

IAASB Meeting Highlights and Decisions

September 2019

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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 issuance 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 2019 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](#).

Identifying and Assessing the Risks of Material Misstatement

The Board approved the revisions to ISA 315 (Revised),¹ as well as the related conforming amendments. The revised ISA will be effective for audits of financial statements for periods beginning on or after December 15, 2021. Once the Public Interest Oversight Board's (PIOB) confirmation that due process was followed is received, the Board will formally release the standard.

In finalizing ISA 315 (Revised), the Board continued to focus on the understandability and complexity of the ISA, as well as the iterative nature of the standard. The Board continued to discuss the threshold for identifying risks of material misstatement and agreed the supporting guidance for this as a conforming amendment to ISA 200.²

The Board also recognized that support is critical when initially applying the changes to ISA 315 (Revised) and will further consider the most appropriate actions in providing this initial support. The Board also acknowledged the need to monitor implementation challenges as they arise.

IESBA Coordination – Fees

The IAASB considered identified proposals by the International Ethics Standards Board for Accountants (IESBA) Fees Task Force and discussed how such changes may affect overlapping requirements within the ISAs.

¹ International Standard on Auditing (ISA) 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

Quality Management Projects

Quality Management at the Firm Level

The Board discussed the comment letters received on certain areas of the Exposure Draft (ED) of ISQM 1 (ED-ISQM 1)³ relating to the quality management approach, implementation challenges, the components and structure of the standard and the firm's risk assessment process. The Board concurred that four significant themes had emerged from the comments: scalability; prescriptiveness; addressing firms who do not perform audit or assurance engagements; and challenges with implementation.

The Board, in general, supported proposals to address the structure of the standard and clarify the nature of the components and how they interrelate. The Board also supported addressing the granularity of the quality objectives, introducing quality risk considerations, and refining the required responses. The Board agreed with the ISQM 1 Task Force's proposals to simplify the firm's risk assessment process, including addressing concerns about the threshold for the identification of quality risks.

The Board did not support the proposal to develop a separate standard for quality management for related services engagements and encouraged exploration of other ways to address scalability concerns.

The ISQM 1 Task Force will take these comments into account in preparing revised drafting and issues for discussion at the December 2019 IAASB meeting.

Engagement Quality Reviews

The Board received an overview of the comment letters on ED-ISQM 2⁴ and discussed the ISQM 2 Task Force's initial drafting to address the key issues presented on the scope of engagements subject to an engagement quality (EQ) review, and on matters relating to objectivity and cooling-off period.

The Board generally supported the ISQM 2 Task Force's proposals on the scope of engagements subject to an EQ review and to address objectivity for individuals moving into the role of EQ reviewer after serving as the engagement partner.

The ISQM 2 Task Force will take these comments into account in preparing revised drafting and issues for discussion at the December 2019 IAASB meeting.

Quality Management at the Engagement Level

The Board discussed the comment letters received to ED-ISA 220⁵ and the ISA 220 Task Force's proposals for addressing the key issues respondents raised. The Board supported the fundamental principle that the engagement partner has overall responsibility for managing and achieving quality and being sufficiently and appropriately involved in the engagement. The Board also supported clarifying the requirement addressing circumstances when the engagement partner assigns procedures or tasks to other engagement team members, the principles underpinning the proposed engagement team

³ Proposed International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

⁴ ISQM 2, *Engagement Quality Reviews*

⁵ Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

definition and proposals to address scalability of the requirements to audits of larger or more complex entities.

The ISA 220 Task Force will take these comments into account in preparing revised drafting and issues for discussion at the December 2019 IAASB meeting..

Effective Date

The Board received an update on the comment letters addressing the proposed effective date of the quality management standards. The Board will discuss the proposed effective date again when the standards are finalized.

Extended External Reporting (EER) Assurance

The Board received an overview of the comment letters received on the EER Assurance [Consultation Paper](#). The Board discussed respondents' comments on the Consultation Paper, that included the draft Phase 1 guidance, and the EER Task Force's proposals for addressing the comments. The Board also discussed the initial drafting of the Phase 2 guidance developed to date by the EER Task Force.

A revised draft of the combined Phase 1 and Phase 2 guidance will be presented to the Board, for approval of an exposure draft at the December 2019 IAASB meeting.

Group Audits

The Board was updated on the work of the ISA 600 Task Force since the June 2019 meeting, including the outreach performed and the feedback received from the IAASB's Consultative Advisory Group. The Board discussed, among other matters, the updated public interest issues, a draft of a significant part of the standard and the ISA 600 Task Force's proposals with respect to the scope and structure of the standard, materiality considerations in a group audit and a proposed stand-back requirement.

The ISA 600 Task Force will take these comments into account in preparing revised drafting and issues for discussion at the December 2019 IAASB meeting.

Strategy and Work Plan

The Board discussed the comment letters received on the [Consultation Paper](#) and the proposed changes to the Strategy for 2020–2023 (the Strategy) and Work Plan for 2020–2021 (the Work Plan). With regard to the Strategy, the Board supported the proposed way forward, including the strategic objectives and related strategic actions but suggested that how the strategic drivers impact the future work should be clarified. With regard to the Work Plan, the Board provided input on further clarifying possible projects for IAASB consideration. The Board also supported the planned efforts to further develop the Framework for Activities.

The Board will discuss an updated version of the Strategy and Work Plan for approval at its December 2019 meeting.

Technology

At the September 2019 IAASB meeting, the Board was provided with an overview of the development of the Technology Workstream Plan and related activities.

Audit Evidence

The Board was provided with an overview of the development of the Audit Evidence Workstream Plan. The Audit Evidence Working Group will accordingly undertake further information gathering and research, and develop recommendations for possible further actions to be presented to the Board in the first half of 2020.

IAASB–IESBA Joint Session

The IAASB and IESBA had their third annual joint session, where the two Boards discussed coordination matters and principles for acting on coordination in relation to current and future strategy and work plan activities. There is a commitment to ensure that issues relating to public interest, strategic matters and common interest of the two boards are addressed. The joint Boards also received an update from the Co-Chair of the Monitoring Group.

Next Meeting

[Teleconferences](#) have been planned for October 17 and November 7, 2019. The next physical IAASB meeting will be held in New York, United States of America on December 9–13, 2019.