



International Auditing & Assurance Standards Board and its CAG Oversight Assurance Plan 2018

The following Oversight Plan has been developed on the basis that the IAASB will continue functioning as a SSB during all of 2018, and developing the projects that are currently on the Board's agenda. Should this assumption change due the ongoing MG consultation on proposals for the SSBs, this Plan will be accordingly revised.

1. 2017 experience

2017 was a challenging year for the IAASB and the IAASB CAG, given that the standards being developed related to complex areas in an audit, for which there are calls for improvements by relevant stakeholders.

During the year, the PIOB applied a high-intensity level of oversight, and directly observed all the IAASB meetings and CAG meetings held, as provided in the oversight plan approved for 2017. The Board added several teleconferences to its regular meetings to cope with the demanding work load, although some of them were later cancelled. All teleconferences were observed by the PIOB, except for one.

In February 2017, the PIOB approved the IAASB 2017-2018 Work Program. During the year, the IAASB focused in finalizing and publishing for comments the Exposure Draft of ISA 540, "Auditing Accounting Estimates and Related Disclosures," issued in March 2017, and in discussing the concerns and recommendations raised in comment letters received (almost 70).

The Board progressed discussions of proposals for the revision of the two Quality Control Standards: ISQC1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and Related Services Engagements", and ISA 220, "Quality Control for an Audit of Financial Statements", following the approval of a project proposal in December 2016. The revision aims to incorporate in ISQC1 a new Quality Management System with 4 main components: governance and leadership, including organization, culture and strategy, information and communication, a quality management process that comprises quality objectives, quality risks and responses to the quality risks, and monitoring and remediation requirements. A new standard, ISQC2, will be developed to separately include material related to Engagement Quality Control Reviews. Revisions to ISA 220 progressed in parallel to those of ISQC1, and are expected to strengthen the responsibilities of the engagement partner in relation to audit quality.

With respect to the project on ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment",

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the Board discussed issues identified by the Task Force and some drafting proposals. Substantive work is expected ahead.

Work on new areas covering Data Analytics (DA) and Integrated Reporting and Other Forms of Non-Financial Reporting, was progressed through the collection of comments received to the discussion papers published in 2016; the discussion of comments during Q4 of 2017; and the approval of a project proposal to develop guidance on emerging forms of external reporting (EER), which includes Integrated Reporting -IR-, in view of the current priority projects. The IAASB has still to determine the next steps for the DA project. The PIOB has encouraged the IAASB to move forward with projects on DA and IR, as they are important projects. The IAASB also discussed comments received to a consultation paper on ISRS 4400, “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information”, and agreed on a project proposal.

The IAASB agreed to shift the dynamics for the revision of ISA 600, “Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)”: the Task Force will first provide input to the Quality Controls standards and ISA 315 Task Forces, given the inter-connections of group audits with these other ISAs; and after this, it will work on specific proposals for ISA 600. In October, the IAASB released a project update on this ISA. The IAASB aims to synchronize the timing of the exposure drafts for the quality controls standards and ISA 600, as far as possible.

Finally, the joint IAASB-IESBA-IAESB Task Force for Professional Skepticism (PS) published a short communications paper in August 2017 to let stakeholders know what each Board has been doing on PS and what they plan to do next. The document was agreed by the IAASB, the IESBA and the IAESB.

The term of the IAASB Chair ended in December 2017, and was exceptionally extended up to end of 2018, in line with the other two SSB’s Chairs. The new IAASB CAG Chair, James Dalkin, was approved by the PIOB in February.

During 2017, PIOB observers at Board and CAG meetings and teleconferences continued to provide relevant input to the various debates covering all projects.

2. Expected IAASB Activity for 2018

The IAASB expects to finalize ISA 540 in 2018, following further revisions to the standard required in response to comment letters. All the other projects should be completed in 2019 or 2020.

The revision of ISA 315 needs to progress during the year given that this standard closely supports the application of ISA 540, which could be completed by June 2018. The exposure drafts for the ISQC1 and ISA 220 are expected by September 2018, and that of ISA 600 would follow.

In the immediate, work from the projects on Professional Skepticism, Data Analytics and EER & Integrated Reporting are expected to materialize, e.g., in the provision of input or proposals for the ISAs being revised.



The PIOB expects that the IAASB, the IESBA and the IAESB will further coordinate their work on common issues.

3. Oversight Assurance Team in 2018

	Team Members
IAASB	Karel Van Hulle, Michael Holm, Karen Stothers
IAASB CAG	Maria Helena Pettersson - Karen Stothers

4. Oversight Assurance Model for 2018

2018 will be a demanding year for the IAASB, bearing in mind the need to finalize the revision of ISA 540, the number of other projects being developed, the limited Board resources, the likely need for additional time to discuss the projects and the need to timely deliver the final standards in the next few years. On top of this, several projects will require coordination and discussion with the IESBA, given their links with ethical requirements. Based on this, an **Oversight Model 1 (High Intensity) will be applied during 2018**, with 100% direct observation of all Board and CAG meetings.

Appendix I details the PIOB 4 different Oversight Assurance Models.

5. Oversight Activities for 2018

5.1. Direct Observations of Meetings

During 2018, the PIOB will observe the following meetings:

IAASB:

The Board will meet 4 times. Initially, the PIOB will observe the four meetings:

March 12-16 - Amsterdam
June 18-22 - NYC
September 17-21 - NYC
December 10-14 - NYC

The IAASB has also scheduled several teleconferences during the year. Initially, the PIOB will observe them too.

IAASB CAG:

The IAASB CAG will meet twice in 2018:



March 6-7 - NYC

September 10-11 - NYC

Both meetings will be observed by the PIOB as they are held back-to-back with IESBA CAG meetings.

Should the IAASB CAG add teleconferences during 2018, the PIOB will observe them too.

The PIOB Bluebook provides detailed guidance on observations.

5.2. Approvals Scheduled for 2018

The IAASB plans to approve ISA 540 in June 2018, and submit the standard for PIOB approval in June.

5.3. Oversight Analysis

The Secretariat will perform an Extended Review analysis over ISA 540, when the final standard is submitted for PIOB approval.

Throughout the year, Team members, supported by PIOB staff, will confirm whether the OAM planned for 2018 remains relevant. Should the PIOB determine that a change of OAM is required, the reasons supporting the change will be recorded as part of this plan.

APPENDIX I - OVERSIGHT ASSURANCE MODELS

Mode l	Intensity of PIOB Oversigh t	When	PIOB Observatio ns
1	High	Higher risk to public interest protection	100% observations
2	Medium	Medium risk to public interest protection	Medium level of observations
3	Low	Low risk in public interest protection	Minimal or no observations