



**Approved Minutes of the Public Session of the Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD  
CONSULTATIVE ADVISORY GROUP (CAG)**

**Held on March 8–9, 2016**

**Paris, France**

**PRESENT**

**Members**

Matthew Waldron	Chairman
Vânia Borgerth	Associação Brasileira de Instituições Financeiras de Desenvolvimento
Nicolaas van der Ende	Basel Committee on Banking Supervision (Basel Committee)
Kristian Koktvedgaard	BUSINESSEUROPE
Mohini Singh	CFA Institute (CFA)
Juan-Maria Arteagoitia	European Commission (EC)
Marie Lang (March 9)	European Federation of Accountants and Auditors for SMEs (EFAA)
Noémi Robert	Fédération des Experts Comptables Européens (FEE)
Myles Thompson	FEE
Erik Bradbury	Financial Executives Institutes (FEI)
Michael Stewart*	International Accounting Standards Board (IASB)
Jean-Luc Michel (March 8)	International Association of Financial Executives Institutes – Europe, Middle East, and Africa Region (IAFEI-EMEA)
David Rockwell	International Bar Association (IBA)
Anne Molyneux (March 9)	International Corporate Governance Network (ICGN)
Atsushi Inuma	International Organization of Securities Commissions (IOSCO)
Nigel James	IOSCO
Huseyin Yurdakul	IOSCO
Jim Dalkin	International Organization of Supreme Audit Institutions (INTOSAI)

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\* Views expressed by the IASB Representative represent his views and do not necessarily reflect the view of the IASB.

Mauro Bini	International Valuation Standards Council (IVSC)
Jaseem Ahmed	Islamic Financial Services Board (IFSB)
Kazuhiro Yoshii	Japan Securities Dealers Association (JSDA)
Gaylen Hansen	National Association of State Boards of Accountancy (NASBA)
Lucy Elliott	Organisation for Economic Cooperation and Development (OECD)
Irina Lopez	World Bank (WB)
Wei Meng	World Federation of Exchanges (WFE)

### **Observers**

Francis Nicholson	Institute of Internal Auditors (IIA)
Dawn McGeachy-Colby	International Federation of Accountant (IFAC) Small and Medium Practices (SMP) Committee
Simon Bradbury	International Monetary Fund (IMF)

### **IAASB**

Prof. Arnold Schilder	IAASB Chairman
Chuck Landes	IAASB Deputy Chair
Robert Dohrer (Agenda Item B)	IAASB Member and Working Group (WG) Chair
Fiona Campbell (Agenda Item C)	IAASB Member and WG Chair
Prof. Annette Köhler (Agenda Items F)	IAASB Member and Drafting Team (DT) Chair
Rich Sharko (Agenda Items I)	IAASB Member and DT Chair
Ron Salole (Agenda Item K)	IAASB Member and WG Chair
Merran Kelsall (Agenda Item K)	IAASB Member and WG Chair
James Gunn	Managing Director of Professional Standards
Kathleen Healy	IAASB Technical Director
Beverley Bahlmann	IAASB Deputy Director
Nancy Kamp-Roelands	IAASB Deputy Director
Jasper van den Hout	IAASB Manager, Standards Development and Technical Projects
Brett James (Agenda Item I) (by teleconference)	IAASB Senior Principal

**Public Interest Oversight Board (PIOB)** Michael Holm

### **APOLOGIES**

#### **Members**

Dr. Obaid Saif Hamad Ali Al Zaabi Gulf States Regulatory Authorities (GSRA)

John Kuyers	Information Systems Audit and Control Association (ISACA)
Patricia Miller	IIA
William Hines	International Actuarial Association (IAA)
Sanders Shaffer	International Association of Insurance Supervisors (IAIS)
Anusha Mohotti	Sri Lanka Accounting and Auditing Standards Monitoring Board
<b>Observers</b>	
Norio Igarashi	Japanese Financial Services Agency (JFSA)
Martin Baumann**	U.S. Public Company Accounting Oversight Board (PCAOB)

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\*\* Views expressed by PCAOB Representative represent his views and do not necessarily reflect the view of the PCAOB Board or other Board members or staff.

**March 8, 2016<sup>1</sup>**

**Welcome and Approval of Minutes of Previous Meetings (Items A and A.1)**

To *APPROVE* the minutes of the September 2015 CAG public session and the December 2015 CAG teleconference.

OPENING REMARKS

Mr. Waldron welcomed the Representatives and Observers, including new Representatives Ms. Meng (WFE – replacing Mr. Ku), Mr. E. Bradbury (FEI) and Mr. Nicholson (IIA), who replaces Ms. Miller this meeting.

Mr. Waldron also welcomed Mr. Holm from the PIOB as well as the IAASB Chairman and Deputy Chair, the IAASB TF and WG Chairs, and Staff as well as the observers.

MINUTES OF THE PREVIOUS MEETINGS

The minutes of the September 2015 meeting were approved as presented. The minutes for the December 2015 teleconference were approved subject to a change to clarify a remark from Mr. Yurdakul.

**Data Analytics (Item B)**

To further *INFORM* Representatives' and Observers' about developments in data analytics that may impact international audit standard setting and *OBTAIN* views on the proposed way forward.

Mr. Dohrer introduced the topic, noting that the Data Analytics Working Group (DAWG) and Staff had been reaching out to various stakeholders to gather relevant information.

Mr. Dohrer explained that, to keep the International Standards on Auditing (ISAs) relevant, further consideration about how innovation in technology impacts the standards is important. He noted that the term “data analytics” is not used throughout the suite of ISAs nor is the concept described. As a result, in some cases, the use of data analytics work as audit evidence was being challenged by some regulators and audit oversight bodies. He added that further consideration would need to be given to whether and, if so, how to address the use of data analytics in practice within the ISAs, more than the references that currently exist referring to computer assisted audit techniques. Finally, Mr. Dohrer also explained that various challenges are faced by stakeholders relating to data analytics as an emerging area, including practical challenges related to using data, as well as risks that might need to be addressed during the standard-setting process.

The Representatives and Observers commented as follows:

- Mr. Thompson challenged the IAASB to consider whether and how these innovations in technology enhance audit quality. For example, he queried whether testing the whole population enhanced audit quality and whether that needed to be better articulated when describing audit quality. Mr. Dohrer agreed, and noted that firms were already using techniques that would likely enhance audit quality, but noted that the auditing standards had not been updated for these changes.

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<sup>1</sup> The minutes present the discussions in the order that they were taken. This may not be the same as that indicated on the agenda.

