

**Minutes of the 116th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on August 11, 2020 via Video Conference**

Voting Members

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

Technical Advisors (TA)

Helene Agélii (Mr. Hagen)
Sara Ashton (Ms. Almond)
Viviene Bauer (Mr. Monroy)
Wolf Böhm (Prof. Marten)
Yussuf Choonara (Mr. Vanker)
Antonis Diolas (Mr. Chiew)
Johanna Field (Mr. Turner)
Hiram Hasty (Mr. Dohrer)
Rene Herman (Prof. Simnett)
Susan Jones (Mr. Jui)
Tania Sergott (Ms. Corden)
Jamie Shannon (Mr. Sharko)
Sylvia Van Dyk (Ms. Provost)
Denise Weber (Ms. Campbell)
Kohei Yoshimura (Ms. Kai)

Apology: - Fabien Cerutti (Ms. Tracq-Sengeissen)

Non-Voting Observers

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

Public Interest Oversight Board (PIOB) Observer

Present: Mr. Markus Grund

IAASB Technical Staff

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

Angela Donnelly (IAASB Staff Fellow) Dan Montgomery (Senior Advisor – Technical Projects)

Apology: Brett James, Kalina Shukarova Savovska

IAASB agenda materials referred to in these minutes can be accessed on the IAASB's webpage for the [August 11, 2020 IAASB Videoconference](#). These minutes are a summary of the decisions made at the August 11, 2020 IAASB Videoconference, in light of the issues and recommendations in the agenda material put forth by Staff supporting the projects.

1. Welcome

Mr. Seidenstein welcomed all participants to the videoconference. Mr. Seidenstein noted that the December 2020 IAASB meeting would be a virtual meeting.

2. Fraud and Going Concern in an Audit of Financial Statements

Ms. Jackson introduced the session, highlighting that work on information-gathering and research with regard to these two topics had commenced. Ms. Bahlmann and Ms. Donnelly explained the activities within these initiatives to date and informed the Board as to the issues and challenges related to these two topics which have been raised by stakeholders in response to previous outreach activity and response letters received from various other IAASB projects. Ms. Bahlmann and Ms. Donnelly also explained planned future activities that will help the Board to decide on possible future actions. It was highlighted that the draft Discussion Paper (DP) presented in **Agenda Item 1-A** was only one aspect of the work being undertaken.

The Board expressed support for the topics being explored, noting that these public interest topics were an important part of the Board's forward agenda.

DISCUSSION PAPER

The Board was broadly supportive of a DP to gather information on the expectation gap and to obtain input to help inform the Board about possible future actions in relation to fraud and going concern in an audit of financial statements. Board members noted that this was a good start to the process for further understanding issues and challenges with regard to fraud and going concern. Although covering both fraud and going concern with regards to the expectation gap, which are two distinguishable topics, on balance it was agreed that it was workable and appropriate that the DP cover both topics. However, two Board members had the view that the DP was too narrowly focused and should rather address audit in the context of the wider financial reporting ecosystem.

The Board commended the content but suggested that further consideration be given to:

- Providing more information about the IAASB's role in the context of the broader financial reporting ecosystem, and to highlight that the Board's actions in this area are only one part of a wider effort by others required to narrow the expectation gap in respect to these two topics. It was emphasized

that certain others within the financial reporting ecosystem, including those charged with governance and regulators and oversight authorities, had an essential role in supporting any changes to the auditing standards, and this should be highlighted

- How the explanation of the expectations gap had been presented, including whether all aspects of the expectation gap had been presented. Suggestions were made with regard to other ways to describe parts of the expectation gap.
- Whether the inherent limitations of the audit had been fully described within the DP.
- Not suggesting that the matters or actions set out in the DP were already committed to, or that this is the complete list of possible actions for the IAASB. It was highlighted that the DP should be clarified to emphasize that the Board is open-minded as to possible future actions.
- How some of the content of the DP was presented given the intended target audience for this DP. It was noted that in some places the content was highly technical and should be reconsidered so it was well understood by all.
- Highlighting unique aspects of fraud with respect to audits in the public sector.
- Making the questions in the DP more open-ended (including that they do not suggest that certain possible actions have already been decided on). In addition, it was asked whether the questions in the DP should be written more broadly at a higher level to appeal to all audiences.
- How to encourage respondents to consider costs of additional procedures and the related benefits therefrom when developing their responses.
- Particularly as it relates to going concern, clearly describing the areas where accounting standard setters such as the International Accounting Standards Board (IASB) must consider changes to the applicable accounting framework if the IAASB is to consider changes in the auditing standards.

The Board encouraged that the comment period be extended to at least 120 days due to the importance of topics being discussed. The Board also asked that responses be requested in a comment letter format rather than a survey format as proposed in the DP.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin supported the DP, highlighting that these were also important topics for the CAG. He also noted that the aspects of the expectation gap relating to fraud and going concern had been well articulated within the DP, however, encouraged that further consideration be given by the IAASB as to what was not done in the audits of companies with recent significant frauds, but may be done in future, in order to further inform these initiatives.

PIOB OBSERVER'S REMARKS

Mr. Grund highlighted the importance of these topics for the PIOB. He did encourage that the Staff further consider how to make the DP appropriate for the audience it is intended for and not too technical so as to appeal to a broader audience. He also encouraged, with regard to going concern, that previous issues related to reporting be progressed as it was not appropriate that no one took responsibility for the issues that had been raised.

WAY FORWARD

Subject to changes to address comments raised by Board members, the Board agreed that the DP be published in time for the related roundtable to discuss the matters within the DP.

3. Next Meeting

The next IAASB will be the September 2020 IAASB meeting that will be held virtually from September 14 – 23, 2020 via a number of videoconference sessions.

4. Closing Remarks

Mr. Seidenstein thanked the IAASB members, technical advisors and Staff and closed the meeting.