

**Minutes of the 133rd Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on June 13–16, 2022 in New York, United States of America¹**

Voting Members

Present: Tom Seidenstein (Chair)
Len Jui (Deputy Chair)
Sue Almond
Chun Wee Chiew
Julie Corden (June 13-16)
William Edge
Kai Morten Hagen
Josephine Jackson
Sachiko Kai
Edo Kienhuis
Diane Larsen
Prof. Warren Maroun
Prof. Kai-Uwe Marten (June 13-15)
Lyn Provost
Fernando Ruiz Monroy
Wendy Stevens
Isabelle Tracq-Sengeissen
Eric Turner

Technical Advisors (TA)

Helene Agélii (Mr. Hagen)
Sara Ashton (Ms. Almond)
Viviene 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)
Tania Sergott (Ms. Corden)
Jamie Shannon (Mr. Kienhuis)
Sylvia Van Dyk (Mrs. Provost)
Brian Wilson (Ms. Stevens)
Kazuko 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

¹ The June 2022 IAASB meeting was the first full in-person meeting held in New York USA, following the COVID-19 pandemic, with videoconference dial-in available.

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards) (June 13-16), Willie Botha (Technical Director), Sally Ann Bailey, Amy Fairchild, Claire Grayston, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska, Hanken Jane Talatala, Jasper van den Hout (June 16-17), Adriana Chircusi (Staff Fellow) (June 14), Dan Montgomery (Senior Advisor – Technical Projects), Madeleine Zietsman (IAASB Intern).

Apology: Danielle Davies (Staff Fellow)

International Ethics Standards Board for Accountants (IESBA) (June 13 & 17)

Present: Ken Siong (IESBA Staff), Geoffrey Kwan (IESBA Staff), Sung-Nam Kim (IESBA Member)

Welcome and Introduction

- The Chair welcomed members, technical advisors and official observers, and public observers via YouTube, to the June 2022 IAASB meeting.
- The Chair specifically welcomed Kazuko Yoshimura, who he had introduced at a previous IAASB meeting as Ms. Kai's new TA, however noted that Ms. Yoshimura has also recently joined the IAASB staff as a secondee and primarily will be supporting project staff on the audits for less complex entities project.
- The Chair also welcomed Ms. Zietsman, who recently joined the IAASB as a summer intern. And noted that Ms. Bahlmann will be joining the Board session on the Wednesday (June 15, 2022) as an observer, when audits of less complex entities are discussed.
- The Chair updated the Board on the outreach performed during the second quarter of 2022, highlighting the extent of the IAASB's interactions with its key stakeholders for various projects.

Meeting Topics

- [Approval of Minutes \(Agenda Item 1\)](#)
- [Listed Entity and Public Interest Entity \(Agenda Item 2\)](#)
- [Audit Evidence \(Agenda Item 3\)](#)
- [Sustainability \(Agenda Item 4\)](#)
- [Going Concern \(Agenda Item 5\)](#)
- [Audits of Less Complex Entities \(Agenda Item 6\)](#)
- [Fraud \(Agenda Item 7\)](#)

Approval of Minutes (Agenda Item 1)

Decision

1. The Board approved the minutes of the March 2022 IAASB quarterly meeting, and the mid-quarter videoconference held on April 26, 2022, as presented on June 16, 2022.

Listed Entity and Public Interest Entity (PIE) (Agenda Item 2)

Decisions

Approval of the Exposure Draft (ED)²

2. After presenting an updated version of the ED, the IAASB voted on and unanimously approved the proposed amendments to ISA 700 (Revised) and ISA 260 (Revised) with 16 affirmative votes out of the 16 Board members in attendance. The revisions made in finalizing the ED, which addressed Board members' comments, are indicated in [Agenda Item 2-A.3 \(Marked\)](#).

Directions

Content of the Explanatory Memorandum (EM) Accompanying the ED

3. The Board provided direction on the content of the EM presented in [Agenda Item 2-A](#), which had been provided for the IAASB's reference.

