

IAASB Meeting Highlights and Decisions

December 2011

Contact: James Gunn, IAASB Technical Director (jamesgunn@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.

For more detailed information about IAASB projects, please refer to the project summaries under [Current Projects](#).

Compilation Engagements

The IAASB approved for issue, subject to confirmation by the Public Interest Oversight Board (PIOB) that due process has been followed, revised International Standard on Related Services (ISRS) 4410, *Compilation Engagements*.

ISRS 4410 (Revised) is effective for compilation engagement reports dated on or after July 1, 2013.

Internal Audit

The IAASB approved ISA 610 (Revised), *Using the Work of Internal Auditors*, and ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*.

The IAASB agreed to issue ISA 315 (Revised) and the part of ISA 610 (Revised) that relates to the use of the work of the internal audit function as final standards, subject to confirmation by the PIOB that due process has been followed. Both ISA 315 (revised) and ISA 610 (Revised) are effective for audits of financial statements for periods ending on or after December 15, 2013.

In relation to the part of ISA 610 (Revised) that deals with the use of internal auditors to provide direct assistance, the IAASB agreed to withhold issuance pending the International Ethics Standards Board for Accountants' (IESBA) resolution in 2012 of how the matter of direct assistance should be addressed from an ethics perspective.

Auditor Reporting

The IAASB approved a proposal to commence on a priority basis a project on auditor reporting in light of responses received on its May 2011 Consultation Paper, *Enhancing the Value of Auditor Reporting: Exploring Options for Change*. The aims of this project are to: (i) enhance the communicative value and relevance of auditor reporting to users of audited financial statements; and (ii) explore ways in which auditor reporting could accommodate evolving national financial reporting regimes and facilitate enhanced approaches in corporate financial reporting, while at the same time ensuring that common and essential content is communicated.

The project will include revision of ISA 700, *Forming an Opinion and Reporting on Financial Statements*, and as appropriate, the revision of, or conforming amendments to, related communication and reporting requirements relevant to audits (for example, ISA 260, *Communication with Those Charged with Governance*).

The IAASB will consider issues relevant to this project at its March 2012 meeting.

Disclosures

The IAASB approved for publication in January 2012 a Feedback Statement that summarizes key messages in the responses to its January 2011 Discussion Paper, *The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications*.

Strategy and Work Program

The IAASB considered and agreed a revised draft of the *IAASB Strategy and Work Program, 2012-2014*. The IAASB agreed to finalize the document at its March 2012 meeting once the timing of the various items on the future work program are reviewed in light of plans for the auditor reporting project.

The IAASB will consider a revised draft of the document for approval as its final strategy and work program at its March 2012 meeting.

Greenhouse Gas Statements

The IAASB considered significant comments received on the exposure draft (ED) of proposed International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*. Topics discussed included: cross-over issues with projects to revise ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, and International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Statements*; the procedures for a limited assurance engagement under the proposed standard; and the content and wording of the limited assurance report.

The IAASB will further discuss issues relating to the limited assurance report at its next meeting on January 25, 2012. It will then consider a revised draft of the standard for approval at its March 2012 meeting.

Engagements to Review Historical Financial Statements

The IAASB considered a preliminary analysis of significant comments received on the ED of proposed ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*. Topics discussed included: inclusion of a definition of limited assurance in the draft ISRE; the evidence-based nature of a review; application of common principles for limited assurance engagements; and the need to clarify differences between the proposed ISRE and ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

The IAASB will continue its consideration of key issues and a revised draft of the proposed ISRE at its March 2012 meeting.

Audit Quality

The IAASB considered significant comments received from dialogue with stakeholders on the draft Audit Quality Framework paper, *Audit Quality: An International Framework*, and the Task Force's proposals in response to them. Amongst other matters, the IAASB discussed: an alternative framework structure; the level of summarization of the proposed framework; a revised draft of the introduction to the framework paper; and the impact of the requirements of the applicable financial reporting framework.

The IAASB will consider a revised draft of the consultation paper in 2012.

Other Information in Documents Containing and Accompanying Audited Financial Statements

The IAASB considered a revised draft of ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon*. Topics discussed included: the auditor's procedures when considering financial data in the other information; the concept of "material inconsistency;" the auditor's action when other information is identified that is inconsistent with the auditor's understanding of the entity and its environment; the concept of "initial release" in relation to the intended scope of the proposed standard; and documentation.

The IAASB will consider a revised draft of ISA 720 for approval for exposure in 2012.

Professional Skepticism

The IAASB commissioned the development of a Staff Questions and Answers (Q&A) publication to highlight requirements and application and other explanatory material in the ISAs and ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, that focus on considerations relating to the application of professional skepticism in audits of financial statements. The Q&A is expected to be finalized by late January 2012.

Next Meeting

The next IAASB meeting will be held via teleconference on January 25, 2012. The next physical IAASB meeting will be held in Toronto, Canada on March 12–16, 2012.