- Mr. E. Bradbury questioned what the impact of testing the whole population would have on the existing audit model that provides reasonable assurance, for example, whether a decrease in other procedures would be expected, or alternatively that there could be an increase in the level of assurance provided. He therefore urged the IAASB to clearly articulate what the goal of the work in this area would be, and how it would enhance audit quality. Mr. James questioned whether consideration should be given as to whether the ability to test the whole population would result in a higher level of assurance for the audit as a whole.
- Mr. Ahmed encouraged that the advantages of testing data were also considered, such as the efficiency in the audit that may result by, for example, decreasing sample sizes if testing all the data. He also added that testing everything by using powerful data techniques may remove the need for auditor judgments in some areas. However, he also noted that this would increase the need for enhanced professional skepticism in relation to the overall testing approach.
- Ms. Singh encouraged the IAASB to continue work in this area, as the environment was constantly evolving, such as the move towards continuous auditing. She noted her view that the auditing standards, while not broken, need to reflect current practice in order to remain relevant. Mr. van der Ende agreed that it was important to keep up with the changes in the environment, but added that consideration also needed to be given to the verification of the completeness and accuracy of the input. Mr. E. Bradbury added that consistency of the procedures that are performed on data used in data analytics was important, and that the auditing standards therefore needed to reflect current practice.
- Mr. Dalkin noted that in governmental audits there was a reluctance to integrate testing around data analytics because it is not clear in the standards what other procedures need to be done, which often resulted in duplicate work being performed.
- Mr. E. Bradbury questioned whether including these techniques in the standards could possibly create possible barriers to entry for some firms that could not afford to invest in resources needed to support such activities. Mr. Dohrer noted further outreach was needed to determine the impact on various sizes of firms, and that the IAASB discussions had already highlighted concerns that overemphasizing the potential use of these tools could have unintended consequences.
- Mr. E. Bradbury questioned whether the PCAOB was also undertaking work in this area that may impact the US environment. Mr. Dohrer responded that the DAWG had already reached out to some stakeholders in the United States but not the PCAOB, but that it would continue to reach out to relevant stakeholders.
- Mr. Koktvedgaard questioned whether, in light of the different approach to performing procedures on data when using data analytics, the objectives of the auditing standards could be met in a way that is more appropriate than the current approach of specified requirements, thereby driving innovation in the audit process. He also emphasized the ethical aspects relating to data such as leakages of data, privacy laws and the evolving risks attached to data security. Mr. Dohrer agreed that more consideration needed to be given to these aspects.
- Mr. Iinuma expressed concern about the possible elimination of the need for external confirmations for certain audit procedures where data analytics may have been used. He urged the IAASB to gather more information to be able to make informed decisions before making any changes to the standards.
- Mr. van der Ende emphasized the importance of the outreach and consultation on this topic and agreed that consideration of the interaction with other IAASB projects was also important, noting that

it may be worth considering the interactions more holistically. He questioned whether the resources at the IAASB level were available to be able to do this.

In response to a number of comments, Mr. Dohrer highlighted that there was not a commonly agreed definition of what data analytics is and therefore how it impacts the audit, and that more work needs to be done on understanding current practice and the impact on the audit, as well as the effect on the standards. He added that the use of data analytics impacts many parts of the audit, and therefore may impact many of ISAs, including but not limited to ISA 315 (Revised),<sup>2</sup> ISA 320,<sup>3</sup> ISA 500,<sup>4</sup> ISA 520<sup>5</sup> and ISA 530,<sup>6</sup> but emphasized that further information gathering through outreach would need to be undertaken before any proposals for changes to the ISAs could be developed. He also added that there are interactions with many other IAASB projects, including ISA 315 (Revised), and the IAASB would therefore think carefully about how to obtain the necessary input on the crossover issues.

Mr. Holm noted that he looked forward to the IAASB DAWG paper that was to be developed, and hoped that the discussions resulting from the consultation would help identify the public interest issues.

Prof. Schilder noted that the IAASB would consult as necessary (for example through an Invitation to Comment if appropriate) when the discussions were sufficiently progressed. He added that it was important to work out what needed to be done and then whether the resources were sufficient.

Mr. Dohrer thanked the CAG for the feedback, noting that the DAWG would consider the comments as part of its further deliberations.

### **ISA 315 (Revised) (Item C)**

To *PRESENT* initial background information on issues and concerns relating to ISA 315 (Revised) and *OBTAIN* Representatives' and Observers' views on the matters identified to help inform the Working Group as it commences activities.

Ms. Campbell provided background information on the IAASB's future project related to ISA 315 (Revised), explaining why it was necessary for the IAASB to commence work in this area. She drew attention to **Agenda Item C**, noting that the IAASB's *Work Plan for 2015–2016* (the current Work Plan) had identified ISA 315 (Revised) for further consideration because of issues and concerns that had been identified from:

- The IAASB's post implementation review of the clarified ISAs (ISA implementation monitoring project).
- Specific issues related to ISA 315 (Revised) for small and medium practices (SMPs).

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

<sup>3</sup> ISA 320, *Materiality in Planning and Performing an Audit*

<sup>4</sup> ISA 500, *Audit Evidence*

<sup>5</sup> ISA 520, *Analytical Procedures*

<sup>6</sup> ISA 530, *Audit Sampling*

- Outreach and other inputs, which have highlighted other practical issues and concerns that have been experienced by auditors for which clarification in the standard or further guidance might be helpful.

Ms. Campbell also noted that areas for possible further consideration had been identified in the IAASB's work on recently completed projects, including the Auditor Reporting project and the Disclosures project. Finally, she explained the interrelationships between work on ISA 315 (Revised) and other current projects and initiatives of the IAASB, including:

- The project to revise ISA 540,<sup>7</sup> in particular the link between the degree of estimation uncertainty of an accounting estimate and whether that accounting estimate should be identified as a significant risk.
- Data analytics.
- Group audits, in particular the impact of the identification of significant risks at the component level on the group audit.

Ms. Campbell noted that Staff had also undertaken an exercise to compare ISA 315 (Revised) to the PCAOB's Auditing Standard 12, *Identifying and Assessing Risks of Material Misstatement*, as well as ascertain what has been done in this area by others, to identify any further areas that may warrant consideration by the IAASB.