Alternative Approach to Amending ISA 700 (Revised)

4. With regards to the alternative approach to amending ISA 700 (Revised) explained in **Section 2-C** of **Agenda Item 2-A**, the Board instructed the PIE Task Force to recontextualize the alternative approach as a consideration in developing the proposals. The Board also requested the PIE Task Force to:
 - Remove the question seeking respondents' feedback on whether they support the alternative approach to revising ISA 700 (Revised).
 - Revise the Appendix to the EM to only include examples of the impact on the auditor's report under the IAASB's proposed approach. The Board also suggested using the appendix in future support materials.

*Approach to Revising ISRE 2400 (Revised)*³

5. The Board directed the PIE Task Force to provide an explanation in the EM that any further actions identified by the IAASB to revise ISRE 2400 (Revised) to address transparency about the relevant ethical requirements for certain entities applied, will be considered as part of Track 2 of the narrow scope maintenance of standards project on listed entity and PIE.

Other Substantial Matters

IAASB CAG Chair Remarks

6. Mr. Dalkin thanked the Board, noting that in June 2022, Representatives provided support for the draft proposed revisions to ISA 700 (Revised) and ISA 260 (Revised) included in the ED, as well as for providing further information about the alternative approach considered by the IAASB in the EM. He emphasized the need for the IAASB to consider the overall impact of the changes being considered to the auditor's report through several of its standard setting projects, particularly with

² Proposed Narrow Scope Amendments to International Standards on Auditing (ISA) 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* and ISA 260 (Revised), *Communication with Those Charged with Governance* as a Result of the revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) that require a firm to publicly disclose when a firm has applied the independence requirements for PIEs

³ International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

respect to adding length and complexity to the auditor's report.

PIOB Observers Remarks

7. Ms. van Diggelen noted that enhanced transparency and consistency in auditor reporting are key public interest objectives, and that overall, the proposals included in the ED and the EM meet those objectives as well as the public interest issues identified in the project proposal for the narrow scope maintenance of standards project on listed entity and PIE. She noted that enhanced transparency about the relevant ethical requirements for independence applied in performing audits for certain entities are mostly important for investors and other users of audited financial statements. Ms. van Diggelen explained that investors and other users of audited financial statements are often less represented when soliciting feedback through public consultation on IAASB's exposure drafts, and if this would be the case as well with this ED, then she encouraged the IAASB to solicit views specifically from users and investors.
8. Regarding the communication with those charged with governance, Ms. van Diggelen encouraged the IAASB to further consider and discuss whether the wording used in proposed paragraph A32A in the ED that the auditor "may communicate with those charged with governance" is appropriate, and in particular because the requirement in paragraph 17 of ISA 260 (Revised) does not explicitly require for the auditor to communicate with those charged with governance about the differential independence requirements applied. She noted that it is important that those charged with governance are made aware of the differential independence requirements applied, as they also have a role to play to ensure the independence of the auditor and often have to approve non-audit services.

Next Steps

9. In July 2022, the IAASB will publish the ED for a 90-day public comment period. In December 2022, the PIE Task Force intends to present to the Board proposals regarding Track 2 of the narrow scope maintenance of standards project on listed entity and PIE.

Audit Evidence (Agenda Item 3)

Decisions

Proposed ISA 500 (Revised)⁴

10. The Board discussed the second full draft of proposed ISA 500 (Revised) as presented in [Agenda Item 3-A](#). The Board also discussed a turnaround draft of targeted matters as presented in [Agenda Item 3-B \(Updated\)](#).

Application Material in support of paragraph 7(a): Definition of Appropriateness of Audit Evidence

11. The Board supported the proposal, as presented in paragraph A3j of **Agenda Item 3-B (Updated)**, to clarify that the appropriateness of audit evidence depends on the relevance and reliability of the information intended to be used as audit evidence as well as the effectiveness of the design of the audit procedures and the auditor's application of those audit procedures.

