

**Minutes of the 131<sup>st</sup> Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)  
Held on March 14–18<sup>1</sup> & 23, 2022 via Hybrid Meeting<sup>2</sup>**

**Voting Members**

Present: Tom Seidenstein (Chair)  
Len Jui (Deputy Chair)  
Sue Almond  
Chun Wee Chiew  
Julie Corden  
William Edge  
Kai Morten Hagen  
Josephine Jackson  
Sachiko Kai  
Edo Kienhuis  
Diane Larsen  
Prof. Warren Maroun  
Prof. Kai-Uwe Marten  
Lyn Provost  
Fernando Ruiz Monroy  
Wendy Stevens  
Isabelle Tracq-Sengeissen  
Eric Turner

**Technical Advisors (TA)**

Helene Agélii (Mr. Hagen) (March 14-17)  
Sara Ashton (Ms. Almond)  
Vivienne Bauer (Mr. Monroy)  
Wolf Böhm (Prof. Marten)  
Fabien Cerutti (Ms. Tracq-Sengeissen)  
Antonis Diolas (Mr. Chiew)  
Johanna Field (Mr. Turner)  
Diane Hardesty (Ms. Larsen)  
Rene Herman (Mr. Edge)  
Susan Jones (Mr. Jui)  
Yvette Lange (Prof. Maroun)  
Thokozani Nkosi (Ms. Jackson) (March 23)  
Tania Sergott (Ms. Corden)  
Jamie Shannon (Mr. Kienhuis) (March 14-15, 17 & 23)  
Sylvia Van Dyk (Mrs. Provost) (March 14-17)  
Brian Wilson (Ms. Stevens)  
Kohei Yoshimura (Ms. Kai)

**Non-Voting Observers**

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

Apology: Juan Maria Arteagoitia (European Commission)

**Public Interest Oversight Board (PIOB) Observer**

Present: Ms. Janine van Diggelen

<sup>1</sup> The session scheduled for Friday March 18, 2022, was cancelled due to all agenda items being covered in the preceding days.

<sup>2</sup> The March 2022 IAASB meeting was a hybrid meeting, where some participants joined in-person and others via several simultaneous videoconferences from March 14-18, 2022. In addition, the meeting included two virtual sessions via videoconferences on March 23, 2022. The discussions held during these sessions are captured within these minutes.

### **IAASB Technical Staff**

Present: James Gunn (Managing Director, Professional Standards), Willie Botha (Technical Director), Beverley Bahlmann, Sally Ann Bailey, Amy Fairchild, Claire Grayston, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska, Hanken Jane Talatala, Jasper van den Hout, Adriana Chircusi (Staff Fellow), Danielle Davies (Staff Fellow), Dan Montgomery (Senior Advisor – Technical Projects).

### **International Ethics Standards Board for Accountants (IESBA)**

Present: Ken Siong (IESBA Staff) (March 15 & 23), Geoffrey Kwan (IESBA Staff) (March 15 & 23), Andy Mintzer (IESBA Member) (March 15)

Present: **External Presenters (March 23 only)**

Ms. Elena Arveras (European Commission), Ms. Jessica Fries, (Accounting for Sustainability), Mr. Carsten Stendevad (Bridgewater Associates), Mr. Neil Morris (KPMG)

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### **Welcome and Introduction**

- The Chair welcomed members, technical advisors and observers, and public observers via YouTube, to the March 2022 IAASB meeting.
- The Chair updated the Board on the outreach performed during the first quarter of 2022, highlighting the extent of the IAASB's interactions with its key stakeholders for various projects.

### **Meeting Topics**

- [Approval of Minutes \(Agenda Item 1\)](#)
- [Going Concern \(Agenda Item 2\)](#)
- [Listed Entity and Public Interest Entity \(Agenda Item 3\)](#)
- [Fraud \(Agenda Item 4\)](#)
- [Audit Evidence \(Agenda Item 5\)](#)
- [Sustainability \(Agenda Item 6\)](#)

### **Approval of Minutes (Agenda Item 1)**

#### **Decision**

1. The Board approved the minutes of the December 2021 IAASB quarterly meeting, and the mid-quarter videoconference held on February 8, 2022, as presented in the virtual session on March 23, 2022.

### **Going Concern (Agenda Item 2)**

#### **Decisions**

*Updates to the Project Proposal for the Revision of ISA 570 (Revised)*<sup>3</sup>

2. The Board agreed to update the Project Proposal for the revision of ISA 570 (Revised) to reflect

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<sup>3</sup> International Standard on Auditing (ISA) 570 (Revised), *Going Concern*

Board member comments as detailed in [Agenda Item 2-A.2 \(marked\)](#).