The Representatives and Observers commented as follows:

- Mr. Thompson questioned whether revisions to the Committee of Sponsoring Organizations of the Treadway Commission's 2004 *Enterprise Risk Management – Integrated Framework* would also be considered. Ms. Campbell noted that all sources of relevant information would be considered in any revisions developed.
- Mr. Rockwell highlighted that further guidance was needed on the identification of significant risks at the component level in a group audit and the impact on the group audit when considering revisions to both ISA 315 (Revised) and ISA 600.<sup>8</sup>
- Ms. McGeachy urged the IAASB to further consider how input could be obtained from SMPs in relation to the challenges in applying ISA 315 (Revised), as any revisions to this standard would significantly impact this stakeholder group. She suggested, for example, that roundtables may be an appropriate way to obtain this input. Ms. Healy noted that the IAASB has the view that it is essential to obtain input from SMPs as revisions to ISA 315 (Revised) are contemplated, through direct engagement via the IFAC SMP Committee and other means.
- Mr. Gunn highlighted the link between ISA 315 (Revised) and professional skepticism, noting that understanding the entity's business was key to applying professional skepticism as well as identifying the risks of material misstatement. He added that inconsistencies in the number and nature of risks that are identified as significant may arise because of the lack of prescription in the standard, as well as an insufficient understanding of the entity's business, and that this impacted the subsequent work effort by the auditor. Mr. Linuma added that further consideration about the work effort on risks that

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<sup>7</sup> ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

<sup>8</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

are not significant risks would be helpful, in particular to distinguish these from the work effort on significant risks. Ms. Campbell noted that the aspect related to the inconsistent identification of the significant risks of material misstatement had been identified in the ISA Implementation Monitoring project and would form part of the Working Group's considerations. Ms. Healy added that the ISA 315 Working Group would be considering what drives the appropriate work effort on risks that are identified, whether significant or otherwise and that these discussions had already commenced as part of the project to revise ISA 540.

- Mr. James noted some additional matters that had been included in IOSCO's input to the ISA Implementation Monitoring project for the Working Group's considerations if revisions to the standard, including:
  - Strengthening the auditor's understanding of when an approach relying on testing controls would be more effective than substantive testing.
  - Clarifying the impact of the internal control assessment on the audit.
  - The auditor's considerations when the entity's systems or components are reviewed on a rotational basis, in particular relating to which are reviewed each rotation and the work effort of the auditor on these.
  - Who is most appropriate to undertake the work on the review of the IT systems, in particular in relation to the individual's expertise.
- Mr. Koltvedgaard questioned whether an analysis of the issues had been performed to understand whether some of the issues and concerns were due to implementation issues, such as cultural aspects in different jurisdictions.
- Mr. Iinuma noted that the potential for management override of controls needed to be further emphasized in the standard.
- Mr. Hansen recommended that further consideration be given as to who on the engagement team is performing the risk assessment, noting that this was often done by a more junior member of the team. He suggested this was not necessarily appropriate because of the judgmental nature of this part of the audit. Mr. Hansen also questioned whether consideration will be given to further understanding why risk assessments are not being carried out properly, and whether this was linked to supervision and review on the engagement. Ms. Campbell noted that this would be considered either in this project or the Quality Control project as appropriate. Ms. Healy highlighted the importance of the risk assessment process as it was foundational to the audit, and noted that this would be considered in all relevant projects, but in particular in the project to consider revisions to ISA 540.
- Ms. Robert highlighted the link to the identification of key audit matters (KAMs), and suggested that any inconsistencies in the reporting of KAMs and identified significant risks be monitored and changes made as appropriate.

Ms. Campbell thanked the CAG for the feedback, noting that the Working Group would consider the comments as part of its further deliberations.



## The IAASB's Work Plan for 2017–2018 (Agenda Item D)

To *OBTAIN* Representatives' and Observers' views on the process to be used to develop the IAASB's Work Plan for 2017–2018, and *RECONFIRM* the appropriateness of the IAASB's strategic objectives set out in its strategy for 2015–2019.

Ms. Healy introduced the matters set out in **Agenda Item D.1** and reminded the Representatives and Observers that, in finalizing the *Strategy for 2015–2019* (the Strategy), the IAASB had agreed that it would undertake a mid-period review of the current Strategy in connection with the development of its next Work Plan, to determine whether the identified strategic objectives were still relevant or whether they needed to change. She added that this would form part of the consultation on the *Work Plan for 2017–2018* (the future Work Plan) planned for later in 2016.

Ms. Healy noted that the IAASB would still undertake a transparent public consultation to determine priorities for 2017–2018, bearing in mind the significant activities needed in 2016 and beyond on current projects. She explained that some tough decisions may need to be made in determining the priorities for 2017–2018, because of constraints arising from the availability of time available by the Board members due to the volunteer nature of their membership. In undertaking this consultation, she added that consideration would be given to making it as easy as possible for stakeholders to respond, for example by utilizing a survey tool rather than requiring written responses.

The Representatives and Observers did not raise any concerns as to the appropriateness of the three strategic objectives included in the Strategy, with Mr. Ahmed explicitly supporting their continued appropriateness.

In relation to the IAASB's proposals for consulting on the future Work Plan, the Representatives and Observers commented as follows:

- Mr. Dalkin noted there appeared to a significant amount of work on the current Work Plan that needed to be completed, and queried whether an internal review had been done to determine what the maximum amount of throughput could be. Ms. Healy responded that milestones of the various individual projects that had already commenced had been considered in context of the overall time and resources available. She added that it was important that these milestones continue to be met, in particular in relation to ISA 540, and noted that these are continually monitored. When new project proposals are developed, the timeline included in them takes into account the comprehensive agenda to consider what is feasible. She also added that the IAASB may need to alter the timeline of particular projects or deliverables in the future, but that lack of capacity had lead the Steering Committee to conclude that no new projects could be undertaken in 2017–2018.
- Mr. Stewart emphasized that some projects were time sensitive, such as the project to revise ISA 540 in light of the implementation date of IFRS 9<sup>9</sup> in 2018.
- Mr. Ahmed noted that the value of the Strategy and Work Plan was that it helped the IAASB focus on priorities and also resource the work plan. Messrs. Ahmed and Koktvedgaard expressed support for the Board's priorities at present and encouraged that this focus should not change unless it could be properly demonstrated why the change was important.

