

PIOB’s Public Interest issues: IAASB projects

The PIOB’s recommendations are based on the proposals discussed by the IAASB as of December 2020.

For further information and details about the IAASB projects, please refer to the IAASB website: <http://www.iaasb.org/consultations-projects>

Update of this document: January 25, 2021

ONGOING PROJECTS/INITIATIVES

Going Concern Initiative

An explicit statement on Going Concern should be included in the Auditor Report
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<p>In light of corporate and audit failures in the past and the additional going concern risk placed on entities due to Covid-19, auditors have an important role to play in this regard to serve the public interest.</p>
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<p>The IAASB should explore how to implement an explicit statement in the audit report, which might include a conclusion, as to whether the going concern assumption applied in the preparation of the financial statements under the relevant financial reporting framework was appropriate.</p>

<p>The PIOB acknowledges this initiative is at an early stage and looks forward to further progress, on the basis of the information gathering activities and stakeholders outreach undertaken by the IAASB.</p>
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ISA 600 Group Audits

Identify the importance of Group Audits and public interest issues addressed by the project
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<p>Group audits are important because they affect all major economic operators, including the most systematically important entities.</p>

<p>Consistent with the PIOB recommendation raised at the outset of the project, the IAASB has clarified which key public interest issues are addressed by the revision of ISA 600 (e.g. encouraging quality management at the engagement level; fostering an</p>
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independent and skeptical mindset of the auditor; reinforcing the communication during the audit between the group engagement team and the component auditors).

Clarify requirements about cooperation between the group auditor and component auditors

The standards should make clear that close cooperation between the group auditor and the component auditors is required throughout the audit.

Documentation should address the interaction between the group auditor and the component auditors.

The PIOB acknowledges that the ED now includes a requirement that emphasizes the importance of communication between the group auditor and the component auditors on a timely basis and clarifies the relevant required documentation.

Audits of Less Complex Entities (LCEs)

Expectations and scope of a separate standard for LCEs

The PIOB welcomes the IAASB project to explore the needs and concerns of LCEs. The separate LCEs standard needs to deal with calls to scale down the audit requirements for Small and Medium Entities and, at the same time, ensure that assurance is not weakened.

The scope of the standard should be sufficiently restrictive and limited to the correct entities (i.e. those that are truly less complex) and ensure that an LCE audit produces a quality audit.

Resources and timing of the projects on LCEs

The PIOB acknowledges the projects to revise ISAs (“CUSP” project - Complexity, Understandability, Scalability and Proportionality) and to develop a separate standard for LCEs.

The PIOB notes the establishment of a Reference Group (of experts) for the development of a separate standard on LCEs. The Group would benefit from the inclusion of key stakeholder categories, including regulators, which are currently not represented.

The timing for completion of the separate standard for LCEs has been reduced, however the finalization is planned after 1.5 years from the issuance of the ED, which appears still quite long, considering the urgency of the project and compared to the average finalization time of other projects after the issuance of the relevant ED.

Audit Evidence and Technology
<p>Importance of Technology</p> <p>Technology deserves deeper consideration. Standards should be revisited to reflect the impact of technology on the audit profession. Non-authoritative guidance could be considered as a solution for a timely response.</p>
<p>[New] Audit Evidence</p> <p>The project on Audit Evidence has become even more important as the Covid pandemic has introduced a high level of uncertainty that impacts accounting estimates, requiring more work from auditors and exercise of professional skepticism, especially on evidence and evaluation of risk of material misstatement. This reinforces the need of a timely project.</p> <p>Audit Evidence is deeply interrelated with Technology and requires close coordination among the Working Groups and Task Forces for both the IAASB and the IESBA, to avoid duplication of efforts and to ensure appropriate sharing of information.</p>

Professional Skepticism (PS)
<p>Strengthening Professional Skepticism in the ISAs</p> <p>At the time of the “Invitation to Comment”, the PIOB recommended that the IAASB pay attention to PS, because it relates to going concern, auditor independence, and management bias.</p> <p>The PIOB welcomes placing greater focus on PS across the projects currently or recently developed by the IAASB, such as ISA 540, ISA 315, the three Quality Management Standards. The PIOB highlights the need to consider how auditors should document PS and encourages the IAASB to further strengthen the notion of PS throughout the standards.</p> <p>The PIOB also welcomes the emphasis given to PS in the non-authoritative material of the Extended External Reporting (EER) project. PS is key in EER and impediments to its exercise may arise in this type of engagements.</p>

Extended External Reporting (EER)
Societal impact of EER

It is important for the public to understand the IAASB's work on EER, as EER has a very strong impact on groups that work for environmental, social and governance improvements.

The non-authoritative guidance on EER should be understandable for these stakeholders to ensure that their important input is achieved.