

IAASB Meeting Highlights and Decisions

March 2016

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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 March 2016 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](#).

International Standard on Auditing (ISA) 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures

The IAASB discussed many of the key issues identified by the ISA 540 Task Force to date. In particular, the IAASB provided input on the scope and focus of ISA 540, the need to retain and enhance the scalability of the ISA, the auditor's consideration of the entity's use of third-party data sources in developing an accounting estimate, and the importance of a continued focus by the auditor on disclosures. The IAASB provided comments on other significant matters, including:

- A potential approach to enhancing the exercise of professional skepticism throughout ISA 540;
- Proposed new terminology in ISA 540 such as "governance" and "key data and assumptions";
- How best to approach risk assessment and the related work effort in the context of ISA 540; and
- The need to emphasize that the auditor cannot reduce estimation uncertainty.

To further discussions that occurred during the meeting between various groups, the Chairs of the ISA 540, Professional Skepticism, ISA 315 and Data Analytics initiatives will continue to liaise on matters of a "crossover" nature.

Professional Skepticism

The IAASB urged the Professional Skepticism Working Group to consider certain issues as a priority in light of feedback from the IAASB Consultative Advisory Group and recently conducted outreach. These issues include the interaction with the auditor's risk assessment (including the need for a thorough understanding of the entity's business and its environment), the skillsets needed of today's auditors, the concept of sufficient appropriate audit evidence (and how auditors should deal with contradictory evidence), and how to best evidence the application of professional skepticism. The IAASB agreed that, in the short-term, the Working Group should explore actions that could be taken to emphasize the importance of exercising professional skepticism within the auditing standards through the IAASB's current projects, in particular the ISA 540 project, rather than a more immediate deliverable as originally proposed by the Working Group. Longer-term, the IAASB agreed that the

PS Working Group should explore whether more fundamental changes may be needed in the ISAs to address the concept of professional skepticism more generally, and that this be done in collaboration with the International Ethics Standards Board for Accountants (IESBA) and the International Accounting Education Standards Board.

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

The IAASB commenced its discussions on the topic of ISA 315 (Revised) and considered the staff-developed agenda material building upon the description of the initiative in the *Work Plan for 2015–2016*. The Board agreed with the concerns noted (in particular, those identified by the IAASB's previous ISA Implementation Monitoring project) and provided suggestions for other areas that the ISA 315 Working Group should consider as it begins its work. The Board agreed that certain matters within the ISA 315 (Revised) project would need to be prioritized due to the interactions with the ISA 540 project, in particular the inconsistency in the nature and number of significant risks identified, identification of controls relevant to the audit, and risks and controls arising from information technology.

Data Analytics

The IAASB considered the key messages arising from outreach performed to date by the Data Analytics Working Group and the challenges that may directly or indirectly impact audit standard setting. The IAASB also explored a number of examples of challenges with data analytics and the ISAs that occur in practice. The IAASB agreed with the proposed way forward regarding outreach and the Working Group's assessment of interactions with the IAASB's current projects, as well as the plans to develop of a Working Group publication in the near term to raise awareness of the Board's work in this area and highlight key issues being considered.

Responding to Non-Compliance with Laws and Regulations (NOCLAR)

The IAASB received an update from the IESBA Task Force Chair about the IESBA's March 2016 discussion of proposed changes to the IESBA Code of Ethics for Professional Accountants (the IESBA Code) addressing NOCLAR. The IESBA agreed in principle, subject to the deliberations of the IAASB on related consequential and conforming amendments to IAASB standards, the final provisions in Sections 225 and 360 of the IESBA Code. The IESBA will consider the outcome of the IAASB's March 2016 deliberations with a view to approving the final pronouncement at its teleconference scheduled for April 25, 2016.

The IAASB's discussion focused on how the IESBA proposals address NOCLAR in group audit situations (including when NOCLAR is identified or suspected by a practitioner undertaking a statutory audit of a component of a group), as well as predecessor and successor auditor communications about NOCLAR.

The IAASB also considered the comments received on its July 2015 exposure draft proposing amendments to the IAASB's International Standards in response to the IESBA's NOCLAR proposals, and the Task Force's related recommendations. Among other matters, the IAASB asked the Task Force to consider how the requirement and guidance in ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, addressing the auditor's responsibilities to determine what actions to take when NOCLAR is identified or suspected could be simplified and clarified.

The IAASB intends to finalize the proposed changes to its International Standards at its June 2016 meeting.

Integrated Reporting

The IAASB agreed to move forward with the issuance of a Working Group discussion paper and suggested further areas for clarification to the draft that was presented. The Board agreed with the framework-neutral approach that had been taken in the draft, which considers the topic of Integrated Reporting within Emerging Forms of External Reporting (EER), as well as professional services in the broader context of credibility and trust. The Board will consider a revised draft of the discussion paper at its June 2016 meeting for issuance by the Working Group thereafter.

Agreed-Upon Procedures

The IAASB discussed the key messages and issues identified by the Agreed-Upon Procedures (AUP) Working Group through the outreach performed to date. The Board's discussion focused on the use of professional judgment in an AUP engagement, and how AUP engagements can be made more valuable to users. Generally, the Board was in agreement with the issues identified by the AUP Working Group and on its proposals for the way forward. The IAASB also acknowledged the need for a broader consideration about whether the IAASB may need to develop guidance or other material addressing "multi-scope" engagements in the future. The AUP Working Group plans to present a draft discussion paper to the Board in June 2016.

Updates on Other Matters

The IAASB provided input on a proposal for a limited consultation to inform the development of its *Work Plan for 2017–2018*. The Board will consider feedback from the December 2015 Invitation to Comment that will be relevant to the future work plan and finalize a survey consultation at its June 2016 meeting.

Next Meeting

The next physical IAASB meeting will be held in New York, United States, on June 21–24, 2016.

The IAASB will also hold a teleconference on April 26, 2016 to discuss matters related to its NOCLAR project.