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<sup>9</sup> International Financial Reporting Standard (IFRS) 9, *Financial Instruments*

- Mr. Thompson questioned whether a project to consider changes to ISA 320 should be included in the future Work Plan, especially in light of the work of the IASB's work in this area (e.g., the publication of the Draft Practice Statement, *Application of Materiality to Financial Statements*).
- Mr. van der Ende also expressed support for continuing efforts on the current Work Plan, but noted that consideration should be given to whether other ISAs that may be relevant to existing projects may need to be revised because of the interconnectedness. He suggested that aligning the projects for a comprehensive revision of the ISAs could be achieved by slowing down some current projects, thereby ensuring that there would be sufficient resources to be able to do this, as the resources could be a possible constraint.
- In light of the International Forum of Independent Audit Regulators' (IFIAR) *2015 Inspection Findings Survey*, Messrs. Rockwell and James questioned whether it is necessary for the IAASB to consider the areas identified in this report that are not in the current or future Work Plans. Ms. Healy noted that the IAASB actively liaises with IFIAR's Standards Coordination Working Group (SCWG) on a regular basis, and that some aspects identified in their inspection report could potentially be addressed within current projects. However, she added that IFIAR's SCWG had supported the prioritization of current projects on the IAASB's agenda.
- Mr. James noted that, in light of the constraints on resources and the need to consider the additional areas identified by IFIAR, some projects may not be as much of a priority, such as the work on agreed-upon procedures (ISRS 4400).<sup>10</sup> Mr. Kockvedgaard responded that a broad scope of businesses use this standard and encouraged that work on this be continued. He noted that balance of the needs of the various stakeholders served by the IAASB should continue to be considered as the IAASB assesses its priorities, in order for the IAASB to remain relevant. He added that if choices were to be made based on priorities that work on assurance for integrated reporting may be slowed down.
- Mr. Kockvedgaard emphasized that the IAASB continues to be transparent about its priorities.
- Ms. McGeachy acknowledged that there is no capacity for new projects in the future Work Plan, but suggested that emerging trends continue to be monitored, such as the needs of SMPs in light of the Nordic Federation of Public Accountants consultation of its *Standard for Audits of Smaller Entities*.

Ms. Healy thanked the Representatives and Observers for the feedback, noting that their comments would be considered as part of the IAASB's further deliberations on its consultation.

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<sup>10</sup> International Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

## Open Session (Agenda Item E)

To RECEIVE a presentation from the International Forum of Independent Audit Regulators (IFIAR)

Ms. Doblado, Chair of IFIAR's SCWG, provided the Representatives and Observers with a presentation about IFIAR and the 2015 Survey of Inspection Findings. Among other matters, she explained that IFIAR was established in 2006 by independent audit regulators from 18 jurisdictions and that the number of members has grown to 50 in 2016. She also explained IFIAR's mission, activities and operating structure, and its main events and publications, including the annual survey of inspection findings. Ms. Doblado explained that IFIAR also communicates with stakeholders through comment letters to the IAASB and IESBA, an annual report, and papers, presentations and summaries to investors and audit committee members. She highlighted that some of the key messages communicated through comment letters to international audit and ethics standard setters namely (i) to focus on the clarity and enforceability of standards; (ii) whether consideration is given to the public interest and audit inspection findings; and (iii) whether there is flexibility to address urgent emerging issues.

Ms. Doblado also provided the Representatives and Observers with an overview of IFIAR's 2015 Survey of Inspection Findings. She highlighted the number of inspected audit engagements, the number of audit engagements that had deficiencies and the areas in which deficiencies were noted. She noted that, for issuers, most findings related to internal control testing, fair value measurements, revenue recognition and risk assessment. For financial institutions, most findings related to the audit of allowance for loan losses and loan impairment, internal control testing, valuation of investments and securities and the use of experts. Ms. Doblado noted that the survey results generally revealed similarities in the nature and extent with previous inspection finding reports but that no direct relationship can be made because of the use of different populations for each inspection finding report. She concluded by highlighting the relevance of the inspection finding report for future standard-setting activities, as some findings might be mitigated by enhancing the clarity of the requirements the auditor needs to comply with and improving the consistent application and exercise of sufficient professional skepticism. She also noted that the level of inspection findings can partly be explained by the risk-based approach that is used in selecting particular audits for inspection.

The Representatives and Observers commented as follows:

- Mr. van der Ende questioned if there were any notable trends between the 2015 and 2014 survey of inspection findings. Ms. Doblado noted that it is challenging to do a year over year trend analysis given the different samples that are used for each report and the limited sample size for major financial institutions. However, when comparing several years, general trends can be identified. Ms. Doblado noted, for example, that fair value measurements, internal control testing and revenue recognition have been areas with high inspection findings since IFIAR started publishing the survey of inspection findings.
- Mr. Stewart questioned whether the high level of inspection findings can be partly explained by the risk-based approach that is used in selecting files, as auditors also have a risk based audit approach and therefore should focus on the same areas as regulators do.
- Mr. Stewart noted that the root cause analysis as included in the report seems to include areas that have been long standing concerns, like pressure on fees and staff retention rates, and questioned which steps are taken to respond to the root causes. Ms. Doblado noted that IFIAR liaises with firms in relation to how they can respond to the root causes including detailed discussions why, for

example, the staff turnover rates are so high and what can be done to lower the rates. Mr. Koltvedgaard supported this approach.

- Mr. James noted that IFIAR's annual inspection findings reports identify the same areas of inspection findings and questioned whether a long-term strategy is needed to address these issues. Ms. Doblado noted that it takes a while to show the effect of the inspection finding reports on audits, as the audits included in the report have been completed more than a year ago. She highlighted the importance of publishing the survey of inspection findings so that auditors assess the areas identified by the survey more closely within their network. The results of the survey are also used in discussions with standard setters such as the IAASB, as sometimes enhancements to standards could help and push the auditors in certain areas. Prof. Schilder added that the IAASB has several topics on the current Work Plan which IFIAR has identified as useful for standard-setting activities including quality control, group audits, professional skepticism, auditing accounting estimates, identifying and assessing the risk of material misstatement and data analytics. In addition, Prof. Schilder highlighted that the IAASB is addressing other areas indirectly through its current projects. He noted, for example, that (component) materiality is addressed through the group audit and data analytics project, the use of experts through the project on accounting estimates and responses to the assessed risk of material misstatements through the project that addresses identifying and assessing the risk of material misstatement.
- Mr. Koltvedgaard questioned whether there were more details available with respect to findings on firm-wide ethical controls and why there were no findings with respect to ethics on engagement level. Ms. Doblado explained that the survey does not provide sufficient granularity to provide this kind of information as it is compiled at a higher level but noted that individual regulators can provide more details. She also noted that ethical issues might be recorded at firm level rather than at engagement level, as soon as the internal procedures of the firm are inappropriate to deal with the issues identified during inspections. However, this does not mean that there are no ethical issues on an engagement level.
- Prof. Schilder noted that the IAASB has a dialogue with IFIAR on five different levels. The first level is through attending and presenting at IFIAR's plenary meeting and the dialogue with IFIAR's SCWG which meets twice a year. The other levels of dialogue are through presentations and conference calls to other IFIAR working groups, the Inspections workshop, comment letters and roundtables.