⁴ Proposed ISA 500 (Revised), *Audit Evidence*

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

12. The Board supported the proposals in paragraph 8 of **Agenda Item 3–B (Updated)**, and in particular aligning the wording of the requirement in paragraph 8(a) about designing and performing audit procedures in an unbiased manner with the wording in related requirements in ISA 315 (Revised 2019)⁵ and ISA 540 (Revised).⁶

Application Material in support of paragraph 8: Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

13. The Board supported the proposal to clarify that designing and performing audit procedures in an unbiased manner applies to all audit procedures, including the related proposed guidance in paragraph A16a of **Agenda Item 3–B (Updated)**.
14. The Board supported the deletion of paragraph A4, as presented in **Agenda Item 3-A**, and the incorporation of certain points into other application material paragraphs. In particular, the Board noted that management’s unwillingness to respond to an inquiry or a request from the auditor may be a limitation on the scope of the audit and added that point to paragraph A3i of **Agenda Item 3-B (Updated)**.

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

15. A majority of the Board members supported the proposal for the separate requirement in paragraph 9-A, as clarified and streamlined in **Agenda Item 3-B (Updated)**, to obtain audit evidence about the accuracy and completeness of information when such attributes are applicable in the circumstances. Some Board members continued to be of the view that this requirement could be integrated into the overall requirement in paragraph 9 to evaluate the relevance and reliability of information intended to be used as audit evidence. However, on balance, the Board concluded that the separate requirement highlights the importance of evaluating the accuracy and completeness of information, particularly information generated internally from an entity’s information system, and is responsive to inspection findings from audit regulators.

Application material in support of the requirements in paragraphs 9 and 9A: Information Intended to Be Used as Audit Evidence

16. The Board supported the proposals as presented in **Agenda Item 3–B (Updated)** to:
- Clarify the meaning of the term “information intended to be used as audit evidence,” given concerns about a disconnect with the wording of the definition of audit evidence.
 - Streamline the application material to further explain that the evaluation of relevance and reliability, including obtaining audit evidence about the accuracy and completeness attributes, may be performed concurrently with the audit procedure(s) applied to the information.
 - Delete guidance that the auditor is not required to document the evaluation of information intended to be used as audit evidence when the auditor determines that the information is not

⁵ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraph 13

⁶ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraph 18

relevant or reliable. The Board noted that such documentation may be necessary in certain circumstances, however this would be addressed by ISA 230.⁷

Requirement in paragraph 10 and related application material: Information Prepared by a Management's Expert

17. The Board supported the proposed requirements in paragraph 10, including the related application material, as presented in **Agenda Item 3–A**.

Requirement in paragraph 11 and related application material: Doubts about Relevance or Reliability of Information Intended to Be Used as Audit Evidence

18. The Board supported the proposed requirements in paragraph 11 as presented in **Agenda Item 3–B (Updated)**, noting that the revised wording was clearer and more focused on the auditor's actions to resolve the doubts about the relevance or reliability of information. The Board also supported the proposed revisions to the related application material to paragraph 11, as presented in **Agenda Item 3–B (Updated)**, noting that the revisions clarify that doubts about the relevance or reliability of information may be resolved by performing audit procedures related to such information, but in some circumstances the auditor may need to seek alternative or additional information.

Requirements in paragraphs 13 and 13A and related application material: Evaluating Audit Evidence Obtained

19. The Board supported the proposed requirements in paragraphs 13 and 13A, as presented in **Agenda Item 3–A (Updated)**.
20. The Board also supported the proposed revisions to the related application material in paragraphs A77a and A77b, as presented in **Agenda Item 3–B (Updated)**, to clarify that the stand-back in paragraph 13 applies to all audit procedures.

Directions

Introductory Paragraphs

21. The Board asked the Audit Evidence Task Force to explore simplifying and streamlining paragraph 3, as presented in **Agenda Item 3–A**, as the references to the auditor's responsibilities relating to audit evidence were deemed to be repetitive with paragraph 1. In addition, some Board members questioned whether the use of the term "overarching requirements" in paragraph 3 was appropriate or necessary.

