



Agenda Item A (Updated)

Meeting: IAASB Consultative Advisory Group
Meeting Location: Virtual Zoom Meeting
Meeting Date: September 8–9, 2021

**Approved Minutes of the Public Session of the Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
CONSULTATIVE ADVISORY GROUP (CAG)
Held on March 8–9, 2021 via Video Conference¹**

PRESENT

Representatives

Mr. Jim Dalkin	Chair
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)
Dr. Bello Lawal Danbatta	Islamic Financial Services Board (IFSB)
Mr. Robert J. De Tullio	Basel Committee on Banking Supervision (Basel Committee)
Mr. Gaylen Hansen	National Association of State Boards of Accountancy (NASBA)
Mr. Takeshi Hirai	International Organization of Securities Commissions (IOSCO)
Ms. Natasha Landell-Mills	International Corporate Governance Network (ICGN)
Ms. Conchita Manabat	International Association of Financial Executives Institutes (IAFEI)
Ms. Wei Meng	World Federation of Exchanges (WFE)
Ms. Xiomara Morel	World Bank (WB)

¹ Due to the COVID-19 pandemic, the IAASB decided to hold the March 2021 IAASB CAG meeting via two video conference sessions on March 8 and 9, 2021. The discussions of all the video conference sessions are captured within these minutes.

Ms. Asha Mubarak	Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)
Dr. Claes Norberg	Business Europe (BE)
Mr. Christian Orth	AE
Mr. Daniel Pavas	Interamerican Accounting Association (IAAA)
Mr. Henry Rees	International Accounting Standards Board (IASB)
Mr. Gregg Ruthman	International Organization of Supreme Audit Institutions (INTOSAI)
Mr. Sanders Shaffer	International Association of Insurance Supervisors (IAIS)
Mr. Paul Sobel	Institute of Internal Auditors (IIA)
Mr. Paul Thompson	EFAA
Ms. Tara Wolf	International Actuarial Association (IAA)
Ms. Inanc Yazar	Organization for Economic Cooperation and Development (OECD)
Mr. Kazuhiro Yoshii	Japan Securities Dealers Association (JSDA)
Mr. Hüseyin Yurdakul	IOSCO
Observers	
Mr. Rob Choromanski	IOSCO
Mr. George Kabwe	International Monetary Fund (IMF)
Ms. Dawn McGeachy	International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Advisory Group
Ms. Barbara Vanich	United States Public Company Accounting Oversight Board (PCAOB)
IAASB	
Mr. Tom Seidenstein	IAASB Chair
Mr. Len Jui (presenter – Agenda Item B)	IAASB Deputy Chair and Task Force Chair
Ms. Josephine Jackson (presenter Agenda Item C)	IAASB Member and Working Group Chair
Mr. Kai-Morten Hagen (presenter – Agenda Item D)	IAASB Member and Task Force Chair
Ms. Sue Almond (presenter – Agenda Item F)	IAASB Member and Task Force Chair
Ms. Lyn Provost (presenter – Agenda Item G)	IAASB Member and Task Force Chair

Mr. Willie Botha	IAASB Technical Director
Ms. Beverley Bahlmann	IAASB Deputy Director
Mr. Brett James	IAASB Deputy Director
Ms. Natalie Klonaridis	IAASB Deputy Director
Ms. Kalina Shukarova Savovska	IAASB Principal
Mr. Jasper van den Hout	IAASB Principal
Ms. Yvonne Chan	IAASB Manager
Mr. Phil Minnaar	IAASB Manager
Ms. Hanken Jane Talatala	IAASB Manager
Mr. Armand Kotze	IAASB Analyst
Ms. Michelle Harrison	Executive Assistant
Ms. Megan Leicht	Executive Administrative Assistant
Mr. Dan Montgomery	Senior Advisor
Ms. Nicki Bester	Independent Contractor
Ms. Angela Donnelly	Staff Fellow
Public Interest Oversight Board (PIOB)	Mr. Shigeo Kashiwagi

APOLOGIES

Representatives

Ms. Laura Schiffman	Financial Executives International
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Welcome – Agenda Item A

OPENING REMARKS

Mr. Dalkin welcomed the Representatives to the meeting, the IAASB Chair, Mr. Tom Seidenstein and the International Ethics Standards Board for Accountants (IESBA) CAG Chair, Mr. Gaylen Hansen. Mr. Dalkin also welcomed Mr. Shigeo Kashiwagi from the PIOB, IAASB Task Force and Working Group Chairs, IAASB Staff and the public observers who were observing the meeting via the IAASB's YouTube channel.