Ms. Doblado thanked the Representatives and Observers for their comments and for the Chair for the opportunity to present the IFIAR survey results at the CAG meeting.

## Auditor Reporting – ISA 800 series (Agenda Item F)

To *REPORT BACK* on the final changes to the ISA 800 series (Final changes to ISA 800 (Revised)<sup>11</sup> and 805 (Revised)<sup>12</sup> that were issued in January 2016; and final changes to ISA 810 (Revised)<sup>13</sup> that were approved by the IAASB in December 2015

Prof. Köhler provided a report back on the comments raised by Representatives and Observers during the September 2015 CAG discussion and December 2015 CAG teleconference drawing their attention to **Agenda Item F.1**. The Representatives and Observers did not raise any comments.

## ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* (Agenda Item I)

To *REPORT BACK* on the September 2015 and December 2015 meetings; and  
To *OBTAIN* Representatives' and Observers' views on issues identified related to ISA 540

Mr. Sharko introduced the topic by explaining the Task Force's activities since the December 2015 CAG teleconference. He noted that the Task Force has published a Project Publication (the Project Publication)<sup>14</sup> that highlights the audit issues arising from the shift to Expected Credit Loss (ECL) models when accounting for loan losses. He also noted that the Task Force continued its outreach efforts with a specific focus on audits of non-financial institutions. In that respect, Mr. Sharko noted that the Task Force had meetings with the IASB and IOSCO and he noted that further outreach is needed with investors and those charged with governance (TCWG). Mr. Sharko also focused on the public interest issues that the project to revise ISA 540 addresses and highlighted the link that the project has with other IAASB Working Groups such as the ISA 315 (Revised), Professional Skepticism, Quality Control, and Data Analytics Working Groups. He noted that the ISA 540 Task Force will continue to liaise with these working groups. Mr. Sharko then highlighted key areas in the issues paper as presented in **Agenda Item I.1** and asked the Representatives and Observer's comments on the Task Force's initial thinking.

### COMPLEXITY VERSUS ESTIMATION UNCERTAINTY

The Representatives and Observers commented as follows:

- Mr. Iinuma was of the view that further outreach would be needed to cover specific issues related to non-financial institutions such as goodwill, impairment, and revenue recognition. Messrs. Yurdakul, Hansen, and Kazuhiro agreed. Mr. Kazuhiro added that further outreach with regarding construction contracts would be useful. He also noted that the results of IFIAR's 2015 Inspection Findings report, as discussed as part of **Agenda Item E**, showed a significant number of findings related to revenue recognition and that more outreach in that area would be warranted. Messrs. Yurdakul and Kjektvedgaard noted that outreach with different stakeholder groups, like preparers, would be useful.

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<sup>11</sup> ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

<sup>12</sup> ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

<sup>13</sup> ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*

<sup>14</sup> <http://www.ifac.org/publications-resources/isa-540-revision-project-publication>

Mr. Sharko responded by noting that the Task Force includes members with a non-financial institution background and an observer from the PCAOB, and that the Task Force will continue its outreach activities with non-financial institutions, including, for example, extractive industries and corporates with a complex treasury function.

- Mr. Dalkin noted that accounting estimates play a critical role in government accounting and specifically highlighted the accounting estimates with respect to the fiscal sustainability of governmental debt. Ms. Molyneux added that the pharmaceutical industry also has significant accounting estimates.
- Mr. van der Ende noted that the Basel Committee's Accounting Expert Group (AEG) discussed the issues paper. He highlighted that the AEG agrees with the issues identified but also noted several additional issues. Mr. van der Ende explained that internal control risk was not sufficiently discussed in this paper. He noted that the Basel Committee has issued guidance around governance and internal controls and that with the upcoming switch to ECL models this will be even more important, given that some data will come from systems that have historically not been part of the financial reporting system. He noted that weak internal controls and governance systems increase the risk of earnings management. Mr. Dalkin noted that internal control starts with management. Mr. E. Bradbury agreed and added that obtaining an understanding of internal control over financial reporting is extremely important, but providing too much prescription can lead to less auditor judgment. Mr. Kocktvedgaard agreed. Mr. Sharko highlighted that the Task Force has not yet discussed all issues identified throughout the project in detail, and that Staff is working on a tracking document to show all issues identified by the Task Force to date and when these issues will be discussed by the IAASB. Among the matters that will be discussed in more detail for the upcoming Board meetings are controls and governance. He also agreed that it is not the auditor's responsibility to set internal control requirements for management and that there should be a balance between being too prescriptive and providing sufficient guidance for the auditor in the ISA.
- Mr. E. Bradbury highlighted that the auditor should take appropriate qualitative considerations as in the end accounting estimates are a judgment.
- Mr. Hansen noted that the paper did not address the use of experts and specialists by a company or retained by an audit firm and questioned whether the project to revise ISA 540 will address this. Mr. Sharko noted that revising ISA 620<sup>15</sup> is not part of this project but that the Task Force will assess where ISA 540 can be enhanced with respect to the use of experts and specialists, including conforming amendments to ISA 620 as needed. Ms. Healy added that, in the revision of ISA 540, the Task Force can give a steer as to how ISA 620 can be applied when auditing accounting estimates. She also noted that there might be opportunities to highlight the role of the engagement partner and that some relevant material in IAPN 1000<sup>16</sup> might be incorporated into ISA 500 or ISA 540.
- Ms. McGeachy noted the importance of SMPs to be involved in this project to provide a different view. Mr. Kocktvedgaard agreed. Mr. Sharko agreed and noted that the Task Force has been in touch with the IFAC SMP Committee to set up a call.

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<sup>15</sup> ISA 620, *Using the Work of an Auditor's Expert*

<sup>16</sup> International Auditing Practice Note (IAPN) 1000, *Special Considerations in Auditing Financial Instruments*

- Mr. E. Bradbury questioned what the Task Force has discussed with respect to the documentation requirements for accounting estimates given that regulators, like IFIAR, are looking for evidence about the auditor's judgments. Mr. James agreed and added that he is interested in the Task Force's way forward with respect to the documentation of professional skepticism and professional judgment in auditing accounting estimates. Mr. Sharko noted that the Task Force has to find the right balance by meeting the needs of regulators, while not unreasonably burdening auditors of small- and medium-sized entities, and that the Task Force had included some ideas in section B-1.1 of **Agenda Item I.1**.
- Mr. van der Ende congratulated the Task Force and the IAASB on the release of the ISA 540 Project Publication. He noted that the Basel Committee had asked for such a document and that its AEG was pleased to see a draft version of the Project Publication at its February 2016 meeting. Mr. van der Ende noted that the AEG was generally satisfied with the topics included in the Project Publication and that the AEG is of the view that the Project Publication will help in its work. However, a few members were skeptical that the IAASB will meet the proposed deadlines as included in the Project Publication given that they are very ambitious. He also noted that the AEG's Japanese member would have liked to have the relationship between a financial institution's regulatory supervisor and the external auditor discussed in the Project Publication. However, the European members were not of the same view given the recent publication on this topic by the European Banking Authority. Mr. van der Ende concluded by noting that the Project Publication is a good example how the IAASB's dialogue with stakeholders can be fruitful.

