

**Draft Minutes of the 115th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on July 22, 2020 in Videoconference**

Voting Members

Present: Tom Seidenstein (Chairman)
Fiona Campbell (Deputy Chair)
Sue Almond
Chun Wee Chiew
Julie Corden
Robert Dohrer
Kai Morten Hagen
Josephine Jackson
Len Jui
Sachiko Kai
Kai-Uwe Marten
Lyn Provost
Fernando Ruiz Monroy
Rich Sharko
Roger Simnett
Isabelle Tracq-Sengeissen
Eric Turner
Imran Vanker

Technical Advisors

Helene Agélii (Mr. Hagen)
Sara Ashton (Ms. Almond)
Vivienne Bauer (Mr. Monroy)
Wolfgang Böhm (Mr. Marten)
Melissa Bonsall (Ms. Corden)
Fabien Cerutti (Ms. Tracq-Sengeissen)
Antonis Diolas (Mr. Chiew)
Johanna Field (Mr. Turner)
Rene Herman (Mr. Simnett)
Susan Jones (Mr. Jui)
Jamie Shannon (Mr. Sharko)
Sylvia van Dyk (Ms. Provost)
Denise Weber (Ms. Campbell)
Kohei Yoshimura (Ms. Kai)

Apologies:

Hiram Hasty (Mr. Dohrer)

Non-Voting Observers

Present: James Dalkin (IAASB Consultative Advisory Group (CAG) Chairman), Yosh'inao Matsumoto (Japanese Financial Services Authority)

Public Interest Oversight Board (PIOB) Observer

Present: Karen Stothers

IAASB Staff

Present: James Gunn (Managing Director), Willie Botha (Technical Director), Beverley Bahlmann, Yvonne Chan, Brett James, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Joy Thurgood, Hanken (Jane) Talatala, Jasper van den Hout, Angela Donnelly (Staff Fellow)

Apology: Kalina Shukarova Savovska

International Ethics Standards Board for Accountants (IESBA)

Present: Stavros Thomadakis (IESBA Chair), Richard Fleck (IESBA Deputy Chair), Michael Ashley (IESBA Member and Chair of the Public Interest Entity Task Force), Ken Siong (IESBA Technical Director), Geoff Kwan (IESBA Staff)

IAASB agenda materials referred to in these minutes can be accessed on the IAASB's webpage for the [July 22, 2020 IAASB Videoconference](#). These minutes are a summary of the decisions made at the July 22, 2020 IAASB Videoconference, in light of the issues and recommendations in the agenda material put forth by Staff supporting the project. Since the "Definitions of Listed Entity and Public Interest Entity" is an IESBA project, these recommendations are made through consideration of previous discussions of the IESBA and its CAG and feedback from stakeholders through outreach activities.

1. Welcome

Mr. Seidenstein welcomed all participants to the videoconference, and specifically welcomed Messrs. Thomadakis, Fleck and Ashley.

2. Definitions of Listed Entity and Public Interest Entity (PIE)

Messrs. Ashley and Fleck updated the Board on the work of the IESBA's PIE Task Force since approval of the project proposal in December 2019 as presented in **Agenda Items 1, 1-A, 1-B, 1-C, 1-D and 1-E**. Among other matters, the Board was briefed on the proposed overarching objective for defining a class of entities (i.e., PIEs) which require additional audit and independence requirements and the PIE Task Force's approach to revising the PIE definition.

OVERARCHING OBJECTIVE

The Board was broadly supportive of an overarching objective to enhance confidence in the financial statements through enhancing confidence in the audit of those financial statements through additional requirements with respect to audit and independence of certain entities, as well as the proposed overarching objective as set out in proposed paragraphs 400.8 and 400.9 of **Agenda Item 1-C**.

The Board asked the PIE Task Force to consider:

- Whether the proposed overarching objective as drafted might create the perception that audits of non-PIE entities are of lesser quality.
- Whether the meaning of the term "financial condition" in proposed paragraph 400.8 is sufficiently clear.

- The difference in focus of the two Boards in terms of independence standards for IESBA and standards that enable the consistent performance of quality engagements for the IAASB, and whether such difference might lead to minor differences in how the overarching objective should be expressed in relation to the two Boards' standards.