3. The following are the substantive comments received and addressed:
- International Accounting Standards Board (IASB) – Given the importance of the ongoing interaction with the IASB with respect to the financial reporting framework, a number of changes were made to the Project Proposal to elevate and give prominence to the IAASB's engagement with the IASB.
  - Project Objectives – Changes were made to the lead-in paragraph to the objectives to convey the context in which the project objectives should be considered i.e., the proposed actions, which are focused on the key issues raised by stakeholders, are intended to address the project objectives that support the public interest (see paragraph 18).
  - Transparency About the Auditor's Responsibilities and Work Related to Going Concern – Changes were made to:
    - The objective in paragraph 19(c) to more closely align with the wording used in the project proposal for the revision of ISA 240<sup>4</sup>, so as not to imply that a definitive outcome has been predetermined in relation to any communication and reporting requirements.
    - The key issues outlined in paragraph 26 (h)(i) and (iii) to reflect that feedback received from the stakeholders, while supportive of enhancing transparency, was mixed in terms of how this would be accomplished.

#### *Approval the Project Proposal for the Revision of ISA 570 (Revised)*

4. After discussing the turn-around version of the Project Proposal and agreeing all necessary further changes, the IAASB voted on and unanimously approved the Project Proposal for the revision of ISA 570 (Revised) with 18 affirmative votes out of the 18 Board members present.

### **Directions**

#### *Revision of ISA 570 (Revised)*

5. The Board provided direction for the matters outlined below, to be considered by the Going Concern Task Force as the actions of the project are progressed.

#### *Overarching Matters*

- Not to add additional complexity to the standard that would impact its understandability.
- To focus the attention of practitioners on those areas that are most challenging in practice (e.g., understanding and evaluating management's assumptions in making their assessment of going concern, including designing and performing effective audit procedures to test those assumptions).

#### *Risk Assessment and Identification*

- To build further on the concepts of ISA 315 (Revised 2019)<sup>5</sup>, while cautioning that this should

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<sup>4</sup> ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

<sup>5</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

not include merely repeating those requirements in the revision of ISA 570 (Revised).

- To consider the need for development of non-authoritative guidance in this area.

#### *Timeline Over Which the Going Concern Assessment is Made*

- To consider educational material issued by the IFRS Foundation in January 2021<sup>6</sup> for addressing going concern disclosures.

#### *Information from Sources External to the Entity*

- To consider relevant revisions undertaken by the American Institute of Certified Public Accountants (AICPA) in SAS 132.
- To include examples in application material (e.g., to illustrate good quality external sources of information and how information on sustainability can be useful for the auditor when undertaking work related to going concern).

#### *Transparency About the Auditor's Responsibilities and Work Related to Going Concern*

- To carefully consider how much new information is provided in the auditor's report to enhance transparency about the auditor's responsibility and work related to going concern, while cautioning against proposing boilerplate text for the auditor's report.

#### *Other Matters*

- To propose conforming and consequential amendments to the ISA 800-series, as appropriate, or if more substantive changes are needed, to recommend that any proposed revisions to the ISA 800-series be considered as part of the IAASB's future work plan decisions.

### **Other Substantial Matters**

#### *Transparency About the Auditor's Responsibilities and Work Related to Going Concern*

6. Ms. van Diggelen expressed the PIOB's view that proposed revisions to communications with those charged with governance (TCWG) and enhanced transparency about going concern in the auditor's report were necessary. She noted that the insertion of the words "may not be sufficiently" in the key issues in paragraph 26(h) may imply that there was less support for these enhancements from the stakeholder feedback.
7. The Going Concern Working Group Chair noted that those changes were made to recognize that there may be robust communications with TCWG that are occurring today, as well as that there are jurisdictions who already have enhanced transparency about going concern in the auditor's report.

#### *IAASB CAG Chair Remarks*

8. Mr. Dalkin thanked the Board, noting the strong support from Representatives for the project proposal to revise ISA 570 (Revised). He emphasized that in March 2022, Representatives discussed this topic and provided constructive feedback to the IAASB in relation to the going concern project.

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<sup>6</sup> See [Going concern—a focus on disclosure \(ifrs.org\)](https://www.ifrs.org/going-concern-a-focus-on-disclosure).