#### SCOPE OF ISA 540

The Representatives and Observers commented as follows:

- Mr. Rockwell noted that the Task Force should address both complexity and estimation uncertainty in ISA 540 as, for example, level 3 financial instruments have a high estimation uncertainty and are very complex. Mr. Ahmed agreed and added that both estimation uncertainty and complexity affect the risk of material misstatement. Mr. Thompson noted that the two concepts are interrelated but can also occur separately. Mmes. Lang and Molyneux agreed. Mr. Sharko responded that the Task Force will consider how both concepts can be included in the revision of ISA 540.
- Mr. Stewart noted that, in his view, the difference between complexity and estimation uncertainty is that complexity can be solved with the right expertise while estimation uncertainty cannot be addressed in a similar way. Also, he noted that estimation uncertainty can be more influenced by professional skepticism than complexity. He noted that, in order to address estimation uncertainty, the auditor should gather more evidence but it is necessary to understand that an accounting estimate will not provide an exact amount given that it is an estimate. Ms. Lang agreed.
- Mr. Rockwell noted the necessity to find a way to separate more simple accounting estimates from more complex accounting estimates within the standard. Ms. Lang was of the view that auditors should be able to read ISA 540 and determine what approach is necessary given the underlying uncertainty in the accounting estimate.
- Mr. Thompson noted that the Task Force would need to carefully consider the scope of ISA 540 and how various audit approaches or procedures might be set out within the standard, as for some accounting estimates events or information becomes available before the date of the auditor's report that resolves the estimation uncertainty present at year end.

- Mr. Iinuma was of the view that the Task Force should investigate whether the scope of ISA 540 could be clarified by emphasizing and clarifying the scalability of ISA 540 as the other options presented by the Task Force were not practical. Mmes. Lang and Singh and Mr. Dalkin agreed with pursuing this option, noting the standard could stress the need to adequately understand the estimate. Ms. Singh added that scalability should be included in the application material. Mr. van der Ende noted that the Basel Committee's AEG unanimously favored this option given that the other options could lead to different views as to which standard a particular accounting estimate would fall into. He noted that banks have both plain vanilla accounting estimates and more complex accounting estimates like, for example, macro-economic data that is used in an ECL Loss model. Mr. van der Ende noted that the work effort between plain vanilla and complex accounting estimates should be different and that he therefore is in favor of describing proportionality in ISA 540. Mr. Sharko agreed that defining whether an accounting estimate has a low, moderate or high estimation uncertainty would create more complexity.
- Mr. Stewart noted that the nature of the item being audited and the related risk of material misstatement should drive the amount of work performed by the auditor and not the size of the entity. He noted if ISA 540 took this approach, then by its nature the standard would be scalable. Ms. Lang agreed.
- Mr. Ahmed was of the view that the Task Force could investigate if the scope of ISA 540 could be clarified by splitting ISA 540 into two standards; one for simple accounting estimates and for more complex accounting estimates, but that making one standard scalable was also a valid option.
- Ms. Molyneux noted that the Task Force should keep the standard principles-based as that appropriately allows for auditor judgement.
- Mr. Stewart complimented the Task Force on figure 1 as included on page of **Agenda Item I.1**.

#### PROFESSIONAL SKEPTICISM

The Representatives and Observers commented as follows:

- Mr. Bini noted support for the focus on professional skepticism in ISA 540 and noted that the amendments to paragraph 21 should include that bias in valuation is often linked to the choice of the method and data sources. Mr. Rockwell agreed. Mr. van der Ende highlighted his support for this section and noted that the Task Force should add concrete requirements and application material throughout all relevant stages of the audit. Mr. E. Bradbury highlighted the risk of adding specific requirements and application material that emphasize the importance of professional skepticism in a specific area, as this could dilute the importance and meaning of professional skepticism. He noted that adding it in one place could be interpreted that it is less important in other areas. Mr. Sharko acknowledged that just adding the term professional skepticism to various requirements will not be effective and that the ISA 540 Task Force will liaise with the PSWG on how professional skepticism can be enhanced in ISA 540.
- Mr. Rockwell noted that the use of the word “challenge” may not be the right word to enhance professional skepticism and suggested the phrase “critically evaluate” may be an appropriate way to describe the expected work effort.
- Mr. Dalkin suggested that application material to paragraph 21 could be added to highlight that the auditor should do more than confirming management's accounting estimates. Mr. Hansen agreed.



- With regards to the material addressing auditor bias, Mr. Hansen noted that, if the auditor is biased, the auditor is not independent and therefore should not have accepted the engagement. He suggested the focus of the Task Force should be on whether the auditor appropriately considered alternative approaches. Mr. Nicholson was of the view that auditor bias is more about objectivity rather than independence. Mr. Stewart suggested that the concept of auditor bias and familiarity with the entity being audited could be described differently to clearly distinguish it from independence issues. Mr. Sharko agreed and explained that the material addressing auditor bias is about inherent biases, as everyone has a certain bias based on, for example, prior experiences or views.
- Ms. Molyneux noted that there is also bias in the choice of models and suggested that the Task Force should elaborate more on that. Ms. Lang added that there is also industry bias as certain ranges are used in an industry, and that it is important for auditors to understand the industry in order to be able to challenge an entity's assumptions. Mr. Sharko noted that the Task Force has not yet looked into industry bias, but will take it into account in future discussions.