Objectives

22. Although broadly supportive of the proposed objectives as presented in **Agenda Item 3–B (Updated)**, the Board asked the Audit Evidence Task Force to consider whether the wording could be further clarified or simplified.

Definitions

23. Although broadly supportive of the proposed changes to the definitions, the Board asked the Audit Evidence Task Force to consider whether there may be a disconnect between the definition of sufficiency of audit evidence (which refers to quantity) and the application material in support of the

⁷ ISA 230, *Audit Documentation*

definition (which refers to quantity and quality), as presented in **Agenda Item 3–A**.

24. Although broadly supportive of the proposed changes to the definitions, the Board asked the Audit Evidence Task Force to consider whether the term “draw conclusions” in the definition of audit evidence should be changed to “draw reasonable conclusions.”

Other Substantial Matters

General

25. The Board expressed mixed views about the manner in which technology has been addressed in proposed ISA 500 (Revised):
- Some Board members expressed concern about whether technology has been adequately addressed, noting that there may be broader expectations about the modernization of ISA 500.
 - Given the principles-based nature of the standard, other Board members supported the level and manner in which technology has been addressed. For example, examples about technology may easily become redundant or out of date and are therefore more suitable outside of the standard (such as in non-authoritative support materials).

Proposed Conforming and Consequential Amendments

26. With respect to the proposed conforming and consequential amendments, arising from the proposals in the draft of ISA 500 (Revised), as presented in [Agenda Item 3-D](#): the Board asked the Audit Evidence Task Force to:
- Reconsider the proposed conforming amendments to ISA 315 (Revised 2019) and ISA 540 (Revised) as presented in **Agenda Item 3–D**, based on the revisions to paragraph 8 agreed to by the Board as presented in **Agenda Item 3–B (Updated)**.
 - Consider whether further conforming changes may be necessary throughout the ISAs given the reference to both the auditor’s opinion and report in the definition of audit evidence, as presented in paragraph 7(b) of **Agenda Item 3–B (Updated)**.
27. The Board supported the proposed consequential amendment to delete the definition of audit evidence in ISA 200,⁸ given that it is defined in proposed ISA 500 (Revised).

CAG Chair Remarks

28. Mr. Dalkin noted that the CAG Representatives were supportive of the direction of the project to revise ISA 500.

PIOB Observer Remarks

29. Ms. van Diggelen asked the IAASB to consider how auditors may be encouraged, as appropriate, to seek external sources of audit evidence. Ms. van Diggelen also noted that the concepts of the persuasiveness of audit evidence and the attributes of relevance and reliability are primarily included and explained in the application material, with the exception of the accuracy and completeness attributes. She therefore asked the IAASB to consider explaining its rationale about the balance

⁸ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Audit*

between the requirements and the application material in the Explanatory Memorandum of proposed ISA 500 (Revised). In addition, Ms. van Diggelen noted that it would be beneficial to clarify the required level of audit evidence to be obtained from tests of controls versus substantive audit procedures.

Next Steps

30. The Audit Evidence Task Force will discuss further 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 of proposed ISA 500 (Revised) for approval for public exposure at the September 2022 IAASB meeting.

Sustainability (Agenda Item 4)

Decisions

Development of a Standard(s) for Assurance on Sustainability Reporting

31. The Board supported developing a standard(s) for assurance on sustainability reporting as the immediate action (i.e., in following a phased approach that broadly distinguishes between immediate action and possible future actions).

Key Challenges to be Addressed as Part of the Initial Standard-Setting Effort

32. The Board agreed with the five challenges identified by the Sustainability Assurance Working Group as most critical and on which specificity would be provided as part of the initial standard-setting effort.
33. The Board supported addressing both limited assurance and reasonable assurance as part of the initial standard-setting effort.