MINUTES OF THE PREVIOUS MEETING

The minutes of previous CAG meetings were approved, including:

- The IAASB CAG public sessions held on September 8–9, 2020.
- The IAASB CAG public session held on December 1, 2020.
- The IAASB–IESBA CAG joint session held on October 13, 2020.

ISA 600² – Agenda Item B

ISA 600 – Group Audits

- To *REPORT BACK* on the September 2020 meeting
- To *RECEIVE* an update on the project

Mr. Jui, Chair of the ISA 600 Task Force, introduced the topic by updating the IAASB CAG on the ISA 600 Task Force's activities since the September 2020 IAASB CAG meeting, including how the ISA 600 Task Force addressed comments from respondents to ED-600³ on the scope and applicability of the standard and the risk-based approach.

SCOPE AND APPLICABILITY

Representatives commented as follows:

- Ms. Meng noted the importance of getting the entry point to the standard right and supported the ISA 600 Task Force's proposals in that regard. Ms. Manabat agreed and added that the ISA 600 Task Force's proposals are responsive to the comments received on exposure.
- Ms. Blomme supported the addition of a paragraph similar to paragraph 2 of extant ISA 600 (paragraph 1B of proposed ISA 600 (Revised)⁴). She highlighted the importance of signaling that proposed ISA 600 (Revised) may be useful in an audit of financial statements other than a group audit when the engagement team includes individuals from another firm. Ms. Weng agreed. Ms. Blomme also supported the new paragraph on the involvement of component auditors in the Introduction section (paragraph 3B of proposed ISA 600 (Revised)) and explained the concerns about

² ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

³ Exposure Draft of proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁴ Proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

audit firm concentration in Europe. She asked the ISA 600 Task Force to keep these concerns in mind when finalizing the standard as some respondents to ED-600 were of the view that ED-600 disadvantaged non-network firms. Mr. Jui noted that the Task Force's main goal is to enhance audit quality but that the ISA 600 Task Force will keep the concerns in mind.

- Mr. Yurdakul supported the enhanced definition of group financial statements, noting that the link to consolidation process is more appropriate than aggregation process.

RISK-BASED APPROACH

Representatives commented as follows:

- Ms. Manabat and Mr. Hirai supported the enhancements to the risk-based approach, especially the changes made to clarify the important role that component auditors play in a group audit.
- Mr. Hirai noted that the ISA 600 Task Force had not reinstated the concept of a significant component and was of the view that such a concept would still be useful. Mr. Jui explained that even though the concept has not been retained, the application material still explains that the nature and amount of assets, liabilities and transactions may influence the group auditor's determination at which components to perform audit work.
- Mr. Hirai noted that the proposed standard includes several references to professional judgment, including in the risk-based approach and materiality sections. He highlighted that such references make it more challenging for regulators to enforce the standard and suggested to include a requirement to document the auditor's professional judgments. Mr. Jui explained that proposed ISA 600 (Revised) only includes special considerations when auditing a group and that all other ISA apply, including ISA 230.⁵ Mr. Jui added that ISA 230 requires the auditor to document significant matters arising during the audit and the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

OTHER COMMENTS

Ms. Landell-Mills noted that only one investor submitted a comment letter to ED-600 and questioned whether the views of this respondent were aligned with investor concerns more broadly. In this regard, she noted that professional skepticism was highlighted in the presentation as an area where there was broad agreement but it is an area of particular concern for investors. Mr. Jui noted that the Corporate Reporting User's Forum submitted a comment letter and explained that investors also indirectly provided input through other comment letters. For example, some stakeholders reached out to investors and included investors' views in their comment letters. Mr. Botha added that other respondents also represent the public interest and reflect the views of users of the financial statements in their comments letters and through outreach. In that regard, he highlighted that four Monitoring Group members and eight regulators and oversight bodies responded to ED-600.