#### RISK ASSESSMENT PROCEDURES AND RELATED ACTIVITIES

The Representatives and Observers commented as follows:

- Ms. Elliott supported moving the phrase “an understanding of the data on which they are based” to a separate bullet and adding the governance over such data. Messrs. Linuma and Stewart agreed. Ms. Elliott also noted that future application material will make the changes clearer. Mr. Sharko confirmed that there has been discussions within the Task Force and during outreach about data and governance and that the Task Force has not started drafting application material yet.
- With respect to paragraph 8(a) of ISA 540, Mr. van der Ende asked the Task Force to consider whether, in addition to the applicable financial reporting framework, guidelines with similar status could be added. Application material could highlight, for example, that these guidelines should be set by a global organization, such as the Basel Committee, with due process.
- Mr. van der Ende noted that it should be made clearer when the auditor should perform the procedures as required by paragraph 8(c) of ISA 540.
- With respect to paragraph 8(c)(ii) of ISA 540, Ms. Lopez noted the importance of application material highlighting that management should take ownership for the data on which the accounting estimate is based when it has been obtained from an external source. Mr. James added that regulators have concerns about the auditor's work effort on the reliability of data that has been obtained from external sources and urged the Task Force to address this issue in the revision of ISA 540. Mr. Sharko noted that the Task Force has discussed the matter and that section B-6.1 of **Agenda Item I.1** includes the Task Force's preliminary views on using the work of others, including third-party data sources.
- Mr. Stewart questioned whether paragraph 8(c)(vi) of ISA 540 covers the consistency in the process to set accounting estimate year over year given its importance.
- Mr. Stewart questioned whether the role of the auditor should vary based on whether the accounting standards require management to make a best estimate and, at other times, a reasonable estimate. He furthermore noted that using the word “challenge” would be better suited when auditing a “best estimate” and “evaluate” when auditing a “reasonable estimate”. Mr. Hansen added that it would be useful to have guidance that explains how the auditor should assess wide variances between management's accounting estimate and the auditor's or variances within an entity. Mr. Sharko noted that the Task Force has discussed ranges and variations within a range and that the matter will be

brought to the CAG at a later stage. He noted that the Task Force will also consider what the effect of accounting standards is on the auditor's work effort on accounting estimates.

- Mr. van der Ende noted that a majority of the Basel Committee's AEG was of the view that the binary choice between significant and non-significant is not sufficient as risk is a continuum and that the ECL model should always be a significant risk. He also noted that the auditor should communicate with TCWG to assist the auditor in addressing some of the audit challenges that arise during the development process of models, and that the term "may assist" was not strong enough.
- Mr. Stewart noted that adding back testing as an option for performing a retrospective review could be useful as this draws out any bias that might have been included in management's past processes.
- Mr. van der Ende supported the principles behind new requirement 8A of ISA 540.
- Ms. Molyneux noted that professional skepticism in the risk assessment could be enhanced by adding application material that would have the auditor focus on the internal consistency of management's assumptions so that similar assumptions are used across different departments. She also noted that professional skepticism could be strengthened by assessing the corporate culture.

#### IDENTIFICATION AND ASSESSMENT OF THE RISK OF MATERIAL MISSTATEMENT

The Representatives and Observers commented as follows:

- Mr. Stewart questioned whether revised paragraph 10 of ISA 540 as proposed by the Task Force is still principles-based and noted that the amount of detail included would be expected in application material. Mr. Dalkin agreed. Mr. Sharko responded that the Task Force moved application material to the requirement as regulators indicated that auditors did not appear to be taking the application material into account, and doing so further emphasizes what is expected of auditors. Mr. James agreed but was not certain that the manner in which this material would be drafted would be sufficiently enforceable. Mr. Dalkin noted that if auditors are not taking application material into account, it may be more indicative of an execution issue rather than a need to change to a requirement.
- Mr. Dalkin noted that paragraph 10 of ISA 540 as drafted limits the scalability of ISA 540. Mr. E. Bradbury agreed and added that the requirement as redrafted is potentially limiting and could stimulate a checklist mentality and could inappropriately be perceived as an all-inclusive list. He suggested to change "shall take into account" to "may take into account" in the preface to the bullets. Mr. Sharko responded that, because it is a requirement, "shall" is needed but the Task Force will consider the points raised.
- Mr. Rockwell suggested ISA 540 have a requirement that requires the auditor to assess the relevant factors and have, in addition, in the application material a non-exclusive list of other factors.

#### RESPONSES TO IDENTIFIED RISK OF MATERIAL MISSTATEMENT

The Representatives and Observers commented as follows:

- Mr. Stewart noted that possible changes to paragraph 13 of ISA 540 requires more persuasive audit evidence for accounting estimates with a higher estimation uncertainty and he questioned whether that is audit evidence that is more persuasive or more of the persuasive evidence and if that matters. Based on Figure 1 as included in **Agenda Item I.1**, Mr. Stewart expects it to be the latter. Mr. Sharko highlighted that this is probably the case but that the Task Force will further look into this. He also

noted that this is one of the areas where changes have been made to emphasize the scalability of ISA 540.

- Mr. E. Bradbury questioned how inspectors will assess the changed wording in paragraph 13 of ISA 540 and how much evidentiary documentation they will be expecting based on the new wording. He provided the CAG with an example how evidentiary documentation has, in his opinion, gone too far in the United States. Mr. Sharko noted that, in many of the inspection findings, the lack of documentation of judgements did not mean that the auditor had not obtained sufficient and appropriate audit evidence.

#### OTHER CONSIDERATIONS

The Representatives and Observers commented as follows:

- Mr. James supported more guidance on third-party data sources in ISA 540 and noted that the reliability of data provided by third-party data sources depends on the observability of inputs and the complexity of the methodologies used for generating the data.
- Mr. Hansen noted that the PCAOB has been looking closely at the use of third-party data sources. Since the auditor may not be able to access the third-party data sources' systems and controls, he suggested that the application material highlight that the auditor can compare the third-party data to data from another source to get comfortable with the data received from the third-party data source. Mr. Sharko noted that third-party data sources are an important topic and noted that the Task Force might include guidance from IAPN 1000. He also noted that the Task Force is closely following the PCAOB's work and the Task Force will discuss what an auditor should do when there is only one data source and what the auditor should do if there are differences between two data sources. Mr. Rockwell questioned whether the auditor is sufficiently competent to assess which of two competing data sources is appropriate to use.
- Mr. Yoshii was of the view that the auditor's work effort on disclosures related to accounting estimates should be strengthened, as investors and analyst cannot interpret the financial results of a company without sufficient disclosures. Mr. James agreed.
- Mr. Rockwell noted that, with respect to disclosures, he would support the auditing standard going beyond the financial reporting framework as financial reporting frameworks, like IFRS, don't cover all legal obligations that entities are subject to. Ms. Lang noted that adding disclosure requirements to ISA 540 should be carefully considered, as doing so will add more complexity in certain audits. Mr. Sharko questioned whether it is desirable that financial statements under the same financial reporting framework have different disclosures and whether it is really needed that the auditing standards go beyond the financial reporting framework.
- Ms. Molyneux noted she is in favor of a new requirement or application material that highlights that accounting estimates with a high estimation uncertainty could be a key audit matter.