The Approach to Developing a Standard(s) for Assurance on Sustainability Reporting

34. The Board on balance supported, as a first step, developing the standard(s) for assurance on sustainability reporting using the approach described in Option 2 of [Agenda Item 4](#) ("stand-alone" standard consistent with ISAE 3000 (Revised)⁹). However, the Board indicated that it may also be necessary for certain elements of the standard to use a more innovative approach, similar to the approach described in Option 1 ("Greenfield" approach).

Directions

Development of a Standard(s) for Assurance on Sustainability Reporting

35. The Board requested the Sustainability Assurance Working Group to present a draft project plan in September 2022 that sets out the vision and timeline for the project, as this is important to inform stakeholders of the Board's intentions. Nevertheless, the Board emphasized that the key public interest issue in the context of assurance on sustainability reporting is the timeliness of standard setting, and therefore emphasized that the project plan needs to be simple and sufficiently high level so that it does not distract from the standard-setting activities.

⁹ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

Key Challenges to be Addressed as Part of the Initial Standard-Setting Effort

36. The Board asked the Sustainability Assurance Working Group to consider the following areas while addressing the five challenges already identified: fraud risk and management bias, forward-looking information, and assurance reporting. The Board also suggested separating internal controls from evidence, given that internal controls relate to other elements of the engagement, such as risk identification and assessment.
37. The Board noted that the integration of sustainability information in the financial statements will become more prevalent, and therefore may also need to be addressed by the IAASB as part of its initial efforts. However, the Board suggested that guidance may be appropriate to address this issue and that external resources could be used to support this initiative.

The Approach to Developing a Standard(s) for Assurance on Sustainability Reporting

38. The Board asked the Sustainability Assurance Working Group to consider maintaining the meaning and intent of the concepts and key principles of ISA 3000 (Revised) and also to clarify and establish the linkage between the new standard(s) and ISAE 3402¹⁰ and ISAE 3410¹¹.
39. The Board suggested further considering the architecture of the standards, such as whether a single standard is appropriate because future revisions of a single standard could be challenging to scope in a disciplined manner.

Other Substantial Matters

40. The Board noted the importance of maintaining ISAE 3000 (Revised) and the other ISAEs, although recognized that ISAE 3000 (Revised) is an overarching and versatile standard that needs to remain suitable for other assurance engagements on non-historical financial information.
41. The Board discussed interacting with other global standard setters involved in assurance on sustainability reporting. The Board also noted the importance of developing a standard-setting solution that is suitable for use by any practitioner (whether a professional accountant or not) performing assurance on sustainability reporting, and the role of regulators and policymakers in establishing who is appropriately qualified to perform these engagements. In this context, the Board emphasized the importance of ISQM 1¹² and robust relevant ethical requirements as the foundation for enabling and supporting the consistent performance of high-quality assurance engagements.

IAASB CAG Chair Remarks

42. Mr. Dalkin noted that Representatives are broadly supportive of moving forward with a standard(s) as proposed. He further added, that even though the identified challenges were not extensively discussed with the IAASB CAG yet, Representatives will be supportive of the focus on those. He highlighted that they will be interested to see how the IAASB's approach differentiates limited and reasonable assurance in the context of sustainability assurance reporting.

¹⁰ ISAE 3402, *Assurance Reports on Controls at a Service Organization*

¹¹ ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

¹² International Standards on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