PIOB OBSERVER REMARKS

Mr. Kashiwagi thanked the ISA 600 Task Force for the update and noted support for the project to revise ISA 600. He welcomed the changes made to clarify the importance of involving component auditors throughout the group audit and noted that the PIOB has been emphasizing the importance of this

⁵ ISA 230, *Audit Documentation*

throughout the project. Mr. Kashiwagi also supported the other enhancements to proposed ISA 600 (Revised) and noted that the ISA 600 Task Force’s proposals are responsive to comments from respondents to ED-600.

WAY FORWARD

The ISA 600 Task Force will continue to analyze the comments received on ED-600 and make changes to proposed ISA 600 (Revised) in response to the comments and input from the Board, the IAASB CAG and outreach. The ISA 600 Task Force will present a full draft of proposed ISA 600 (Revised) for the IAASB CAG’s consideration in September 2021.

Fraud and Going Concern – Agenda Item C

Fraud and Going Concern

- To *REPORT BACK* on the September 2020 meeting.
- To *PROVIDE* Representatives with a high-level update on the [responses](#) received to the Discussion Paper (DP), [Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor’s Responsibilities in a Financial Statement Audit](#), and activities to date on the topics of fraud and going concern.

Mmes. Jackson and Bahlmann provided Representatives with a high-level update on the responses to the DP and other information gathering activities on fraud and going concern.

FRAUD

Representatives commented as follows:

- Mr. Sobel and Ms. Yazar expressed support for the direction of the project and highlighted the importance for external auditors to liaise with internal auditors in view of the role of internal auditors in the detection of fraud. It was noted that several previous studies indicated that internal auditors tend to identify more fraudulent activities than external auditors because fraud can run a wider gamut than just financial reporting. Ms. Yazar highlighted a 2017 OECD⁶ study, which indicated that 22% of identified foreign bribery and corruption schemes were detected by internal auditors. Mr. Sobel also suggested that the IAASB look into the COSO⁷ Fraud Risk Management Guide as a useful reference material for the project.
- Ms. Meng encouraged the IAASB to actively engage with stakeholders in continuing to narrow the expectation gap. In addition to clarifying the auditor’s responsibilities on fraud in audit of financial statements, Messrs. Meng and Yazar also encouraged that consideration be given to other participants in the financial reporting ecosystem (i.e., to focus on the primary responsibility of management and those charged with governance to prevent and detect fraud).
- Mmes. Yazar and Landell-Mills highlighted the importance of proposed actions that support a robust, principles-based standard recognizing that fraud requirements are governed by distinct jurisdictional

⁶ Organisation for Economic Co-operation and Development (OECD)

⁷ Committee of Sponsoring Organizations of the Treadway Commission (COSO)

laws and regulations (e.g., national company statute).

- Ms. Manabat noted many of the more recent fraud cases are driven by technology, and therefore, encouraged the IAASB to modernize the standard for technology considerations in the current environment. She also noted the need to clarify the definition of fraud.
- Mr. Dalkin reiterated auditors might benefit from a stand-back that requires them to consider all facts collectively and ‘see the big picture,’ as opposed to only looking at the details. Mr. Dalkin added that if auditors had done this in some of the more high-profile frauds in recent years, they may have identified ‘red flags.’

GOING CONCERN

Representatives commented as follows:

- Ms. Manabat recognized the effects of the COVID-19 pandemic led to a number of going concern issues in the current environment and encouraged the IAASB to provide guidance in determining the long-term economic impact of a global pandemic when assessing an entity’s ability to continue as a going concern.
- Mr. Rees recognized the ongoing dialogue between the IAASB and the IASB⁸ given the overlap between audit and financial reporting on going concern matters. Mr. Rees highlighted the IASB planned to seek views about the IASB’s workplan and priorities for the next five years as part of its agenda consultation. Based on the IASB’s outreach activities to date, going concern would be specifically highlighted in that agenda consultation as one of the potential topics that the IASB could add to its work plan. Mr. Rees also highlighted that the IFRS Foundation had published educational material on going concern in January 2021. This reminded stakeholders about the broader disclosure principles and requirements around judgments in IFRS Standards that are very applicable to going concern, particularly when companies are in “close call” situations. The educational material also drew attention to the IAASB’s work on going concern and the audit and financial reporting overlap on going concern matters.

