately detailed guidance to foster audit quality when auditors are dealing with accounting estimates; and
- Determine whether non-authoritative guidance and support tools, such as International Auditing Practice Notes™ (IAPN™), Staff publications, project updates or other materials, should be developed to address special audit considerations relevant to financial institutions and to supplement the revisions to ISA 540.

This project will also seek to emphasize the importance of the appropriate application of professional skepticism in auditing accounting estimates. In this regard, the ISA 540 Task Force will liaise with the joint Professional Skepticism Working Group.

The IAASB also discussed a draft project publication that explains the IAASB's project on ISA 540. Importantly, this publication also highlights key areas of focus for auditors of entities adopting ECL models in accordance with IFRS 9, *Financial Instruments*, and other financial reporting frameworks.

The IAASB will discuss the project publication again at its January 25 teleconference, and plans to issue it in February 2016. At its March 2016 meeting, the IAASB will have a full discussion of issues to be addressed in the revision of ISA 540. The IAASB Task Force will also continue to reach out to stakeholders to ensure that relevant issues are being appropriately considered, not only from a financial institutions perspective, but more broadly.

Auditor Reporting—ISA 810 (Revised)

The IAASB finalized ISA 810 (Revised), *Engagements to Report on Summary Financial Statements* resulting from the [new and revised Auditor Reporting](#) standards.

ISA 810 (Revised) will be published once the Public Interest Oversight Board has approved the due process followed in its development. The revised standard will be effective for audits of financial statements for periods ending on or after December 15, 2016, consistent with the other new and revised Auditor Reporting standards. This is a significant achievement as this completes the Board's substantial efforts in the last 5 years to enhance the auditor's report.

Updates on Other Matters

The IAASB received an update from a member of the International Ethics Standards Board for Accountants® about the IESBA's consideration of feedback received to its May 2015 re-exposure of changes to the *Code of Ethics for Professional Accountants™* addressing [Responding to Non-Compliance with Laws and Regulations \(NOCLAR\)](#). At its March 2016 meeting, the IAASB will consider feedback to its [July 2015 exposure draft](#) of amendments to the IAASB's International Standards in response to the IESBA's NOCLAR proposals.

The IAASB also received a presentation from Mary Tokar, International Accounting Standards Board (IASB) member, focused on recent IASB activities and upcoming consultations. The IAASB has a specific IAASB–IASB Liaison Working Group, which provides [timely input](#) on aspects of the IASB's proposed standards that may have potential verifiability or auditability issues and other matters that may affect the pronouncements of the IAASB or create a need for new pronouncements.

Next Meeting

The next physical IAASB meeting will be held in New York, United States, on March 14–18, 2016.

The IAASB will also hold a teleconference on January 25, 2016.