



International Auditing  
and Assurance  
Standards Board®

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International  
Ethics Standards  
Board for Accountants®

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**Final Minutes of the Joint Public Session of the Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD  
CONSULTATIVE ADVISORY GROUP (IAASB CAG) and INTERNATIONAL ETHICS  
STANDARDS BOARD FOR ACCOUNTANTS IESBA CONSULTATIVE ADVISORY  
GROUP (IESBA CAG)**

**Held on March 10, 2020**

**New York, USA**

Due to the COVID-19 pandemic, the IAASB and IESBA took the decision at the time of the March meeting to facilitate the proceedings in a dual format, namely in-person and providing Representatives with the option to attend virtually via videoconference.

**PRESENT**

**Members – In Person**

Mr. Jim Dalkin	IAASB CAG Chair
Mr. Gaylen Hansen	IESBA CAG Chair
Mr. Robert J. De Tullio	Basel Committee on Banking Supervision (Basel Committee)
Ms. Natasha Landell-Mills	International Corporate Governance Network (ICGN)
Mr. Christian Orth	Accountancy Europe (AE)
Mr. Daniel Pavas	Interamerican Accounting Association (IAAA)
Ms. Noémi Robert	AE
Mr. Gregg Ruthman	International Organization of Supreme Audit Institutions (INTOSAI)
Mr. Paul Sobel	Institute of Internal Auditors (IIA)
Mr. Paul Thompson <sup>1</sup>	European Federation of Accountants and Auditors for SMEs (EFAA)
Ms. Tara Wolf	International Actuarial Association (IAA)

**Members – Virtual Attendance**

Mr. Takeshi Hirai	International Organization of Securities Commissions (IOSCO)
Mr. Nigel James	IOSCO

<sup>1</sup> As agreed with the IAASB CAG Chair and IESBA CAG Chair, Mr. Thompson represented the EFAA on behalf of Dr. Hysen Cela.

Dr. Claes Norberg	Business Europe (BE)
Mr. Henry Rees	International Accounting Standards Board (IASB)
Mr. Sanders Shaffer	International Association of Insurance Supervisors (IAIS)
Ms. Laura Shiffman	Financial Executives International (FEI)
Ms. Mohini Singh	CFA Institute (CFA)
Mr. Kazuhiro Yoshii	Japan Securities Dealers Association (JSDA)

**Observers – Virtual Attendance**

Ms. Megan Zietsman**	United States Public Company Accounting Oversight Board (PCAOB)
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**IAASB and IESBA – In Person**

Mr. Tom Seidenstein	IAASB Chair
Mr. Stavros Thomadakis	IESBA Chair
Mr. Willie Botha	IAASB Technical Director
Mr. Ken Siong	IESBA Technical Director
Ms. Beverley Bahlmann	IAASB Deputy Director
Mr. Brett James	IAASB Deputy Director
Ms. Diane Jules	IESBA Deputy Director
Mr. Geoffrey Kwan	IESBA Principal
Ms. Szilvia Sramko	IESBA Manager
Ms. Carla Vijian	IESBA Manager
Mr. Phil Minnaar	IAASB Manager

**IAASB – Virtual Attendance**

Ms. Fiona Campbell	IAASB Deputy Chair
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<b>Public Interest Oversight Board (PIOB)</b>	Mr. Shigeo Kashiwagi (virtual attendance)
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**APOLOGIES**

**Members**

Mr. Mauro Bini	International Valuation Standards Council (IVSC)
Dr. Hysen Cela	EFAA
Mr. Henri Fortin	World Bank (WB)

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

Mr. John Kuyers	Information Systems Audit and Control Association (ISACA)
Ms. Conchita Manabat	International Association of Financial Executives Institutes (IAFEI)
Ms. Asha Mubarak	Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)
Ms. Wei Meng	World Federation of Exchanges (WFE)
Ms. Inanc Yazar	Organization for Economic Cooperation and Development (OECD)
Mr. Hüseyin Yurdakul	IOSCO

**Observers**

Mr. Simon Bradbury	International Monetary Fund (IMF)
Ms. Dawn McGeachy	International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Committee

**March 10, 2020**

**Welcome**

OPENING REMARKS

Mr. Dalkin welcomed the Representatives to the joint meeting, including the IAASB Chair, Mr. Tom Seidenstein and the International Ethics Standards Board for Accountants (IESBA) Chair, Mr. Stavros Thomadakis.

Mr. Dalkin also welcomed Mr. Shigeo Kashiwagi from the PIOB.

**Audit Policy Europe (Agenda Item J1)**

- To *RECEIVE* a presentation on recent developments in Europe about audit policy (including the Brydon report)
- To *OBTAIN* Representatives' initial reactions in the context of global standard setting.

Ms. Robert provided Representatives with an overview of recent developments in Europe about audit policy, with particular focus on recommendations emanating from the Brydon report in the United Kingdom (UK) and a report issued by the Dutch government on the future of the accountancy sector (Dutch report) in the Netherlands.