OTHER COMMENTS

- Mr. Hirai noted clear linkage to the underlying root causes of fraud and going concern issues would be very helpful considerations in developing proposed actions to address the issues identified.

PIOB OBSERVER’S REMARKS

Mr. Kashiwagi noted the PIOB⁹ recognized the importance of the auditor’s role in addressing the public interest issues on fraud and going concern. He added that the PIOB also recognized the importance of all stakeholders in the financial reporting ecosystem playing a role in addressing issues raised on fraud and going concern. Mr. Kashiwagi encouraged the IAASB to make further efforts to strengthen the standards and obtain further input from the IAASB CAG in developing proposed actions to address the issues identified.

WAY FORWARD

⁸ International Accounting Standards Board (IASB)

⁹ Public Interest Oversight Board (PIOB)

Mmes. Jackson and Bahlmann thanked the Representatives for their feedback. The IAASB will discuss comments received from the DP and other information-gathering activities, including proposed possible actions to address issues identified on fraud and going concern at the April and May 2021 IAASB meetings, respectively.

Development of a Separate Standard for Auditing Financial Statements of Less Complex Entities (LCE) – Agenda Item D

Less Complex Entities

- To *REPORT BACK* on the September 2020 meeting
- To *RECEIVE* an update on the project.

Mr. Hagen, Chair of the LCE Task Force, introduced the topic, explaining broad matters related to the development of the separate standard and invited comments on the specific questions posed to CAG Representatives.

OVERALL COMMENTS

Representatives commented as follows:

- Representatives broadly recognized the progress that had been made with regard to developing a separate standard for auditing the financial statements of LCEs, with Messrs. Cela and Sobel expressing appreciation for the speed and progress on the development of the separate standard. Ms. McGeachy expressed the ongoing support for this project from the SMP Advisory Group. Mr. Hagen thanked the Representatives for their support.

APPLICABILITY OF THE ISA FOR LCE

Representatives commented as follows:

- Strong concern about excluding group audits was expressed by Messrs. Pavas, Norberg, Cela, Thompson and Mmes. Blomme, Mubarak and McGeachy. It was highlighted that many entities that would otherwise meet the criteria to use the draft ISA for LCE would be scoped out of using the standard. Dr. Norberg added that if all the entities in the group met the criteria to use the draft ISA for LCE the audit of the group financial statements should be able to be undertaken using the standard. Ms. Blomme questioned whether the IAASB would reconsider this decision. Mr. Hagen recognized the strong concern, noting that the IAASB had also heard these concerns from other stakeholders. He explained that although audits of group financial statements would be excluded from the ISA for LCE the IAASB was still open to hearing the different views of its stakeholders about the exclusion of group audits. He added that it was intended that this would be explored in the explanatory memorandum, including obtaining views on the impact on the use of the standard of including group audits, as well as other related questions.
- Mr. Yurdakul encouraged that the LCE Task Force consider whether size should be included in the applicability criteria. Mr. Hagen explained that it would be difficult to do this on a global basis, but added that each jurisdiction would be able to add a size limit if needed for that jurisdiction.

