

IAASB Meeting Highlights and Decisions

September 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 September 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 received an overview of the comment letters received on proposed ISA 540 (Revised).¹ The Board discussed respondents' concerns about the complexity of the proposed ISA and potential difficulties in understanding and applying it in practice, and asked the ISA 540 Task Force to look at ways to restructure the proposed ISA to improve its clarity and readability. The Board also discussed the scalability of the ISA, how risk factors could be taken into account, and how best to structure the response to the assessed risks of material misstatement. The Board highlighted the importance of achieving the right balance between issuing a high-quality standard and the public interest in finalizing the ISA in a timely fashion. The IAASB is holding an additional meeting in October to progress proposed ISA 540 (Revised).

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

The ISA 315 Task Force presented proposed changes to the requirements in ISA 315 (Revised)² to address identified issues relating to understanding the entity and its environment, including the applicable financial reporting framework, and internal control, including obtaining an understanding of the five components of internal control. The Board broadly supported the proposals, but asked for consideration about some of the proposed changes to the definitions, as well as the perceived focus on controls in obtaining the necessary understanding of the components of internal control.

With regard to proposed changes to the identification and assessment of inherent and control risk, the Board supported a separate assessment of inherent and control risk, but asked that the ISA 315 Task Force further consider how this works practically and highlighted that further clarification is needed relating to the assessment of control risk.

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

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

Quality Control at the Firm Level

The Board discussed the Quality Control Task Force's (QCTF) recommendations on the possible revisions to ISQC 1³ in relation to documentation of the system of quality management. The Board was supportive of the QCTF's proposals and suggested various refinements.

Engagement Quality Control (EQC) Reviews

The Board discussed the QCTF's recommendations in relation to EQC reviews that would be incorporated in ISQC 1 and the proposed new standard, ISQC 2.⁴ The Board confirmed that the purpose of the EQC review is to evaluate the significant judgments made by the engagement team. In addition to various recommendations to further enhance and clarify the various requirements and application material, the Board encouraged the QCTF to improve the robustness of the requirement relating to the scope of the engagements subject to EQC review.

Group Audits

The Board supported the release of a publication to update stakeholders on the IAASB's project on group audit issues. The publication has subsequently been [published](#).

Agreed-Upon Procedures

The Board discussed the feedback received on the Discussion Paper and approved a standard-setting project proposal to revise ISRS 4400,⁵ subject to clarifications around the use of judgment, independence, restriction of the report of factual findings and required documentation.

Joint IAASB–International Ethics Standards Board for Accountants (IESBA) Session

Recognizing the increasing need for coordination between them, the IAASB and IESBA met for the first time in joint session. Among other matters, the two Boards were briefed on areas requiring or potentially requiring coordination, and a proposed approach to coordination, which they broadly supported subject to refinements. The Boards agreed to form a joint working group to address the topic of the objectivity of EQC reviewer. They also discussed how best to achieve alignment of their future strategies and work plans while respecting their independence, including how to align their strategy periods. The Boards agreed to meet again in joint session in the second half of 2018.

Data Analytics

The IAASB received a presentation of more detailed observations from the responses to the [Request for Input](#) and an update on the future plans for the project.

International Accounting Standards Board (IASB) Liaison Working Group

The Board received a presentation about the recent activities of the IASB Liaison Working Group, including the Working Group's feedback to the IASB on their initiatives relating to materiality and disclosure.

³ 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*

⁴ Proposed ISQC 2, *Engagement Quality Control Reviews*

⁵ International Standards on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

Emerging External Reporting (EER)

The IAASB received a presentation from a representative from the World Business Council for Sustainable Development (WBCSD) on redefining value in connection with the IAASB's project on EER.

Next Meeting

The next physical IAASB meeting will be held in New York, USA on October 24 – 26, 2017.