

IAASB Meeting Highlights and Decisions

March 2017

Contact: Matt Waldron, IAASB Technical Director (MattWaldron@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 March 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 the ISA 540 Task Force's proposals relating to the revision of ISA 540,¹ including proposals related to the threshold for the work effort, referring directly to inherent risk, and the development of auditor's point estimate and ranges. The IAASB also agreed to include in the proposed ISA two appendices to better explain how accounting standards can give rise to accounting estimates and the implications of complexity, the need for the use of judgment by management, and estimation uncertainty on the auditor's risk assessment and related responses.

The IAASB approved the release of proposed ISA 540 (Revised) for public exposure, including related conforming amendments to other International Standards. The Exposure Draft will be issued in mid-April, for comment by August 1st.

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

The IAASB further discussed possible changes to ISA 315 (Revised),² including some of the elements of internal control and the related work effort, as well as provided initial views in relation to the impact of information technology (IT) emphasizing the need for enhanced application material to illustrate the work effort in relation to less complex IT systems. The IAASB were supportive of a separate identification and assessment of inherent and control risk instead of a combined approach. The Board also supported retaining the concept and further exploration of a definition to clarify what a significant risk should be, as well as the interaction of significant risks with a spectrum of risks. The ISA 315 (Revised) Task Force will continue to work with the Data Analytics and Professional

¹ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

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

Skepticism Working Groups and further progress the project on the aspects discussed at the meeting.

Quality Control – Engagement Quality Control Review (EQCR)

The IAASB discussed the Quality Control Task Force’s recommendations on the criteria in respect of the eligibility of the engagement quality control (EQC) reviewer, which include appropriate authority, technical competence, capacity, practical experience and objectivity. The IAASB also discussed how the firm selects the EQC reviewer. The IAASB agreed that further coordination is needed with the International Ethics Standards Board of Accountants (IESBA) relating to aspects of the objectivity of the EQC reviewer.

Professional Skepticism

The IAASB received an update on the activities of the Professional Skepticism Working Group (PSWG) and encouraged the continued ongoing support for coordination with the other task forces and working groups of current projects, as well as the continued coordination between the members of the PSWG. The PSWG plans to continue to develop a joint publication that summarizes responses to the Invitation to Comment (ITC)³ and other consultations of the standard-setting boards. The PSWG will also begin considering potential fundamental issues related to the concept of professional skepticism within the ISAs raised by respondents to the ITC.

Coordination with other Standard-Setting Boards

The IAASB received an update on activities undertaken to enhance the coordination with the IESBA and the International Accountant Education Standards Board. The IAASB provided views about how this coordination could further be enhanced.

Small- and Medium-Sized Practice (SMP) and Small and Medium-Sized Entities (SME)

The IAASB received feedback from the IAASB’s Working Conference for SMPs and auditors of SMEs held in Paris in January 2017. The IAASB discussed how proportionality and scalability could be enhanced in its standards, and agreed to further explore what more can be done.

Next Meeting

The next physical IAASB meeting will be held in New York, USA on June 19–23, 2017.

³ Invitation to Comment, *Enhancing Audit Quality in the Public Interest*, www.iaasb.org/focus-audit-quality