- Dr. Cela encouraged that further consideration be given to making the judgment areas more clear, noting that this could also be done through guidance material.
- Messrs. Yurdakul, Choromanski and Hirai encouraged further consideration of the impact of the work being undertaken by the IESBA in relation to public interest entities (PIE's), including whether the exclusion of listed entities should be extended to include all PIEs. Messrs. Choromanski and Hirai also noted continued support for excluding listed entities from being able to use the ISA for LCE. Ms. Mubarak encouraged the inclusion of entities that are publicly accountable. Mr. Hagen noted that the LCE Task Force was closely following the work of the IESBA on its PIE project, and further consideration would be given to this once the IESBA had progressed its project after the comments to its exposure draft had been analyzed. He noted that the LCE Task Force had considered the term "public accountability" but had agreed not to pursue another term in the IAASB's literature as this may cause confusion. He also reminded Representatives that each jurisdiction would be able to tailor the applicability further if needed for their individual jurisdiction.
- Ms. Landell-Mills questioned the exclusion of ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, noting the importance of this information for users and investors and highlighting the transparency that it brings to the audit.
- Mr. Yurdakul highlighted the importance of aligning the requirements in the ISA for LCE with the corresponding requirements in the ISAs, noting that the users of the ISA for LCE could refer back to the ISAs if needed. He also encouraged that further consideration be given to ensuring that all procedures for obtaining audit evidence are included. Mr. Thompson also supported the alignment with the ISAs, but noted that it would be important to ensure that the standard was still appropriate for LCEs and that requirements should not be included because an entity "may" one day become complex. He also cautioned that the messaging in relation to the ISA for LCE should not be pitched as being a condensed or simplified version of the ISAs.
- With regard to governance structures and the way that they had been described in the applicability Part, Mr. Ruhtman highlighted the need to further consider public sector entities as many of these could have more complex governance structures but would nevertheless meet the other criteria for use of the ISA for LCE. Mr. Hagen noted that further consideration would need to be given to public sector considerations within the standard more broadly, but thanked Mr. Ruhtman for highlighting this particular issue. He also noted that the matters where judgment was needed with regard to applicability was not a 'checklist, and each of the matters noted would need to be considered in combination with the other matters to determine if an entity would be able to use the standard or not.
- Mr. Sobel encouraged further consideration of how the transition back to the ISAs would need to be undertaken. He also encouraged that further consideration be given to excluding the use of internal auditors as LCE's may still be using the work of internal audit.
- Mr. Thompson also encouraged that further consideration be given to how the exposure draft would be 'promoted' while out on consultation. He emphasized it was important to hear from those who would likely use the standard but would likely not ordinarily respond to an IAASB consultation.

REPORTING

Representatives commented as follows:

- Mr. Hirai questioned whether the auditor's report would be able to explain the auditor's judgments made in determining use of the ISA for LCE standard, as this would provide more transparency for users.
- Ms. Blomme questioned whether it would be appropriate to further distinguish the auditor's report from an ISA auditor's report, as this would be more helpful to users. Mr. Hagen explained that changes had already been proposed to try and distinguish the auditor's report but noted that further consideration would be given to this.

OTHER MATTERS

Representatives commented as follows:

- Mr. Pavas noted that it was not clear if the users of the ISA for LCE could also use the ISAs if the ISA for LCE did not address a specific matter. Mr. Hagen explained that it was intended that the standard would be a standalone standard, without direct reference to the ISAs. However, he added that the ISAs could be used as reference material if needed as the requirements within ED-ISA for LCE were based on the ISA requirements as they are relevant to an audit of an LCE.
- Mr. Orth questioned whether a walk-through test would still be required to test the design and implementation of relevant controls. Mr. Hagen explained that the underlying concept of understanding the entity's system of internal control controls in the ED-ISA for LCE had not changed from what was required in an ISA audit, i.e., understand the information system and perform design and implementation procedures on specified controls only.

PIOB COMMENTS

Mr. Kashiwagi expressed support for the progression of the project, which was in the public interest. He highlighted the need for a standard for audits of LCEs. He emphasized the importance of keeping the applicability sufficiently restrictive, and noted support for the overall direction of the work. He encouraged that the progress on this project continue so that the standard can be consulted on in a timely manner.

WAY FORWARD

Mr. Hagen thanked the Representatives for their comments, noting that the LCE Task Force would continue to progress the draft ISA for LCE to an exposure draft which was expected to be approved by the IAASB for public consultation in June 2021.

Audit Evidence – Agenda Item F

Audit Evidence

- To *REPORT BACK* on the September 2020 meeting
- To *RECEIVE* an update on the project

Ms. Almond, Chair of the Audit Evidence Task Force (AETF), introduced the topic by updating the IAASB CAG on the AETF's activities since the September 2020 meeting.