### *PIOB Observer Remarks*

9. Ms. van Diggelen emphasized the importance of the project to revise ISA 570 (Revised) from the public interest perspective to further drive consistency in auditor behaviors and strengthen robust audit procedures as a basis for enhanced transparency reporting through the auditor report with the aim to narrow the expectation gap. She noted that the auditor should not only be required to assess the reasonableness of management's going concern assessment, but should also develop a clear expectation based on the auditor's own risk identification and assessment of those risks as a basis for the audit procedures. Furthermore there is a need for strengthening the identification of events and conditions, and if these are identified by the auditor, the strengthening of audit procedures to address those, in particular in relation to cash flow forecasts, including scenario testing and the underlying assumptions used by management.
10. Ms. van Diggelen noted the importance of coordination and collaboration with the IASB in the course of the project but encouraged the IAASB to consider actions related to enhancing transparency about going concern irrespective of IASB actions. She encouraged the IAASB to remain open minded with respect to transparency in the auditor's report and questioned whether the principle that the auditor cannot disclose more in the auditor's report than what management has already disclosed in the financial statements in relation to going concern may need to be reconsidered given the existing expectation gap.
11. Ms. van Diggelen also highlighted the importance of the proposed actions with respect to communicating with appropriate external parties, particularly with regulatory authorities, as well as the need for consideration of subsequent events being potential going concern issues in view of the effects of the global pandemic and other ongoing uncertainties which have caused heightened risks.

### *Next Steps*

12. In June 2022, the Going Concern Task Force will discuss and bring to the Board for input certain proposed actions included in the scope of the project proposal.

## **Listed Entity and Public Interest Entity (PIE) (Agenda Item 3)**

### **Decisions**

#### *Approval of the Project Proposal for the Narrow Scope Maintenance of Standards Project on Listed Entity and PIE*

13. After discussing the turn-around version of the Project Proposal, the IAASB voted on and unanimously approved the Project Proposal for the narrow scope maintenance of standards project on listed entity and PIE with 18 affirmative votes out of the 18 Board members present. The revisions to the Project Proposal, which addressed Board members' comments and were made in finalizing the project proposal, are indicated in [Agenda Item 3-A.2 \(marked\)](#).

#### *Disclosure in the Auditor's Report About When a Firm has Applied the Independence Requirements for PIEs*

14. **Agenda Item 3** outlined three options for how ISA 700 (Revised)<sup>7</sup> could be clarified to address circumstances when the auditor's report is used to disclose that relevant ethical requirements for

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<sup>7</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

independence for certain entities have been applied (such as for PIEs in the IESBA Code)<sup>8</sup>. In this regard, the Board agreed to:

- Present Option 2 in the Exposure Draft (ED) as the IAASB's preferred option.
- Explain that Option 1 was considered and provide key features of Option 1 in the Explanatory Memorandum (EM) accompanying the ED.
- Not to present Option 3 in the ED.
- Ask respondents to the ED whether they agree that the auditor's report is an appropriate mechanism to publicly disclose when a firm has applied relevant ethical requirements for independence for certain entities, and if not, to indicate what mechanism(s) other than the auditor's report should be used. The ED will also explain that the IAASB does not have other mechanisms in its standards.
- Seek stakeholder feedback, as part of further information gathering under the project, as to whether the IAASB should consider revisions to ISRE 2400 (Revised)<sup>9</sup> to address circumstances when the firm is required to publicly disclose that it has applied relevant ethical requirements for independence for certain entities in a review engagement.

## Directions

### *Narrow Scope Maintenance of Standards Project on Listed Entity and PIE*

15. With regards to the IAASB's use of the overarching objective in paragraph 400.8 of the revised IESBA Code in establishing differential requirements for PIEs, the Board directed the PIE Task Force, when adopting the overarching objective, to clarify through appropriate guidance that the financial statements of an entity can be used when assessing the entity's financial condition (which is a broader concept).

### *Disclosure in the Auditor's Report About When a Firm has Applied the Independence Requirements for PIEs*

16. With regards to the proposals to clarify ISA 700 (Revised), the Board directed the PIE Task Force to:
  - Clarify the descriptions for Options 1 and 2, as the differences between those two options are difficult to understand. The Board suggested explaining the intent of the two options and their impact to the independence statement provided in the auditor's report.
  - Clarify in the application material the reference to "certain entities" in the requirement, given concerns that it is ambiguous and may be interpreted too broadly.
  - Present the text "*applicable to public interest entities*" in regular font following the title of the IESBA Code, so as not to imply that this phrase is part of the title of the IESBA Code.
  - Present only one of the drafting alternatives for Option 2 in the ED, suggesting that it should

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<sup>8</sup> The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

<sup>9</sup> ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

be the first alternative, and clarify the drafting that refers to the phrase “disclose that fact.”

