

IAASB Meeting Highlights and Decisions

October 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 October 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 Board discussed the respondents' comments on the Exposure Draft of Proposed ISA 540 (Revised)¹ and the ISA 540 Task Force's proposed direction regarding the scalability of the ISA. The Board also discussed how the concept of a spectrum of inherent risk could be more clearly reflected in the ISA to support scalability of the auditor's response, whether inherent risk is low or not low, and the conforming amendments to ISA 500.² The Board supported aligning the terms used for the risk factors with those being considered for similar factors in the revision of ISA 315 (Revised)³ and in the U.S. Public Company Accounting Oversight Board's proposals on auditing accounting estimates.⁴ The Board also supported the proposed direction of the ISA 540 Task Force in restructuring the ISA and discussed the potential implications, for the scalability of the standard, of removing the threshold of low inherent risk.

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

The Board broadly discussed revisions to the definition of 'controls,' as well as what it means to obtain an understanding of the five components of internal control. The board also discussed proposed changes in relation to IT aspects when obtaining an understanding of the entity and its environment, the entity's financial reporting framework and the components of internal control (including in relation to general IT controls). The Board broadly supported the proposed changes but highlighted that the boundary of the auditor's understanding in relation to financial reporting needed to be clarified.

¹ Proposed International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

² ISA 500, *Audit Evidence*

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

⁴ <https://pcaobus.org/Rulemaking/Docket043/2017-002-auditing-accounting-estimates-proposed-rule.pdf>

International Accounting Standards Board (IASB) Annual Update

The IAASB received a presentation from Mary Tokar, IASB member, about recent IASB activities, with a focus on matters that may be of particular interest to the IAASB. The presentation included an update on the central theme of their current agenda 'Better Communication in Financial Reporting,' which included updates on their work on the Primary Financial Statements, the Disclosure Initiative and their recently published Materiality Practice Statement. Mary Tokar also discussed the IASB's research program, their implementation support for new International Financial Reporting Standards' and relevant upcoming consultations.

Emerging External Reporting (EER)

The Board approved a Project Proposal to develop non-authoritative guidance to address key challenges, identified by the IAASB, which arise in the performance of assurance engagements over emerging forms of external reporting. The Board noted and supported the proposed resourcing model for the project, which would involve grant funding from the World Business Council for Sustainable Development, and discussed the nature and importance of the arrangements established to secure the independence of the IAASB. The Board also agreed to publish a Feedback Statement setting out a high-level summary of the responses to the Integrated Reporting Working Group's *Discussion Paper: Supporting Credibility and Trust in Emerging Forms of External Reporting-Ten Key Challenges for Assurance Engagements*.

Next Meeting

The next physical IAASB meeting will be held in New York, USA on December 11 – 15, 2017.