

IAASB Meeting Highlights and Decisions

December 2017

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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 2017 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](#).

Accounting Estimates

The IAASB discussed key issues raised by respondents in relation to [the Exposure Draft of ISA 540 \(Revised\), Auditing Accounting Estimates and Related Disclosures](#), including the scalability of the ISA, the use of the term “reasonable,” the exercise of professional skepticism and the Task Force’s approach to the application material. The IAASB also discussed the Task Force’s revisions to requirements and application material based on comments received on the Exposure Draft.. The IAASB asked the Task Force to focus on redrafting the application material according to the planned approach with a view to conducting a first read of ISA 540 (Revised)¹ in March 2018, ahead of a targeted approval in June 2018.

Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

The Board discussed a first read of proposed changes to the requirements and application material of ISA 315 (Revised)². The Board broadly supported the proposals, but asked for further consideration by the Task Force on various matters, including aspects of the definitions of ‘controls’ and ‘relevant assertions,’ and regarding the introduction of the term ‘business model’ and its interactions with current requirements of the standard. The Board also questioned the use of ‘sufficient and appropriate’ as it relates to potential confusion with “sufficient appropriate audit evidence” and whether a change may have unintended consequences if this concept were to be introduced as proposed. The Board encouraged further consideration about how fraud can be included as a qualitative inherent risk factor, taking into account how this would link to the fraud risk factors in ISA 240.³ The Board continued to

¹ ISA 540 (Revised), *Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosure*

² ISA 315 (Revised), *Identifying and Assessing the Risk of Material Misstatement through Understanding the Entity and its Environment*

³ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

be supportive of the introduction of “spectrum of risk” but thought the spectrum of risk could be better emphasized and explained earlier in the standard.

The Board recognized the need for further consideration about scalability, but agreed that scalability should be presented through the requirements and application material in context of the auditor’s consideration of risk thereby eliminating the need for “considerations for smaller entities.”

The Task Force will continue to progress the proposed changes to the standard for a second read of an exposure draft in March 2018.

Quality Control at Engagement Level

The IAASB supported the direction of the proposed changes to ISA 220.⁴ In particular, the Board supported the proposed changes that emphasize that the engagement partner is responsible and accountable for audit quality. The Board encouraged the ISA 220 Task Force to consider, as it progresses revisions to ISA 220, how the proposed changes will strengthen the performance of quality audits.

Quality Control at the Firm Level

The Board discussed a first read of the proposed exposure draft of ISQC 1 (Revised)⁵ and was broadly supportive of the direction of the standard. The Board focused on the scalability of the standard, clarifying the interrelationship of the components, and the appropriate placement of the governance and leadership component. As well as requesting the Task Force to clarify the meaning of deficiencies and major deficiencies, the Board asked that a framework be developed for assessing deficiencies in the system of quality management and requested clarification of how such deficiencies may impact the achievement of the overall objective of the standard. The Board also asked the Task Force to reconsider the threshold for the identification of quality risks and encouraged the Task Force to explore the development of appropriate guidance to accompany the proposed exposure draft that addresses the application of the standard to a spectrum of firms.

The Task Force will continue to progress the proposed changes to the standard for a second read of an exposure draft in March 2018.

Group Audits

The Board received a presentation about the interconnections between ISA 600⁶ and other ongoing projects, and how the Task Force is monitoring the activities of the other task forces, providing input and considering implications of changes in the other standards on ISA 600.

Emerging External Reporting (EER)

The Board received an update on the project. It was noted that the grant agreement with the World Business Council for Sustainable Development (WBCSD) was finalized for the funding of the project and that the Project Proposal and Feedback Statement has been finalized to be published on the IAASB’s website. The board also received an update on the plan for developing the framework for the non-authoritative guidance for EER during the next year, including the required research to be gathered and the establishment of a [Project Advisory Panel \(PAP\)](#).

⁴ ISA 220, *Quality Control for an Audit of Financial Statements*

⁵ International Standard on Quality Control (ISQC) 1 (Revised), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and Related Services Engagements*

⁶ ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

The board was supportive of the overall direction of the project and gave its support for the establishment of the PAP.

Professional Skepticism

The IAASB discussed the Professional Skepticism Subgroup's analysis and related conclusions regarding different "mindset" concepts of professional skepticism and the use of the words in the ISAs. The Board supported the conclusions of the Subgroup, including that the current concept of the attitude of professional skepticism involving a "questioning mind" continues to be appropriate and should be retained within the ISAs. The IAASB Professional Skepticism Subgroup will liaise as needed with the Professional Skepticism Joint Working Group.

Data Analytics

The IAASB received a [video presentation](#) as well as [feedback statement](#) in regards to the outreach and responses received from the public. The update included, in broad the work done by the Working Group since the last board meeting, but specifically the opportunity to work with the ISA 315 (Revised) Task Force in developing specific application material relating to Data Analytics.

Next Meeting

The next IAASB [teleconference](#) will be held on January 30, 2018 and the next [physical IAASB meeting](#) will be held in Amsterdam, Netherlands on March 12–16, 2018.