

## Agenda Item

**A**

**Meeting:** IAASB Consultative Advisory Group

**Meeting Location:** Virtual Meeting

**Meeting Date:** September 7, 2022

**Draft Minutes of the Public Session of the Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)  
CONSULTATIVE ADVISORY GROUP (CAG)  
Held on June 7, 2022 via Video Conference**

### PRESENT

#### Representatives

|   |  |
|---|--|
| Mr. Jim Dalkin                                | Chair  |
| Mr. Ishiwata Akihito                          | International Organization of Securities Commissions (IOSCO)           |
| Ms. Valerie Altbaum                           | Basel Committee on Banking Supervision (Basel Committee)               |
| Mr. Mauro Bini                                | International Valuation Standards Council (IVSC)                       |
| Ms. Hilde Blomme                              | Accountancy Europe (AE)  |
| Dr. Hysen Cela                                | European Federation of Accountants and Auditors for SMEs (EFAA)        |
| Mr. Gaylen Hansen                             | National Association of State Boards of Accountancy (NASBA)            |
| Mr. Juan Carlos Serrano Machorro <sup>1</sup> | World Bank (WB)  |
| Ms. Conchita Manabat                          | International Association of Financial Executives Institutes (IAFEI)   |
| Ms. Wei Meng                                  | World Federation of Exchanges (WFE)                                    |
| Ms. Asha Mubarak                              | Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) |

<sup>1</sup> Mr. Serrano Machorro was attending the meeting as the temporary Representative of the WB. The WB has indicated that a permanent Representative is being considered and will be identified for nomination after the June 2022 IAASB CAG meeting.

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|--------------------------------|--|
| Dr. Claes Norberg              | Business Europe (BE)   |
| Mr. Daniel Pavas               | Interamerican Accounting Association (IAAA)                        |
| Ms. Sandy Peters               | CFA Institute (CFA)  |
| Mr. Henry Rees                 | International Accounting Standards Board (IASB)                    |
| Ms. Jeanne Riggs               | IOSCO  |
| Mr. Gregg Ruthman              | International Organization of Supreme Audit Institutions (INTOSAI) |
| Mr. Sanders Shaffer            | International Association of Insurance Supervisors (IAIS)          |
| Mr. Peter Stokhof <sup>2</sup> | Organization for Economic Cooperation and Development (OECD)       |
| Mr. Paul Thompson              | EFAA   |
| Ms. Tara Wolf                  | International Actuarial Association (IAA)                          |
| Mr. Kazuhiro Yoshii            | Japan Securities Dealers Association (JSDA)                        |
| Mr. Hüseyin Yurdakul           | IOSCO  |

#### **Observers**

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|-------------------|--|
| Mr. George Kabwe  | International Monetary Fund (IMF)  |
| Ms. Dawn McGeachy | International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Advisory Group |

#### **IAASB**

|   |                                      |
|---|--------------------------------------|
| Mr. Tom Seidenstein                                       | IAASB Chair                          |
| Mr. Len Jui   | IAASB Deputy Chair                   |
| Ms. Josephine Jackson (presenter – <b>Agenda Item B</b> ) | IAASB Member and Task Force Chair    |
| Mr. Willie Botha  | IAASB Program and Technical Director |
| Ms. Sally Ann Bailey                                      | IAASB Director                       |
| Ms. Natalie Klonaridis                                    | IAASB Director                       |
| Ms. Amy Fairchild   | IAASB Principal                      |
| Ms. Claire Grayston                                       | IAASB Principal                      |
| Ms. Kalina Shukarova Savovska                             | IAASB Principal                      |
| Mr. Jasper van den Hout                                   | IAASB Principal                      |

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<sup>2</sup> Mr. Stokhof was attending the meeting as the temporary Representative of the OECD. The OECD has indicated that a permanent Representative is being considered and will be identified for nomination after the June 2022 IAASB CAG meeting.

Mr. Phil Minnaar IAASB Senior Manager

Ms. Hanken Jane Talatala IAASB Senior Manager

Ms. Danielle Davies Staff Fellow

**Public Interest Oversight Board (PIOB)** Mr. Dave Sullivan

## **APOLOGIES**

### **Representatives**

Dr. Bello Lawal Danbatta Islamic Financial Services Board (IFSB)

Ms. Jazmin Gamboa Financial Executives International (FEI)

Ms. Natasha Landell-Mills International Corporate Governance Network (ICGN)

Dr. Christian Orth AE

Mr. Paul Sobel Institute for Internal Auditors (IIA)

Ms. Barbara Vanich United States Public Company Accounting Oversight Board (PCAOB)

## Welcome – Agenda Item A

### OPENING REMARKS

Mr. Dalkin welcomed the Representatives to the meeting, the IAASB Chair, Mr. Seidenstein, and the International Ethics Standards Board for Accountants' (IESBA) CAG Chair, Mr. Hansen. Mr. Dalkin also welcomed Mr. Sullivan from the PIOB, IAASB Members, IAASB Staff and public observers who were observing the meeting via the IAASB's YouTube channel.