PIOB Observers Remarks

43. Ms. van Diggelen welcomed the Board's support to act quickly and pursue Option 2, given the need for a recognizable stand-alone sustainability assurance standard. She emphasized the importance of the standard being flexible, framework neutral, and neutral regarding users.
44. Ms. van Diggelen acknowledged the importance of a project proposal from a due process perspective, however, she echoed the views that acting expeditiously is in the public interest as well. She added that in the context of sustainability assurance, timeliness of delivery of an assurance solution may be the priority public interest issue when meeting public expectations. She emphasized that it is good that a plan will be developed, to keep the Board aligned with its intention and to communicate with external stakeholders the project objectives and the direction being pursued. Ms. van Diggelen emphasized that this project is different than typical revisions to standards, which are typically clearer regarding what will be done and their objective, and therefore flexibility of the plan will be needed.
45. Ms. van Diggelen agreed with initial efforts to incorporate limited and reasonable assurance into the overarching standard, but noted the importance of being clear about the step-up of work effort from limited to reasonable assurance. She added that this is very important for both the assurance practitioners and the users relying on the assurance report.
46. Overall, Ms. van Diggelen observed that the Board had a good discussion and that she was encouraged and enthusiastic about this important public interest project.

Next Steps

47. The Sustainability Assurance Working Group will bring to the Board in September 2022 an outline of the elements of the standard, and the underlying requirements that will be brought in from ISAE 3000 (Revised) and ISAE 3410. Time permitting, the Sustainability Assurance Working Group also intends proposing which material from the Extended External Reporting Guidance should be incorporated as requirements in the standard. The Sustainability Assurance Working Group will also provide an outline of the project plan.
48. The Sustainability Assurance Working Group intends to continue outreach activities and collaboration with key stakeholders.

Going Concern (Agenda Item 5)

Decisions

Revision of ISA 570 (Revised), *Going Concern*

49. The Board was presented with initial drafting paragraphs for proposed ISA 570 (Revised) as included in [Agenda Item 5-A](#).

Timeline Over Which the Going Concern Assessment is Made

50. The Board supported:
 - A change in the commencement date of the twelve-month period of the auditor's evaluation of management's assessment of the entity's ability to continue as a going concern.¹³ This includes

¹³ Further referred to as "management's assessment of going concern" or "management's assessment."

a period of at least twelve months from the date of approval of the financial statements as defined in paragraph 5(b) of ISA 560.¹⁴

- Inclusion of a new requirement in proposed ISA 570 (Revised) for the auditor to consider whether the period used by management to make its assessment of going concern is reasonable, based on the nature and circumstances of the entity.

Communication with Those Charged with Governance (TCWG)

51. The Board supported the enhancements to the requirements in paragraph 25 of proposed ISA 570 (Revised) for communication with TCWG.

Communication with Appropriate External Parties

52. The Board agreed to include a requirement and related application material in proposed ISA 570 (Revised) for communication with appropriate external parties. The Board also agreed to seek stakeholder feedback on exposure whether this would be useful for those jurisdictions where law, regulation or relevant ethical requirements require or establish responsibilities for the auditor to report to an appropriate authority outside the entity.

Transparency About Going Concern in the Auditor's Report

53. The Board supported:
 - The proposed new requirements for the auditor of a listed entity to describe in the auditor's report how the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern were addressed (i.e., in 'close-call' situations). Such description is provided either in the new "Going Concern" section or in the "Material Uncertainty Related to Going Concern" section of the auditor's report, as appropriate. Some Board members also expressed views that these requirements should apply to audits of all entities.
 - That the Going Concern Task Force continue to explore the proposals and illustrative drafting for providing explicit statements in the auditor's report about going concern in paragraph 21A of proposed ISA 570 (Revised).

Development of Non-Authoritative Guidance

54. The Board agreed to move forward with the issuance of the Frequently Asked Questions (FAQs) as set out in [Agenda Item 5-B](#) subject to the clearance for issue process laid out in Channel 3 of the IAASB [Framework for Activities](#).

Directions

55. 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.

Timeline Over Which the Going Concern Assessment is Made

- Determine the appropriate placement of the requirement in paragraph 14A(a) of proposed ISA 570 (Revised). This includes potential placement of the requirement earlier in the proposed

¹⁴ ISA 560, *Subsequent Events*

standard given the auditor's consideration of the reasonableness of the period of management's assessment of going concern should precede the requirement for when management is unwilling to extend its assessment.

