



Agenda Item 3A

Convergence — Disclosures

Convergence with IAASB Disclosures Project

Background

In July 2015, the IAASB issued an ISA, *Addressing Disclosures in the Audit of Financial Statements—Revised ISAs and Related Conforming Amendments* aimed at focusing auditors on disclosures throughout the financial statement audit. The changes include strengthened requirements in ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, ISA 330, *The Auditor’s Responses to Assessed Risks*, and ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, as well as enhanced application material in these and several other ISAs to more explicitly address disclosures.

Materials Presented

3B Disclosures matrix with proposed amendments. Note that this is the *same* document as agenda item 2B1 from the May ASB meeting. Changes to the document are discussed below. For discussion purposes the Chair will walk through agenda item 3B.

ISA, *Addressing Disclosures in the Audit of Financial Statements—Revised ISAs and Related Conforming Amendments* was sent in May for reference only. The ISA can be downloaded from <https://www.ifac.org/publications-resources/addressing-disclosures-audit-financial-statements>.

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The ASB reviewed the proposed amendments through ISA 240 (agenda item 38, page 17 of 130; indicated by “STOPPED HERE” in the rightmost column). The only change directed by the ASB was the deletion of the phrase “too much immaterial information” in paragraph A13 of AU-C 240 (at which point the discussion stopped in May) because of concerns about the litigious environment in the USA. However, it was noted that this phrase aligns with IFRS disclosure framework. In addition, two minor editorial changes were made on pages 55 and 74 as noted in the comment column.

Convergence Approach and Summary of Changes From the ISA

Differences exist between the ISA and the related AU-C sections. The Task Force addressed only the amendments arising from the IAASB Disclosures project. Some differences existed in SAS 122, *Statements on Auditing Standards: Clarification and Recodification* and were not revisited. Other differences are due to amendments to the ISAs from other IAASB projects; to the extent identified, these were tracked and will be referred to the task forces dealing with those projects (such as Auditor Reporting and Other Information).

The Task Force's approach was to assume that the amendments made by IAASB were appropriate given the ASB's stated strategic goal of convergence with the ISAs but to consider whether changes responsive to the US environment were necessary. The Task Force diverged from the wording of the ISA in the following instances (page references are to agenda item 3B):

- Page 2, ISA 200, par. A1: The Task Force does not believe that this application material is relevant in the US. See Issue "Incorporated by reference" above.
- Pages 2 and 3, ISA 200, , par. 13 and A1a, and page 115, ISA 805: The Task Force did not accept the wording "incorporated therein by reference" in par. 13 nor did it accept new paragraph A1a in its entirety. The Task Force believes that in the United States disclosures cannot be incorporated by reference.
- Page 9, ISA 210, *Terms of Engagement*: Retained the word "accompanying" to describe other information, to make the sentence more clear.
- Pages 8 and 9, ISA 210, and 62, ISA 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*: Added "and fair presentation" to be consistent with GAAS terminology.
- Pages 32, ISA 300, *Planning an Audit*, and page 84, ISA 320, *Materiality in Planning and Performing an Audit*: New application material uses "segment information" and "segments" in examples. The Task Force is asking if a more relevant (to nonissuer entities) example can be used instead, and if so, for that more relevant example, or if the example should be deleted.
- Pages 44 and 58, ISA 315: Regarding going concern, the words "management's assessment" and "significant doubt" were changed to "management's evaluation" and "substantial doubt" to be consistent with AU-C section 570 wording (as amended for SAS 132).

- Page 89, ISA 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*: deleted “presentation” because the appropriate presentation is based on all the other factors listed and it seems odd include “presentation” as a factor in determining if the presentation is appropriate.
- Pages 91, ISA 330, 105, ISA 450, *Evaluation of Misstatements* and 133, conforming amendments: References to “the statement of financial position, the statement of comprehensive income, the statement of changes in equity or the statement of cash flows” were changed to “the financial statements” because of the different names that can be used for the statements that comprise the financial statements.
- Pages 97 and 118, ISA 450: Footnotes that refer to IFRS were not included because 1) GAAS tries to be framework-neutral and avoid examples from a specific financial reporting framework, and 2) this is inconsistent with clarity drafting guidelines for footnotes (which are supposed to include only cross-references and not narrative information).
- Pages 87 and 88, ISA 450: Editorial revisions for clarity to the bullet points in paragraph 13a.
- Pages 105 and 106: Revisions to more clearly reflect the clarity drafting conventions.

Questions for the ASB

1. Does the ASB agree with the proposed amendments to converge with the IAASB’s Disclosures ISA?