### MINUTES OF THE PREVIOUS MEETING

The minutes of the previous IAASB CAG meeting held on March 7–8, 2022 were approved.

## Listed Entity and Public Interest Entity (PIE) (Agenda Item B)

- To *OBTAIN* Representatives' views on the IAASB's draft Exposure Draft (ED) for proposed narrow scope amendments to ISA 700 (Revised)<sup>3</sup> and ISA 260 (Revised)<sup>4</sup> as a Result of the Revisions to the IESBA Code<sup>5</sup> that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for PIEs; and
- To *REPORT BACK* on the March 2022 meeting.

Ms. Jackson, Chair of the PIE Task Force introduced the topic, highlighting the ongoing coordination undertaken between the IAASB and IESBA to date regarding the respective Boards' projects on listed entity and PIE. She provided Representatives with an overview of the significant matters addressed in the Explanatory Memorandum (EM) accompanying the draft ED and the key elements of the proposals included in the ED).

### DRAFT EXPOSURE DRAFT

Representatives commented as follows:

#### *The Approach to Addressing the Transparency Disclosure Regarding Independence:*

- Drs. Cela and Norberg and Mmes. Blomme, Manabat and Mubarak noted their support for the IAASB's preferred approach to revising paragraph 28(c) of ISA 700 (Revised), as included in the draft ED (i.e., previous Option 2 presented to the CAG in March 2022).
- Ms. Wei and Mr. Ishiwata emphasized their preference for the alternative approach considered by the IAASB for amending ISA 700 (Revised) (i.e., previous Option 1 presented to the CAG in March 2022), noting that this option provides more transparency for users of audited financial statements that enables them to understand whether the differential independence requirements for PIEs have been applied. Ms. Wei acknowledged that the IAASB has undertaken its due process in developing the proposals included in the draft ED. Ms. Jackson noted that the draft EM includes further information that provides insights to stakeholders as to the reasons why the IAASB selected the

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<sup>3</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

<sup>4</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*

<sup>5</sup> The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

preferred option. Ms. Jackson emphasized that a key reason that the alternative approach was not selected is that it may inadvertently disregard any jurisdictional decision not to impose a transparency requirement in the relevant ethical requirements.

- Mmes. Wei and Manabat and Mr. Ishiwata supported the inclusion of the alternative approach in the EM accompanying the draft ED. Ms. Manabat noted that providing an explanation of the alternative approach considered by the IAASB in the EM accompanying the draft ED is a good reference point for stakeholders to have further information about the options considered by the IAASB.
- Ms. Wei noted her support for paragraph A35A of ISA 700 (Revised) of the draft ED, which highlights that the auditor may determine that it may be appropriate to apply the differential independence requirements to other entities in light of the entity's nature and circumstances.

*Illustrative Auditor's Reports in ISA 700 (Revised):*

- Ms. Blomme explained that in the European Union there are more stringent statutory requirements that require additional disclosures in the auditor's report for PIEs regarding auditor independence, for example, disclosing that the auditor has not provided prohibited non-audit services to an audit client. Accordingly, she noted that in certain circumstances, the required disclosures about auditor independence can become very complex. Ms. Blomme inquired whether the PIE Task Force considered addressing this complexity through providing further illustrations in ISA 700 (Revised). Ms. Jackson acknowledged that national jurisdictions may include more demanding requirements than the IESBA Code with respect to disclosure requirements about auditor's independence. She explained that ISA 700 (Revised) includes guidance with respect to combined presentation of other reporting responsibilities and the auditor's responsibilities under the ISAs. Ms. Jackson added that the Auditor Reporting Consultation Group may develop Frequently Asked Questions if capacity opens up, in response to the post-implementation review, and if it is identified when that work is undertaken that illustrations are needed, they could be considered as part of developing the publication.

*Reference to PIEs in the ISAs:*

- Mr. Ruthman noted the use of the term "public interest entity" in the draft ED is the first time this term is used in the ISAs and inquired whether it would be necessary to further explain or define this term. He noted that there may be possible confusion of the meaning of this term in the context of public sector audits given the potential interpretation that public sector entities are always entities of significant public interest. Mr. Ruthman suggested that a similar approach may be undertaken as for group audits where further explanation is provided in the context of the auditor's report (e.g., that the group includes the company and its subsidiaries). Ms. Jackson explained that as part of the actions included in track 2 of the narrow scope maintenance on standards project on listed entity and PIE, the PIE Task Force will consider adoption of the IESBA definition of PIE into the ISQMs<sup>6</sup> and ISAs,<sup>7</sup> or the IAASB Glossary of Terms. She also noted that providing further explanation in the auditor's report for the purpose of the draft ED is not necessary given that the

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<sup>6</sup> International Standards on Quality Management

<sup>7</sup> International Standards on Auditing

differential independence requirements as specified in jurisdictional codes may refer to other terms, such as for example, “large private entities” or “large public entities.”

