

# IAASB Meeting Highlights

June 2017

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This summary of the discussions 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 herein 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 June 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](#).

## Quality Control – Firm Level

The Board discussed the Quality Control Task Force's (QCTF) recommendations on the possible revisions to ISQC 1<sup>1</sup> that included a discussion of a working draft of ISQC 1 (Revised) and how the proposals are expected to change firm behaviors. The discussion also included the following key topics:

- How a quality management approach has been incorporated into ISQC 1.
- The overall structure of ISQC 1, including the proposed new components and how they are related.
- The extent to which the requirements in extant ISQC 1 should be retained in order that the robustness of ISQC 1 is maintained.
- The scalability of the revisions to ISQC 1 and the application of the standard by small and medium sized practices (SMPs).
- The specific proposals in relation to the components addressing:
  - Governance and leadership, including organization, culture and strategy.
  - Information and communication.
  - The quality management process, comprising the process of establishing quality objectives, identifying and assessing quality risks and designing and implementing responses to the quality risks).
  - Monitoring and remediation, which forms part of the quality management process.

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

The Board was supportive of the overall direction proposed by the QCTF and emphasized the importance of outreach with a variety of stakeholders to seek input on the practicality of the proposals. The Board also encouraged the QCTF to develop guidance and examples to accompany the revised standard in order to explain the implementation and application of the standard.

The Board also discussed the appropriate location of the requirements and application material in relation to engagement quality control (EQC) reviews and agreed that a separate standard addressing EQC reviews should be developed.

## **Emerging External Reporting**

The IAASB received a presentation about the high level observations from the comment letters received to the [Discussion Paper, Supporting Credibility and Trust in Emerging Forms of External Reporting](#). It was noted that respondents generally supported the development of guidance on how to apply existing international assurance standards rather than developing new standards, and that the IAASB should continue to provide thought leadership on assurance issues and coordinate its work with other relevant organizations.

## **Quality Control – Consideration of Networks**

In relation to the quality control considerations relating to networks presented by the QCTF, the ISA 220<sup>2</sup> TF and Group Audit Task Force (GATF) (the Task Forces), the Board:

- Supported the overall direction proposed by the Task Forces, including not revisiting the definition of networks used in the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants and the IAASB's International standards, and not to further consider establishing requirements for networks in the IAASB's International standards.
- Discussed various aspects of firms or engagement teams using information from networks as part of their quality management, including the appropriateness of terms used and associated challenges of using the information.

The Board encouraged the Task Forces to move forward in considering how changes could be made to the relevant standards to reflect the Board's discussions.

## **Quality Control – Engagement Level**

The IAASB discussed proposed changes to the requirements in ISA 220. Although some aspects of the changes were supported by the IAASB, such as strengthening the engagement partner's leadership responsibilities for the engagement, and the consideration of all resources relevant to an engagement, the Board highlighted that many of the changes, as currently drafted, would likely be difficult to implement in practice. The Board also added that it would be difficult to demonstrate compliance with some of the new proposed requirements.

The Board encouraged the ISA 220 Task Force to focus its efforts on changes that would enhance audit quality through refocusing the engagement partner's efforts, or involvement, on areas of high-risk in the audit (i.e., where the issues are complex and require more judgment) and to further consider the way that quality management could be built into some of the other elements of ISA 220 as appropriate.

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<sup>2</sup> International Standards on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*

## Group Audits

The IAASB received an update on the activities of the GATF. The IAASB supported the proposal of the GATF to engage more directly with the QCTF, ISA 220 TF and ISA 315 (Revised)<sup>3</sup> TF, to help ensure that the requirements in those standards provide appropriate connection points between those projects and ISA 600.<sup>4</sup> The IAASB also supported the proposal of the GATF to publish a short project update and asked the GATF to consider topics that are related to standards not under revision, for example, materiality and audit evidence.

## Data Analytics

The IAASB received a presentation of high-level observations from respondents to the IAASB's Request for Input: [Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics](#). It was noted that respondents supported the IAASB in undertaking this work and encouraged continued active participation of the Data Analytics Working Group in other current standard-setting projects of the IAASB underway.

## Professional Skepticism

The IAASB received an update on the activities of the Professional Skepticism Working Group (PSWG) and the Professional Skepticism IAASB Subgroup since the last Board meeting in March 2017. The Board supported the release of a communication to update stakeholders about the actions and current status of the PSWG's work. The Board also discussed the concept of "levels" of professional skepticism and supported the recommendations of the Professional Skepticism IAASB Subgroup not to introduce the concept into the ISAs.

## Next Meeting

The next physical IAASB meeting will be held in New York, USA on September 18–22, 2017.

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<sup>3</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

<sup>4</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*