GENERAL

Representatives commented as follows:

- Mr. De Tullio noted the completed project of the Auditing Standards Board of the American Institute of Certified Professional Accountants' (AICPA) to revise clarified (AU-C) Section 500 and asked whether there were any opportunities for the AETF to leverage the work already undertaken by the AICPA. Ms. Almond noted that the development of AU-C Section 500 (Revised) was monitored as it was developed. Ms. Almond acknowledged that the AICPA's standard is a useful reference point for the IAASB, however there are areas where a different approach may be appropriate given the different environments, in particular regarding the use of terminology in an international environment. Ms. Almond also noted that the IAASB's AETF includes some members of the AICPA's Audit Evidence Task Force.
- Mr. Hirai noted his support for a principles-based approach in addressing issues related to the relevance and reliability of information to be used as audit evidence. Ms. Meng noted her support for the general direction of the project and the key issues identified, in particular with respect to technology.
- Mr. Hirai emphasized that any revisions to ISA 500¹⁰ should not give rise to undue cost and effort for auditors, noting the importance of an appropriate balance between the cost and benefit of revisions to ISA 500.
- Mr. Hirai supported the AETF's intention to coordinate with other IAASB Task Forces or Working Groups, including the Technology Working Group and Professional Skepticism Working Group. Ms. Weng also encouraged the AETF to coordinate with the IAASB's Fraud Working Group, as applicable. Ms. Almond noted the AETF intends to coordinate with other IAASB Working Groups and Task Forces.
- Mr. Yurdakul noted the importance of the auditor's documentation from the perspective of regulatory and oversight bodies, and recommended that documentation is carefully considered by the AETF. Ms. Almond explained that ISA 230 deals with the auditor's responsibilities related to documentation and noted that the AETF will consider conforming and consequential changes that are required to other ISAs as a result of the revisions to ISA 500. Ms. Almond emphasized that the issues related to audit evidence being addressed as part of the ISA 500 project are not related to audit documentation and therefore documentation is beyond the scope of the project to revise ISA 500.
- Messrs. Pavas and Hansen noted the observations of the AETF about the relationship between audit procedures and audit evidence. In particular, Mr. Hansen supported the AETF's conclusion that audit evidence is an output of audit procedures and he noted that this clarification in the revised standard would be helpful to auditors.
- Mr. Hansen asked to clarify that there may no longer be a distinction between internal and external sources of information, in particular when making judgments about their relevance and reliability. Mr. Botha and Ms. Almond clarified that the proposal of the AETF is that when dealing with information to be used as audit evidence, the auditor will be required to consider the relevance and reliability of the information, regardless of whether it is from an internal or external source. Mr. Botha further explained that the source of information continues to remain an important consideration of the auditor when evaluating information to be used as audit evidence. Ms. Almond further added that the distinction

between these sources of the information is becoming more blurred, which gives rise to challenges in distinguishing requirements in the ISAs.

- Mr. Dalkin noted concerns about the volume of application material, also noting that over time, the ISAs have increased in volume, length and complexity, which has affected their understandability. Ms. Almond noted that the AETF will consider such concerns in its approach when revising the application material.

PIOB OBSERVER REMARKS

Mr. Kashiwagi supported the direction of the project and recognized the importance and extent of coordination with other IAASB Task Forces or Working Groups. However, Mr. Kashiwagi expressed concern about the proposed timeline of the project, noting that an approval date of June 2023 may not be in the public interest, in particular since the original approval date was March 2023. Mr. Botha explained that the IAASB has carefully considered the proposed timeline under the current circumstances, including the effects of the COVID-19 pandemic on Board capacity, and indicated that the timelines are within reasonable norms. Mr. Botha further noted that the IAASB has a number of other projects that need to be implemented, including the Quality Management standards¹¹ and ISA 315 (Revised 2019)¹².

WAY FORWARD

Ms. Almond noted that the AETF will discuss its proposals with the Board in March 2021 and will update the IAASB CAG on its progress in September 2021.