Mr. Sharko thanked the Representatives and Observers for their comments and noted that CAG members would be offered the opportunity in April to be updated via teleconference on the IAASB's discussions at its March 2016 meeting.

## Integrated Reporting and Agreed-upon Procedures (Agenda Item K)

- Integrated Reporting – To *RECEIVE* an update on the status of the project and *REPORT BACK* on the September 2015 meeting
- Agreed-upon Procedures – To *RECEIVE* an update on the status of the project and the issues identified
- Integrated Reporting and Agreed-upon Procedures – To *HIGHLIGHT* feedback from the breakout sessions

Ms. Kelsall introduced the topic of integrated reporting by starting with a reflection on the report back on the September 2015 CAG meeting (as included in **Agenda Item K.1**) and how input was taken into account. She introduced the draft discussion paper (**Agenda Item K.1.1**) by: (i) providing insight into the actions undertaken while developing the draft discussion paper; (ii) the conclusions from these actions; and (iii) the focus of the draft discussion paper.

Mr. Salole introduced the topic of agreed-upon procedures. He informed the CAG about (i) the key messages from outreach; (ii) the key issues identified that need to be addressed; and (iii) the Working Group's preliminary views on the ways forward.

Ms. Kelsall and Mr. Salole also provided further background to the questions for the break-out session

After these introductions, the Representatives and Observers broke out in three groups to discuss three specific questions, following which Ms. Kelsall Messrs. Grabowski and Salole summarized the key highlights of the discussions.

### INTEGRATED REPORTING AND OTHER EMERGING FORMS OF EXTERNAL REPORTING (EER)

- There was much support for (i) the broader approach of credibility and trust; (ii) the view that the practitioner is not the only one contributing to credibility and trust; and (iii) the view that other factors, both internal and external to the reporting entity, play a role.
- It was noted that trust in the profession performing audits of financial statements has been built over time, including by SMPs. Therefore, it was suggested that the IAASB consider how it could prevent undermining this trust, given that competencies still need to be developed to perform these types of engagements. It was noted that also other disciplines are performing professional services with regard to EER. There were suggestions for the IAASB to consider both the competencies that are needed, including the ability to operate in multidisciplinary teams, and the relationship between the practitioner who is a professional accountant and the subject-matter specialized practitioners.
- In relation to the professional services addressed in the draft discussion paper, it was noted that this would need to be demand-led, with demand coming from both internal and external stakeholders. This in turn would be the basis for the type of services that need to be covered by the International Standards. It was noted that the demand from investors, in particular asset managers and rating agencies, is growing. Caution was expressed about considering developing standards for professional services outside the current scope of the International Standards. Rather, it was suggested the IAASB could consider whether direct engagements could be used to meet certain demands.
- There was support for exploring innovation in EER and assurance, including the role of information technology in delivering the information, such as continuous provision of information. As a next step,

some suggested the Working Group could explore whether the International Standards are “fit for purpose”, including whether innovations the IAASB has already made in the standards, such as communicating key audit matters, could be used in this area.

- It was suggested to consider the maturity of reporting systems and whether it would be useful for the Working Group to develop a view as to what a sufficiently mature reporting system may look like from the perspective of the practitioner.
- It was also suggested that the Working Group include the SMP angle more explicitly and explore in more detail how the concept of materiality would apply in EER.
- There were mixed views on the timeframe in which to take action. Some noted that the IAASB has been monitoring this area for a while and that it is time to take more substantial action, recognizing that developments can turn quickly. Others cautioned not to take action too quickly, but to continue with active monitoring, since EER is still developing and changing. In addition, it was suggested that the trade-offs between quick and timely information and the costs involved in achieving this needed to be taken into account. In addition, it was noted that at this early stage of EER there is a risk that performing assurance engagements on non-financial information that is integrated in annual reporting may delay financial reporting.

#### AGREED-UPON PROCEDURES

- On the question of whether IAASB’s International Standards could allow for reporting on a multi-scope engagement via one report, it was suggested that deciding on this matter would require more background to the engagement, such as who the audience is, the nature of the engagement and what was agreed on the engagement. It was suggested by some that practitioners should not be prohibited from doing so unless there are restrictions due to laws and regulations. With respect to the challenges and advantages of a multi-scope report, it was noted that having multiple topics in a report could lead to possible confusion or unwarranted comfort by the reader of the report or other users. On the other hand, it was noted that explaining what the goal of the reports is might alleviate this.
- On the restricted use of the report of factual findings, there was some suggestion to continue to restrict the use of the report, but not to restrict its distribution as the distribution cannot be controlled once the report is published. To prevent misinterpretation about the scope of an agreed-upon procedures engagement, it was suggested to that the report could be very explicit to the reader about the purpose and use of the report of factual findings.

Ms. Kelsall and Mr. Salole thanked the Representatives and Observers for the fruitful discussions during the break-out session.

Prof. Schilder noted that the key message is to continue the information-gathering, but with the noted caution.

#### **Closing Remarks (Agenda Item L)**

##### PIOB OBSERVERS REMARKS

Mr. Holm noted the good and robust discussions that were held during this CAG meeting, highlighting the Representatives’ and Observers’ active participation and that the WGs and TFs have been very responsive to the input received. He furthermore noted that he received a lot of valuable input for the PIOB’s upcoming meeting.

Lastly, he noted that the PIOB is following the project to revise ISA 540 closely given its importance and the tight timeline, and noted that he is confident that the Task Force will finalize the Exposure Draft as planned in December 2016.

IAASB CHAIRMAN REMARKS

Prof. Schilder thanked the Representatives and Observers for their comments and suggestions and noted that the CAG provided good input for next week's IAASB Board meeting.

In light of the discussions in the CAG's private and closed session about setting priorities, Prof. Schilder provided the Representatives and Observers with an example how the IAASB sets priorities in its day to day activities. He noted that the IAASB planned to issue an integrated annual report for 2014, which turned out to be more complex than expected. Given the significant technical Staff time required to develop an annual report and the other priorities that the IAASB had in 2015, like the Invitation to Comment and the project to revise ISA 540, Prof. Schilder deliberately decided not to prioritize the report and proposed to issue a biannual report for 2014 and 2015 which will be released soon.

IAASB CAG CHAIRMAN REMARKS

Mr. Waldron thanked the CAG Representatives and Observers for their high level of preparation and participation and the quality of comments provided during the meeting. He also thanked the Chairman, IAASB members and Staff for their contribution to the success of the meeting. He then closed the meeting.