*Clarifying ISA 260 (Revised)<sup>10</sup> Regarding Communication with TCWG About Independence*

17. A suggestion was made to consider whether paragraph 17 of ISA 260 (Revised), would be a more appropriate location to clarify how the auditor may communicate with TCWG when specific independence requirements for certain entities have been applied. It was noted that the title preceding paragraph 16(d) of ISA 260 (Revised) relates to “*Significant Findings from the Audit*” and the specific independence requirements applied do not itself constitute a significant finding.

## Other Substantial Matters

*Transparency Through Disclosure in the Auditor’s Report*

18. Some Board members continued to question the benefits of the proposed disclosure in the auditor’s report about when a firm has applied the independence requirements for PIEs and whether such disclosure would provide additional information to users that would be relevant from a public interest perspective. The IAASB Chair noted that the IESBA public disclosure requirement was subject to their due process and that IESBA deliberated already on this matter while developing the revisions to the IESBA Code. The matter for IAASB consideration is whether the auditor’s report is a suitable location for such disclosure and, if so, how this may be accomplished.

*IAASB CAG Chair Remarks*

19. Mr. Dalkin thanked the Board, noting that in March 2022, Representatives provided support for narrowing down the options which will be included in the ED regarding possible disclosure in the auditor’s report about when a firm has applied the independence requirements for PIEs. He emphasized that as the project progresses, it would be important for the IAASB to avoid additional complexity for its standards.

*PIOB Observer Remarks*

20. Ms. van Diggelen emphasized the importance of enhanced transparency and consistency in reporting about independence requirements in the auditor’s report from the public interest perspective. She encouraged the IAASB to gather feedback through targeted stakeholders outreach to investors and other users in particular on how enhanced transparency on independence requirements could best be achieved.

*Next Steps*

21. In June 2022, the IAASB will be presented with an ED for approval, that will address whether the auditor’s report is an appropriate mechanism to enhance transparency about the relevant ethical requirements for independence applied for certain entities (i.e., for track 1 of the project).

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<sup>10</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*

## Fraud (Agenda Item 4)

### Decisions

#### *Identifying and Assessing the Risks of Material Misstatement Due to Fraud*

22. The Board supported:
- Restructuring ISA 240 to follow a similar flow as ISA 315 (Revised 2019).
  - Maintaining Appendix 1 on fraud risk factors in ISA 240.

#### *Communication with TCWG*

23. The Board supported the proposed changes to enhance two-way communication with TCWG about fraud throughout the audit and emphasized the ongoing nature of such communications. With respect to the latter, the Board preferred a new requirement over enhancing application material.

#### *Transparency in Reporting on Fraud*

24. The Board agreed that the alternatives presented represent the views of respondents to the [Discussion Paper](#), *Fraud and Going Concern in an Audit of Financial Statements*, that should be presented to users of the financial statements as part of the Fraud Task Force's planned targeted outreach.

#### *Developing Non-Authoritative Guidance Illustrating the Relationship Between and Linkage of ISA 240 and Other ISAs*

25. The Board supported the publication of the proposed non-authoritative guidance and agreed that the non-authoritative guidance be designated as a "Task Force Publication" to be developed and cleared through a Channel 3 process as contemplated in the [Framework for Activities](#). The Board noted that the guidance may not be sufficiently detailed for some stakeholders but recognized that it would still be useful for others.

### Directions

#### *Identifying and Assessing the Risks of Material Misstatement Due to Fraud*

26. The Board asked the Fraud Task Force to consider:
- Not duplicating nor repeating requirements from ISA 315 (Revised 2019) especially when enhancing or developing related application and other explanatory material in ISA 240.
  - Expanding, only where appropriate, on the requirements of ISA 315 (Revised 2019).
  - Emphasizing that the auditor should use management's fraud risk assessment as the basis for identifying, assessing and responding to fraud risks (i.e., similar to the approach taken in ISA 540 (Revised)<sup>11</sup> and ISA 570 (Revised), and highlighting the responsibilities of other participants in the financial reporting ecosystem).
  - Keeping the standard scalable for less complex entities (LCEs) given that the system of internal control is often different for LCEs compared to more complex entities.

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<sup>11</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

- Modernizing Appendix 1 for the fraud risk factors in ISA 240, including those related to specific ISAs, for example, audit evidence in ISA 500,<sup>12</sup> accounting estimates in ISA 540 (Revised) and related party transactions in ISA 550.<sup>13</sup>
- Being more specific as to the sources of other information that should be considered with a “fraud lens”. For example, the results of procedures performed under ISA 720 (Revised)<sup>14</sup> that are focused on whether there is material inconsistency between the other information and the financial statements.
- Whether all fraud risks should be presumed to be significant risks. However, it was acknowledged that this was beyond the scope of the project proposal.
- Including a stand-back requirement in ISA 240 similar to paragraph 35 of ISA 315 (Revised 2019).