Extended External Reporting (EER) – Agenda Item G

Extended External Reporting

- To *REPORT BACK* on the September 2020 meeting
- To *RECEIVE* an update on the project

Ms. Provost, Chair of the EER Task Force, provided an overview of the objectives of the project, and the developments in, and an increasing recognition of the importance of credible, EER reporting. Ms. Provost provided a progress update, reflecting on the key messages heard in response to the March 2020 Consultation Paper [Extended External Reporting \(EER\) Assurance Engagements - Applying ISAE 3000 \(Revised\)](#) together with an overview of the enhancements made to the proposed non-authoritative guidance and to the proposed Supplements to respond to the feedback received from stakeholders since the March 2020 IAASB CAG meeting.

¹¹ The Quality Management standards are: International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; PISQM 2, *Engagement Quality Reviews* and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.

¹² ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

NON-AUTHORITATIVE GUIDANCE

Representatives commented as follows:

- Messrs. Thompson, Yoshii, Sobel and Rees and Ms. Blomme expressed strong support for the EER guidance, noting the increasing relevance and likely usefulness of the guidance, given the pace of change in the reporting of sustainability information globally. They encouraged the IAASB to continue to play an active role in monitoring relevant reporting frameworks as well as the development of guidance or assurance standards related to sustainability reporting.
- Mr. Thomson noted the recent publication of two reports by the European Financial Reporting Advisory Group (EFRAG), setting out recommendations on the development of European Union sustainability reporting standards. Mr. Thomson therefore expressed the view that the use of the acronym “EER” may soon become redundant, given the particular demands or change in focus of jurisdictions worldwide in relation to sustainability reporting. Ms. Blomme echoed Mr. Thomson’s comments, in particular noting the expectation in Europe about the development of additional non-financial reporting standards. Although the EFRAG’s recommendations currently do not impose any assurance requirements, Ms. Blomme encouraged the IAASB to consider the development of an assurance standard (addressing both limited and reasonable assurance) given the extent and pace of change in this area. Mr. Seidenstein noted that the EER guidance is built on an existing standard on assurance, ISAE 3000 (Revised)¹³ and that the EER guidance is expected to make a significant contribution in the current environment. He added that the IAASB is committed to continue closely monitoring the development of reporting standards and practice, but that there is a need for stability in the reporting standards to enable the IAASB to determine whether there are gaps emerging in the assurance standards. Mr. Botha agreed with the views expressed by Mr. Seidenstein and noted the importance of clear messaging regarding the role of the guidance in light of the current suite of IAASB Standards. As alluded to by Mr. Seidenstein, Mr. Botha noted that it will be important to reconfirm to the profession and more broadly, that ISAE 3000 (Revised) is already a robust assurance standard that deals with assurance engagements other than audits or reviews of historical financial information, which covers both limited and reasonable assurance. However, the proposed guidance recognizes that there are certain stakeholder-identified challenges when applying ISAE 3000 (Revised), which is an umbrella standard, to EER assurance engagements. This project and the guidance address those identified challenges to support the proper application of ISAE 3000 (Revised).
- Mr. Yoshii referred to Chapter 4 of the proposed EER guidance where there is a focus on both investors and various other stakeholders as intended users of EER. With specific reference to the description of impact in paragraphs 154-156, Mr. Yoshii noted that this aspect covers a similar perspective to “double materiality” and questioned why no such link is made. Ms. Provost agreed to consider the relevant paragraphs but noted that the IAASB has agreed not to refer to “double materiality” in the guidance, given that it is not used in ISAE 3000 (Revised) and therefore safeguarding that the scope of the guidance does not go beyond the principles of ISAE 3000 (Revised).

¹³ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

- Mr. Yoshii encouraged the IAASB and IFAC to co-operate with non-English speakers to facilitate prompt translation of the guidance, as there is likely to be interest in the guidance by non-English speaking stakeholders.
- Mr. Sobel questioned the meaning of a specific comment that was made in response to the EER Consultation paper, i.e., “the need for EER assurance to evolve at a similar pace.” Ms. Provost explained that the objective of the project was to keep in touch with the developments in both standard setting and in practice. In doing so, as new frameworks and other issues arose, such aspects were built into the guidance.
- Mr. Dalkin noted that the guidance remains lengthy and asked the Working Group to find ways to shorten the guidance. Ms. Provost explained that the IAASB is working on a digital version of the handbook and that once that is available, it is anticipated that such a platform will help with navigation of the guidance. As an interim solution, both hyperlinks between chapters and paragraphs and hyperlinks to references to the other relevant IAASB standards are being explored.