The Board recognized the direction of the work of the PIE Task Force in exploring replacing the term "listed entity" with "PIE" in the IAASB's International Standards. However, a number of Board members expressed concern about a general (or 'blanket') replacement of terms and suggested that any replacement should be considered on a case by case basis (also taking into account that the term "listed entity" is fundamental to the construct that is presently being used in the ISAs for introducing differential requirements, where needed). The Board also pointed out that there may be compelling reasons to retain the term 'listed entity' without being inconsistent with the approach of a common overarching objective.

APPROACH TO REVISING THE DEFINITION OF PIE

Mr. Ashley explained that the PIE Task Force's approach to revising the PIE definition in the IESBA Code¹ comprises three key elements: (1) An expanded list of high-level PIE categories; (2) Expected role of local bodies to refine the list; and (3) Role of firms to include additional entities as PIEs.

The Board was broadly supportive of the expanded list of high-level PIE categories set out in the proposed paragraph R400.14 (Categories (a) to (f)). In addition to drafting refinements, the PIE Task Force was also asked to consider whether:

- The term "publicly traded" in category (a) should be replaced with "publicly available." One Board member suggested to consider an exception for situations when securities are publicly available without the entity having undertaken any action for them to be so and therefore is not subject to any public regulation.
- Category (d) as drafted is unduly broad.
- Category (f) is not necessary in the context that proposed paragraphs R400.15 and R400.16 address the role of law or regulations, which may deal with any of the categories noted in proposed paragraph R400.14 (b) to (e).
- Some local bodies might have revised the term "PIE" for purposes other than for additional audit and independence requirements, resulting in possible conflict with the proposed overarching objective for having such additional audit and independence requirements.

With regards to the expected role of local bodies to refine the IESBA Code's PIE definition, the Board asked the PIE Task Force to consider:

- Whether local bodies should be allowed to remove any of the PIE categories.
- The capacity of some local bodies to appropriately refine the list of PIE categories in light of the time and effort required. In that regard it was suggested to work with the World Bank to better assess the capacity of less developed jurisdictions, such as the French-speaking African nations.

With respect to the PIE Task Force's suggestion of including in the auditor's report a reference to whether an audited entity was treated as a PIE, the responses from Board members were mixed. While some felt

¹ The International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)

that such disclosure is not necessary, other Board members were supportive of the suggestion and were open to further exploring this option.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin expressed his support for the expanded list of PIE categories and asked the PIE Task Force to consider how best to capture the relevant public sector entities as PIEs under the PIE Task Force's proposed approach.

PIOB OBSERVER'S REMARKS

Ms. Stothers noted that the PIOB is supportive of the project and encouraged the PIE Task Force to keep in mind the public interest when attempting to achieve consistency in application when developing the new PIE categories.

WAY FORWARD

The PIE Task Force will continue to work on its revised proposals and present it to the Board later in 2020.²

3. Quality Management Standards³ – Conforming Amendments to ISAs

Mr. James introduced the proposed conforming amendments to address respondents' comments on the Explanatory Memorandum⁴ that accompanied the Quality Management Exposure Drafts as presented in **Agenda Items 2 and 2-A**.

The Board were broadly supportive of the changes that had been made but asked that the following be considered:

- The uses of "be satisfied" and "shall determine" for consistency with how those terms are used in the related requirements in proposed ISA 220 (Revised).
- Whether ISQM 1 should be amended to align with paragraph A21 of ISA 230⁵ as it relates to completing the assembly of the final audit file.
- Clarify in ISA 300,⁶ paragraph 12(c), that not all changes to the nature, timing or extent of the planned direction, supervision and review of engagement team members need to be documented.

² The next session with the PIE Task Force has been scheduled for November 10, 2020

³ The Quality Management standards comprise: International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*, ISQM 2, *Engagement Quality Reviews* and International Standard on Auditing (ISA) 220 (Revised), *Quality Management for Audits of Financial Statements*

⁴ Overall Explanatory Memorandum, *The IAASB's Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews*

⁵ ISA 230, *Documentation*

⁶ ISA 300, *Planning an Audit of Financial Statements*

WAY FORWARD

Staff will update the proposed conforming amendments in conjunction with the ISQM 1, ISQM 2, ISA 220 and ISA 600⁷ Task Forces before the planned approval of the Quality Management standards at the September 2020 IAASB meeting.

4. Next Meeting

The next IAASB videoconference is scheduled for August 11, 2020. The September 2020 IAASB meeting will be held virtually from September 14 – 23, 2020 via a number of videoconference sessions.

5. Closing Remarks

Mr. Seidenstein thanked the IAASB members, technical advisors, IESBA Members in attendance and Staff and closed the meeting.

⁷ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*