#### *Communication with TCWG*

27. The Board asked the Fraud Task Force to consider:

- Not duplicating nor repeating requirements from ISA 260 (Revised).
- Making the proposed changes scalable given the different governance structures across entities (e.g., TCWG and management may be the same in some entities). However, it was noted that even in smaller entities, TCWG should be able to carry out meaningful and purposeful discussions about fraud-related matters with auditors in view of their oversight role.

#### *Transparency in Reporting on Fraud*

28. The Board asked the Fraud Task Force to consider:

- Exploring alternative 4 with respect to emphasizing using the existing requirements for the communications of key audit matters (KAMs) when there is a risk of material misstatement due to fraud. Board members noted that the concept of KAMs is valued and could be used to enhance transparency in the auditor’s report in relation to fraud.
- Maintaining the balance between what management and TCWG disclose about fraud-related matters in the financial statements and what the auditor discloses in the auditor’s report. In that regard, the Fraud Task Force was cautioned to avoid a situation where a requirement may place the auditor in a position to communicate sensitive information about the entity in the auditor’s report. It was also suggested to explore, if necessary, what management is required to report in the financial statements on fraud in different jurisdictions.
- Avoiding unnecessary expansion of the auditor’s report and boilerplate disclosures when reporting on fraud.
- Making the alternatives scalable (i.e., the solution should be flexible and should not be “one size fits all”).
- The appropriate scope (scalability and proportionality) of the alternative(s) (e.g., for listed

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<sup>12</sup> ISA 500, *Audit Evidence*

<sup>13</sup> ISA 550, *Related Parties*

<sup>14</sup> ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

entities only, or for all entities).

- Performing outreach with a wide array of stakeholders instead of outreach with users of financial statements only.

#### *Developing Non-Authoritative Guidance Illustrating the Relationship Between and Linkage of ISA 240 and Other ISAs*

29. The Board asked the Fraud Task Force to consider:

- Including a reference to ISA 550 within the diagram of the draft non-authoritative guidance.
- Describing the term “fraud lens.”
- Looking at the manner in which the objectives of ISA 200<sup>15</sup> are characterized in the draft non-authoritative guidance.

#### *Other Matters*

30. The Board asked the Fraud Task Force to consider:

- Using the proposed Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines in revising ISA 240.
- Aligning with the proposed changes in other projects under way (i.e., going concern and audit evidence).

### **Other Substantial Matters**

#### *IAASB CAG Chair Remarks*

31. Mr. Dalkin noted that Representatives were broadly supportive of the proposed changes addressing risk identification and assessment, and communication with TCWG.
32. With respect to the alternatives for transparency in reporting on fraud, Mr. Dalkin noted that Representatives were of the view that the alternatives are appropriate to discuss with users of the financial statements. However, Representatives cautioned against boilerplate disclosures. Mr. Dalkin furthermore suggested including stakeholders from the public sector in the planned targeted outreach.

#### *PIOB Observer Remarks*

33. Ms. van Diggelen noted that the PIOB recognizes the importance of this project as it is critical for narrowing the expectation gap and improving auditor behavior. She highlighted the importance of thinking out of the box when developing the revisions to ISA 240. Ms. van Diggelen encouraged the Board to also take into account the current audit approaches being more and more a substantive testing audit approach and to assess whether, from the perspective of the audit risk model, this has implications for the detection of the risks of material misstatement due to fraud on those audits, compared to audits using a control-based audit approach. She noted that the impact of current practice is important in view of the aim to drive improved behaviors.

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<sup>15</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

34. Ms. van Diggelen further noted the importance of the proposed changes for clarifying and strengthening the auditor's responsibilities on fraud and addressing the communication with TCWG and transparency in reporting on fraud.
35. With respect to transparency in reporting on fraud, Ms. van Diggelen noted the importance of obtaining input from users of the financial statements before deciding on the way forward. She added that enhanced transparency on fraud in the auditor's report may drive enhanced disclosures by management as well.

#### *Next Steps*

36. In June 2022, the Fraud Task Force will bring the topics discussed in the March 2022 IAASB meeting and selected new topics to the Board for discussion, potentially including proposed drafting for certain of these topics.

### **Audit Evidence (Agenda Item 5)**

#### **Decisions**

The Board was presented with the first draft of proposed ISA 500 (Revised) as included in [Agenda Item 5-A](#).