Ms. Provost observed that the term “pace” was prominent during the discussions and therefore agreed that the release of the guidance is timely. Ms. Provost also agreed that such guidance cannot be the end of the IAASB’s interest in EER but that the IAASB will need to be sensible and careful as to where we go next, given limited resources.

PIOB OBSERVER REMARKS

Mr. Kashiwagi highlighted the increasing importance of credibility in EER reporting and that the PIOB welcomes and supports the issuance of the proposed guidance. Mr. Kashiwagi especially welcomed the Working Group’s efforts to use plain English and replace lengthy technical explanations with shorter practical examples to enhance understandability and increase the usability of the guidance.

WAY FORWARD

Ms. Provost noted that the IAASB will be asked to approve the guidance at its March 2021 meeting.

Work Plan 2022–2023 and Framework for Activities – Agenda Item H

Work Plan 2022–2023 and Framework for Activities

- To *RECEIVE an update* on the development of the Work Plan for 2022-2023 and the Framework of Activities

Messrs. Seidenstein and Botha, and Ms. Bahlmann introduced the topic by providing a summary of the development of the Work Plan for 2022–2023 (the Work Plan) and the Framework for Activities (the Framework).

Representatives commented as follows:

- Mr. Hirai suggested that the Framework be exposed when it is updated so stakeholders can comment on it.
- Ms. Weng supported the approach taken with respect to the development of the Work Plan and the identified priority projects, particularly the projects on Group Audits, Audit Evidence, Fraud and Going Concern.

- Ms. Blomme noted that the expectations and needs around assurance on non-financial information continue to evolve and that more and more stakeholders are asking for assurance on matters outside the financial statements. Mr. Botha agreed and explained that one of the possible standard-setting projects included in the Work Plan relates to assurance for climate change disclosures. He added that assurance on financial information is highlighted as an area where the IAASB will continue to closely monitor developments and will take action as appropriate, if and when needed. In addition, he noted that although stakeholders will be asked to rank the possible standard-setting topics, they will also be asked to provide their rationale that will also help inform the IAASB's future decisions.
- Ms. Blomme noted that the IESBA's project to revise the definitions of listed entity and public interest entity (IESBA's project) should be monitored by the IAASB. Mr. Botha noted that the IAASB has been closely involved in the project. He explained that two IAASB Boards members are correspondent members on the IESBA Task Force, the Explanatory Memorandum had a specific question related to the IAASB and the IAASB issued a press release to inform IAASB stakeholders of the project.
- Ms. Blomme noted that Accountancy Europe identified other areas that fall within the scope of the IAASB's remit and where guidance or standards may be warranted in the near future, such as the impact of digital assurance and tax compliance assurance services.

Mr. Seidenstein highlighted the wide variety of stakeholders that are represented on the IAASB CAG and encouraged Representatives to provide input to the IAASB's Work Plan consultation. He emphasized the importance of getting input from a wide array of stakeholders, which is in the public interest. Messrs. Dalkin and Botha agreed.

PIOB OBSERVER REMARKS

Mr. Kashiwagi welcomed the development of the Framework because, in his view, it is a clear and transparent way to select and prioritize projects. He was therefore of the view that the Framework is in the public interest. He also expressed an interest about how the Framework links with the IAASB Staff's resource allocation.

Mr. Kashiwagi also strongly encouraged that Representatives reach out to their contacts to solicit feedback on the Work Plan consultation. In that regard, he emphasized the importance of hearing from a wide array of stakeholders to help inform the PIOB's view of what is in the public interest.

WAY FORWARD

Messrs. Seidenstein and Botha, and Ms. Bahlmann thanked the Representatives for their feedback and noted that the IAASB will update the IAASB CAG in the September 2021 IAASB CAG meeting on the responses to the Work Plan consultation.

Closing Remarks

Mr. Dalkin thanked the IAASB CAG Representatives for their preparation and participation during the meeting. Mr. Dalkin also acknowledged and thanked staff for the meeting arrangements and closed the meeting.