*Effective Date:*

- Ms. Manabat supported bifurcating the project into two tracks and addressing as a priority the disclosure relating to enhanced transparency about independence to align with IESBA's effective date.
- Ms. Mubarak noted that in certain jurisdictions there may be practical difficulties for aligning the effective date for the proposed revisions proposed in the draft ED with the effective date of revisions to the IESBA Code in relation to listed entity and PIE, given there may be a lag in adopting the most recent version of the IESBA Code. Ms. Jackson noted that the IAASB acknowledges that national jurisdictions may have their own effective dates given the need to undertake their national implementation and due process.

*Proposed Revisions to ISA 260 (Revised):*

- Mr. Ishiwata inquired whether the proposed amendments to ISA 260 (Revised) for communication with those charged with governance should be elevated to a requirement, given the importance of the communication with those charged with governance about auditor's independence. Ms. Jackson noted that paragraph 17 of ISA 260 (Revised) already includes a requirement to communicate with those charged with governance that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with the relevant ethical requirements regarding independence. She also noted that the proposed application material in paragraph A32A of ISA 260 (Revised) emphasizes that differential independence requirements may apply. She therefore noted that, implicitly, the auditor would need to communicate which independence requirements were applied.

*Other Matters:*

- Mr. Stokhof observed that paragraph 20 of the [project proposal](#) for the narrow scope maintenance project on listed entity and PIE refers to stakeholders impacted by the project and provides a reference to *the profession* that includes auditors and assurance providers, and other professional accountants in public practice and business who apply the standards. He inquired whether it would be more appropriate to refer to external auditors in the context of the project, given that the phrase “all auditors” can be understood to also include internal auditors, and reference to “other professional accountants” may imply that auditors are only accountants. Ms. Jackson and Mr. Botha explained that the reference to the stakeholders impacted by the project is leveraged from the Public Interest Framework (PIF) published by the Monitoring Group in July 2020.<sup>8</sup> Mr. Botha noted that the references in the PIF are deliberately broadly described and that in the context of the narrow scope maintenance of standard project on listed entity and PIE it should be understood in the context of external auditors who provide assurance in audit and review engagements.
- Mr. Dalkin encouraged the IAASB to consider the overall impact of the changes being considered to enhance transparency in the auditor's report through several of its standard setting projects,

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<sup>8</sup> See the five broad stakeholder groups as explained in the PIF's section on “For whom are standards developed?” (on pages 20-21 of the Monitoring Group's report, [“Strengthening the International Audit and Ethics Standard-Setting System”](#)).

particularly since it is adding to the length and complexity of the auditor's report. Ms. Jackson noted that the auditor's report is the only mechanism that is available in the IAASB standards to communicate with users externally about the audit that was performed. She explained that the IAASB's approach in the various projects that are considering changes to the auditor's report is to consider separately for each project what revisions are necessary to address the key public interest issues identified from the information gathering and research activities undertaken. Ms. Jackson explained that at a later time when the proposals are developed, the collective impact to the auditor's report will be considered.

- Mr. Dalkin encouraged the PIE Task Force to simplify and streamline the EM accompanying the draft ED in order to enhance the understandability of the proposals.

#### **PIOB COMMENTS**

Mr. Sullivan noted his appreciation for the well prepared and understandable proposals included in the ED as well as for the PIE Task Force's timely development of the draft ED. With respect to the use of the word "may" in the proposed amendments to paragraph A32A of ISA 260 (Revised), he suggested that it would likely always be appropriate for the auditor to communicate with TCWG about the differential independence requirements applied.

Mr. Sullivan noted that the draft ED appropriately addresses the key public interest issues, including those for achieving alignment and convergence with the IESBA Code and for addressing enhanced transparency about independence in the auditor's report. He encouraged the IAASB, as part of its stakeholder outreach in relation to the ED, to gather feedback from investors and users in order to ensure that the proposals meet their objectives for enhanced transparency about independence in the auditor's report.

#### **WAY FORWARD**

Ms. Jackson thanked the Representatives for their feedback. At its June 2022 meeting, the IAASB will be presented the draft ED for approval. In September 2022, the PIE Task Force intends to present to the IAASB the proposals relevant to track 2 of the narrow scope maintenance project on listed entity and PIE.

#### **Closing Remarks**

Mr. Dalkin thanked the IAASB CAG Representatives for their preparation and participation during the meeting. Mr. Dalkin also thanked IAASB Staff for the meeting arrangements and closed the meeting. The next IAASB CAG meeting will be held virtually on September 7–8, 2022.