*Requirement in paragraph 8: Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence*

37. The Board supported the proposals to:
  - Subsume the principles of the requirement in paragraph 10 of extant ISA 500 (selecting items for testing) into paragraph 8(b) of proposed ISA 500 (Revised); and
  - Relocate application material on the types of audit procedures to an Appendix; and

*Requirement in paragraph 10: Information Prepared by a Management's Expert*

38. The Board supported the proposal to retain the reference to evaluating the competence, capabilities and objectivity of the management's expert, and, in this regard, the description in paragraph A65 that provides a link to the attributes of credibility and bias.

#### **Directions**

The following are the substantial matters for which the Board provided direction to the Audit Evidence Task Force on the draft of proposed ISA 500 (Revised) as presented.

#### *General*

39. The Board asked the Audit Evidence Task Force to consider:
  - The use of certain verbs, such as "evaluate" and "consider," together in a requirement, also noting the pending finalization of the draft CUSP Drafting Principles and Guidelines in Q2 of 2022.
  - Further streamlining the proposed application material.
  - Strengthening the link between the auditor's consideration of authenticity in proposed ISA 500 (Revised) and ISA 240.

*Definitions*

40. The Board broadly cautioned against the proposed changes to the definitions of the appropriateness (of audit evidence) and the sufficiency (of audit evidence). In particular, the Board asked the Audit Evidence Task Force to further explore:
- The merit of the proposal to relocate the reference to “relevance and reliability” in the definition of the appropriateness of audit evidence in extant ISA 500 to the application material.
  - The proposed use of the term “appropriate” (audit evidence) in the definition of the sufficiency of audit evidence, given concerns about circularity.
  - Retaining the reference to the auditor’s assessment of the risks of material misstatement in the definition of the sufficiency of audit evidence.
41. Proposed definition of audit evidence – A Board member asked the Audit Evidence Task Force to consider whether there may be any unintended consequences of limiting audit evidence to information that has been subject to audit procedures. For example, in some cases, the absence of information may also constitute audit evidence that is used by the auditor. The auditor may also obtain information from quality management procedures or from external sources such as press articles.

*Requirement in paragraph 8: Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence*

42. The Board asked the Audit Evidence Task Force to further consider:
- Whether the use of the term “in a manner that is not biased” in paragraph 8(a) of the proposed standard is clear in this context. It was noted that auditors inherently apply bias when designing and performing audit procedures to corroborate account balances, classes of transactions and disclosures.
  - The proposed use and meaning of the terms “the purposes of the audit procedure” (used in paragraph 8(b)) and “the auditor’s purposes” (used elsewhere, e.g., in paragraphs 9 and 13, as well as in the application material).
  - The use of the term “audit procedures that are appropriate in the circumstances” in paragraph 8(b), to avoid confusion with similar or other terms in the ISAs that refer to “appropriate”. A Board member noted that extant ISA 500 uses the term “effective in meeting the purpose of the audit procedure.”<sup>16</sup>
  - Whether the requirement appropriately reflects the purpose or role of proposed ISA 500 (Revised) in relation to the auditor’s responsibility to design and perform audit procedures. In particular, a Board member noted that the words “in accordance with the ISAs” imply that other ISAs always provide guidance on how to design and perform audit procedures to meet the requirements of those ISAs.

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<sup>16</sup> ISA 500, paragraph 10

*Application material in support of the requirement in paragraph 8: Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence*

43. The Board asked the Audit Evidence Task Force to further consider:

- Clarifying the scope or meaning of the term “other audit procedures that are performed to comply with the ISAs,” as presented in paragraph A2(c).
- Streamlining and further clarifying the proposed application material about the concepts of, and the relationship between, sufficient appropriate audit evidence, the persuasiveness of audit evidence and the definitions of the appropriateness (of audit evidence) and the sufficiency (of audit evidence). It was noted that a diagram or flowchart may be helpful in demonstrating such understanding.
- Enhancing the guidance on automation bias.

*Requirement in paragraph 9: Information Intended to Be Used as Audit Evidence*

44. The Board asked the Audit Evidence Task Force to further consider whether it is appropriate to specifically include the source of the information in the requirement (paragraph 9(a)). It was noted that ‘sources’ are already encapsulated in some of the examples of attributes of reliability in paragraph A49.

*Requirement in paragraph 10: Information Prepared by a Management’s Expert*

45. The Board asked the Audit Evidence Task Force to further consider:

- Strengthening the link or relationship between this requirement and paragraph 9.
- Whether it may be helpful to retain “having regard to the significance of that expert’s work,” as used in paragraph 8 of extant ISA 500, given that the auditor’s work effort should be driven by the significance of the information in question.

