



International Auditing
and Assurance
Standards Board®

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International
Ethics Standards
Board for Accountants®

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Agenda Item

JA

Meeting: Joint IAASB and IESBA Consultative
Advisory Group

Meeting Location: Virtual Zoom Meeting

Meeting Date: October 13, 2020

Draft Minutes (for Approval) 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 Thompson¹ 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

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)

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

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

** 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.

Ms. Fiona Campbell

IAASB Deputy Chair

Public Interest Oversight Board (PIOB)

Mr. Shigeo Kashiwagi (virtual attendance)

APOLOGIES

Members

Mr. Mauro Bini

International Valuation Standards Council (IVSC)

Dr. Hysen Cela

EFAA

Mr. Henri Fortin

World Bank (WB)

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 240,² 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 NOCLAR³ 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.

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

³ [Responding to non-compliance with laws and regulations](#)

- 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
 - 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.