Among other matters, the following were raised:

- Ms. Singh highlighted the recommendation of both the Dutch and Brydon reports to place an increased focus on fraud. She asked whether more information was available to better understand the scope of the recommendations. She wondered, for example, how the recommendation concerning fraud would affect the auditor's responsibility to identify material fraud. Ms. Robert noted that although the Brydon report does not explicitly call for the revision of the national equivalent to ISA 240,<sup>2</sup> it recommended that the standard specifically require the auditor to '*endeavor to detect material fraud in all reasonable ways.*' Notwithstanding this recommendation, the Brydon report acknowledges that the primary responsibility for the prevention and detection of fraud remains with those charged with governance of the entity and management. Dr. Thomadakis observed that the IESBA NOCLAR<sup>3</sup> standard also specified responsibilities for the auditor to respond to identified or suspected fraud. For example, if the auditor becomes aware of fraud, the NOCLAR provisions mandate the auditor to follow a series of specified procedures in the public interest. However, Dr. Thomadakis expressed concern that no reference was made to NOCLAR in the context of the Brydon recommendations related to fraud. Ms. Robert agreed with the observation and noted the relevance of the NOCLAR provisions in regard to the objectives of the recommendations relating to fraud.
- Mr. Hansen referred to the recommendations of the Dutch report in relation to audit quality indicators (AQIs) and transparency reporting, and asked about:
  - The types of AQIs being suggested; and

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<sup>2</sup> ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

<sup>3</sup> [Responding to non-compliance with laws and regulations](#)

- Proposals regarding the content of the transparency reports and whether there is a requirement to issue such reports on an annual basis.

Ms. Robert noted that the Dutch report only emphasizes the development of AQIs; however, the ‘how’ or ‘what’ is not yet further explored. In relation to transparency reporting, Ms. Robert noted that in accordance with the requirements of the European legislation, such reporting has been mandated for several years in Europe. Items listed in the presentation are recommended disclosures over and above the current minimum content.

- Mr. Thompson expressed his support for the recommendations made in the Brydon and Dutch reports. Nonetheless, he also expressed concerns that:
  - The reports were not pan-European, noting there are many interdependencies between countries; and
  - The recommendations generally focus on audit and assurance aspects of public interest entities and provide little or no reference to non-statutory audits or audits of small- and medium-sized entities (SMEs).
- Given the diverse regulatory frameworks that mandate statutory audits in Latin American countries, Mr. Pavas asked whether statutory audits in Europe are subject to the same set of standards, or alternatively, whether the application of the standards results in the same assurance opinion. Ms. Robert noted that all statutory audits in Europe are performed in accordance with the ISAs, or alternatively, in accordance with a national standard which are at least as demanding as the ISAs.
- Given the growing demand for assurance engagements on non-financial reporting, Dr. Norberg highlighted the IAASB’s recently published consultation on extended external reporting. Dr. Norberg noted Europe’s interest in the IAASB’s consultation and that the outcome may facilitate a requirement in Europe to mandate statutory assurance engagements on non-financial reporting.
- Dr. Thomadakis observed that the Brydon report primarily focuses on recommendations relevant to the audit profession in achieving or enhancing audit quality. However, he noted that preparers of financial statements play an equally important role in achieving quality and expressed concern that the role of this stakeholder group is not substantively addressed in the Brydon Report. Ms. Robert noted that in some instances, the report refers to matters that are inherent to the entity, such as the effectiveness of internal controls and the role of the CFO. However, Ms. Robert agreed that the role of preparers, per se, is not addressed in the report.
- From an investor perspective, Ms. Landell-Mills expressed her support for the recommendations from the two reports, in particular in relation to transparency, accountability and the disclosure of additional information by auditors to shareholders. She further noted that historically, the link between investors and auditors has been weak as auditors’ communications to shareholders were perceived to be boilerplate. Ms. Landell-Mills noted that the recommendations of the Brydon and Dutch reports provide an opportunity to strengthen the interaction between investors and auditors and simultaneously improve governance.
- Mr. Dalkin asked for further clarification regarding the recommendation of the Dutch report to place greater emphasis on ‘risk management.’ Ms Robert noted that the report refers to risk management practices by the entity, i.e. enterprise risk management. In this context, Mr. Orth noted that discussions are currently underway in Europe that are exploring the possibility for auditors to express

assurance on 'entity risk systems.' Such systems are generally utilized to identify early warning signs regarding the financial viability of the entity. Mr. Orth further noted that by placing more emphasis on the entity's responsibility to implement risk management systems, the auditor's conclusion on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements may be better informed.

### **Closing Remarks**

Messrs. Botha and Siong expressed their appreciation to Ms. Robert for the informative presentation and thanked the Representatives for their participation and comments. Messrs. Botha and Siong also shared some of their personal reflections and noted that in the context of global standard setting, the IAASB and IESBA are following the developments very closely. Mr. Siong also provided a short update to the Representatives on the IESBA project to address the definitions of 'listed entity' and 'public interest entity,' emphasizing the project's relevance to both the IAASB and IESBA.

Messrs. Hansen and Dalkin thanked the Representatives for their participation and contributions to the discussions. They then closed the meeting.