*Requirement in paragraph 11: Doubts about Relevance and Reliability*

46. The Board asked the Audit Evidence Task Force to further consider:

- Whether the requirement may be strengthened by highlighting the risk of fraud if the auditor has doubts about the relevance and reliability of information intended to be used as audit evidence.
- Whether the distinction between paragraph 11 (that applies to information intended to be used as audit evidence) and paragraph 12 (that applies to audit evidence obtained) could be further clarified.
- Developing application material to explain the circumstances when or why there may be doubts about the relevance of information intended to be used as audit evidence (noting this is a new requirement compared to extant ISA 500).

*Paragraph 12: Inconsistencies in Audit Evidence*

47. The Board asked the Audit Evidence Task Force to further consider whether the requirement adequately deals with the sufficiency of the remaining audit evidence, once the inconsistency has

been resolved in accordance with paragraph 12(a).

*Paragraph 13: Evaluating Whether Audit Evidence Obtained Meets the Auditor's Purposes*

48. The Board asked the Audit Evidence Task Force to clarify:
- The level at which the evaluation takes place, for example, the procedure, assertion, account balance or financial statement level, including the expected or required work effort of the auditor.
  - How the proposed stand-back compares or reconciles with similar stand-back requirements in paragraph 26 of ISA 330 and paragraph 11(a) in ISA 700 (Revised).

*Objective*

49. The Board expressed mixed views about the proposed objective in paragraph 6, including directing the Audit Evidence Task Force to consider whether it may be appropriate to:
- Incorporate “to evaluate the relevance and reliability of information intended to be used as audit evidence,” given that this is a critical aspect of the standard.
  - Retain the wording in the objective of extant 500 about why the auditor obtains sufficient appropriate audit evidence, i.e., “to be able to draw reasonable conclusions on which to base the auditor’s opinion.”
  - Incorporate the auditor’s responsibility to design and perform audit procedures, as included in the objective of extant ISA 500.

**Other Substantial Matters**

Other substantial matters raised during the discussion of the draft of ISA 500 (Revised) as presented in [Agenda Item 5-A](#) were as follows:

*General*

50. The Board noted its support for the direction of the proposals about reinforcing the exercise of professional skepticism.
51. The Board broadly noted its support for the AETF’s initial views and approach to the conforming and consequential amendments arising from proposed ISA 500 (Revised).

*Requirement in paragraph 9: Information Intended to Be Used as Audit Evidence*

52. The Board expressed mixed views about the reference to the attributes of accuracy and completeness in paragraph 9(b):
- Given the principles-based nature of the standard, some questioned whether it was necessary to specifically call out the consideration of accuracy and completeness.
  - Other Board members expressed concern about the robustness of the requirement compared to extant ISA 500. In particular, regulators have noted inspection findings indicating that auditors are not appropriately addressing the accuracy and completeness of information when relevant. Therefore, it was questioned whether there is justification for not including a requirement similar to extant ISA 500 to obtain audit evidence about accuracy and completeness as necessary in the circumstances.

53. The Board expressed concerns about the guidance in relation to the auditor's documentation as presented in paragraph A56:
- Given that the requirement specifically refers to the consideration of accuracy and completeness, it is not clear whether such consideration creates a documentation requirement.
  - The proposed guidance explains what the auditor is not required to document. It may be helpful or more helpful if guidance is provided about documentation requirements in other ISAs (e.g., ISA 230<sup>17</sup> and ISA 315 (Revised 2019)).
  - It is not clear whether the guidance reconciles or aligns with the requirements of paragraph 8 of ISA 230.

#### *IAASB CAG Chair Remarks*

54. Mr. Dalkin noted that Representatives are broadly supportive of the direction of the project. In particular, Representatives noted strong support for the principles-based approach adopted in the draft of proposed ISA 500 (Revised).

#### *PIOB Observer Remarks*

55. Ms. van Diggelen observed the importance of the IAASB's Audit Evidence project and noted the need to focus on professional skepticism and technology. In particular, Ms. van Diggelen encouraged the IAASB to implement steps to safeguard that the standard remains fit for purposes for future changes in technology. Ms. van Diggelen also noted that several important concepts such as reliability and authenticity of information and other public interest matters are dealt with in the proposed application material, which may be considered to be elevated to the requirements.

#### *Next Steps*

56. The Audit Evidence Task Force will make changes to the draft of proposed ISA 500 (Revised) based on Board members' feedback. The Audit Evidence Task Force intends to provide an updated draft to the Board for discussion at the June 2022 IAASB meeting.

## **Sustainability (Agenda Item 6)**

### **Substantial Matters**

57. The Board received four presentations reflecting the perspectives of a regulator, preparers, an investor and an assurance practitioner on issues relating to assurance on sustainability, as follows:
- Ms. Arveras, Corporate Reporting, Audit and Credit Rating Agencies at DG FISMA in the European Commission (EC) provided an update on the proposed Corporate Sustainability Reporting Directive (CSRD).
  - Ms. Fries, Executive Chairman, Accounting for Sustainability (A4S) provided an update on the reporting landscape in sustainability / Environmental, Social, and Governance (ESG) reporting, including the harmonization of the reporting standards. She explained the key challenges from a reporting perspective and shared some insights from outreach undertaken by A4S with preparers and finance leaders (including their perspectives on assurance).

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<sup>17</sup> ISA 230, *Audit Documentation*

- Mr. Carsten Stendevad, Co-Chief Investment Officer for Sustainability, Bridgewater Associates explained how ESG information is becoming increasingly important to investment decisions, as is the reliability and comparability of available information sources. He explained how sustainability / ESG information is processed and integrated into investment decisions, and how the reliability of the information is considered (including when information is assured).
- Mr. Neil Morris, Global Head: Assurance & ESG Methodology, KPMG, provided an overview of some of the complexities and key challenges for the practitioner in undertaking sustainability / ESG assurance engagements. He also emphasized the importance of the IAASB's strategic focus on being the globally recognized standard-setter for assurance on sustainability / ESG reporting, thereby supporting the quality of, and consistency and comparability in, assurance. In this regard he noted the importance of the IAASB developing standards that are branded as assurance on sustainability / ESG reporting.

Several Board members posed questions and shared views with the presenters.

58. Following the presentations, the Board discussed in breakout groups their views on the proposals and questions presented by the Sustainability Assurance Consultation Group in **Agenda Item 6**. The questions discussed were as follows:

1. Whether the IAASB agrees that its actions should be focused on assurance on sustainability / ESG reporting more broadly, encapsulating all topics and information disclosed about the topics, recognizing different mechanisms for reporting, and remaining framework-neutral in terms of the reporting standards used?
2. Does the IAASB agree that it should remain neutral on the intended users of the assurance practitioner's report (recognizing the broad spectrum of users of sustainability / ESG reporting), as is currently the case across the IAASB's Standards?
3. What are the challenges in performing assurance engagements on sustainability / ESG reporting? In sharing these challenges, the IAASB is asked to also indicate what is the urgency and priority of each challenge.
4. What are the IAASB's views about the actions the IAASB should take in addressing assurance on sustainability / ESG reporting?
5. For the integration of sustainability / ESG information within the financial statements:
  - i) Has the IAASB observed that sustainability / ESG information is being integrated with the financial statements?
  - ii) What challenges and complexities does this create from an audit and/or assurance perspective?
  - iii) How are auditors of financial statements currently dealing with the integration of this information?
  - iv) Does the IAASB believe that IAASB actions in this regard are needed, and if so, is this a priority action that needs to be addressed in parallel with any other actions taken to address assurance on sustainability / ESG reporting?
6. What outreach and information-gathering should the IAASB undertake to solicit input from stakeholders?

The breakout groups did not report back in plenary after their discussions. Staff in coordination with the Sustainability Assurance Consultation Group will collate and consider the feedback received during the breakout group discussions, which will be incorporated as appropriate in future Board materials as this project progresses.

*IAASB CAG Chair Remarks*

59. Mr. Dalkin noted that Representatives have a keen interest in sustainability.

*PIOB Observer Remarks*

60. Ms. van Diggelen noted the importance of the IAASB's work in taking a lead on assurance on sustainability / ESG reporting as there is a real demand and need. She noted that momentum is building for assurance on ESG information and highlighted the need to act quickly to produce a standard that can be used by all assurance providers. She suggested that development of a standard could use the materials which the IAASB already has. She further described the IAASB's opportunity as "an open door" for standard-setting on this topic. She noted that the speakers have created clarity in the options available for the best way forward, which can be further discussed in the breakout session. Ms. van Diggelen welcomed those discussions. Overall, she noted that it is important that a standard is developed for all assurance providers to use including non-accountants.

*Next Steps*

61. The Sustainability Assurance Working Group will consider the feedback from the breakout groups and plans to undertake outreach to solicit input across the IAASB's stakeholders. An update on the project will be provided to the Board in June 2022.

**Closing**

Mr. Seidenstein thanked the IAASB members, TAs and IAASB Staff for the efforts leading up to, and during, the Board meeting. He then closed the public session.

**Next Meeting**

There is one mid-quarter Board videoconference scheduled for the second quarter of 2022, which will be held on April 26. The next IAASB meeting will be held between June 13–17, 2022. Details of the meeting format will be communicated in due course.