- Strengthen the requirement and the related application material in paragraphs 14A(a) and A13A of proposed ISA 570 (Revised) for the auditor to obtain sufficient appropriate audit evidence to underpin the basis for the auditor's consideration as to whether the period chosen by management to make its assessment of going concern is reasonable.
- Consider strengthening the wording used in the requirement in paragraph 14A(b) of proposed ISA 570 (Revised), so as not to imply that the auditor is "auditing by inquiry" for circumstances when management is unwilling to make or extend its assessment of going concern.
- Presenting the last sentence of the application material in paragraph A13C of proposed ISA 570 (Revised) more prominently so as to emphasize that where the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor expresses a qualified opinion or disclaims an opinion.
- Revise paragraph 13 of proposed ISA 570 (Revised) to align with the revisions proposed in paragraph 13A.

Communication with TCWG

- Supplement the requirement for communication with TCWG about the adequacy of the related disclosures in the financial statements, to also address the disclosures that describe management's significant judgements made.
- Consider whether the new requirement in paragraph 25(e) of proposed ISA 570 (Revised) is necessary, given that the proposals to discuss with management, and if appropriate, with TCWG when management is unwilling to make or extend its assessment of going concern in paragraph 14A(b) of proposed ISA 570 (Revised), already address this matter.

Communication with Appropriate External Parties

- Provide further specificity to the references to the IESBA Code in paragraph A37B of proposed ISA 570 (Revised).
- Clarify the application material in paragraphs A37B–A37C of proposed ISA 570 (Revised) that refers to reporting a matter in the "public interest" to an appropriate authority outside of the entity so as not to infer that the auditor has a responsibility to report when law, regulation or relevant ethical requirements do not require or establish such responsibility.

Transparency About Going Concern in the Auditor's Report

- Clarify the relationship between the proposals presented in paragraph 21B of ISA 570 (Revised) and the extant requirements in ISA 701.¹⁵
- Provide further clarify about what aspects of the auditor's response or approach are most relevant to the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that are included in paragraph A27D of proposed ISA 570

¹⁵ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

(Revised).

- Highlight more prominently the importance to avoid boilerplate and complexity in providing an explanation of how the auditor addressed the events and conditions in paragraph A27E of proposed ISA 570 (Revised).

Development of Non-Authoritative Guidance

- Using full terms (when possible) rather than abbreviations or acronyms throughout the FAQs (e.g., material uncertainty related to going concern, key audit matters, and emphasis of matter) so as to enhance the understandability of the proposed guidance.

Other Substantial Matters

Timeline Over Which the Going Concern Assessment is Made

56. Some Board members questioned whether it is appropriate to propose a change in the commencement date of the twelve-month period of the auditor's evaluation of management's assessment of going concern, without a corresponding change in the requirements of the applicable financial reporting framework for the minimum period of management's assessment of going concern.

Communication with Appropriate External Parties

57. Some Board members questioned the necessity for the proposed requirement to communicate with appropriate external parties, given that this would already be prescribed in jurisdictional law or regulation.
58. Ms. van Diggelen noted that the proposed requirement for communication with appropriate external parties is important from the public interest perspective, because others who are not auditors, would expect a requirement like this to be included in the proposed standard. She noted that the PIOB has made this explicit in their public interest issues published in April 2022. Ms. van Diggelen explained that although jurisdictional law or regulation may require communication with appropriate external parties, the requirement in the standard is a useful reminder of the auditor's obligations in this respect and aligns with the public expectations about the "gatekeeper role" of the auditor, and on this basis, she is very much in favor of including it in the revised standard.

Transparency About Going Concern in the Auditor's Report

59. The Board expressed mixed views about providing two explicit statements in the auditor's report about going concern.
- Some Board members did not support the proposed requirement (i.e., neither of the two statements) given concerns about complexity, length, boilerplate and providing original information in the auditor's report.
 - Some Board members expressed a preference for including only the statement in paragraph 21A(a) of proposed ISA 570 (Revised) that provides a conclusion that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
60. Ms. van Diggelen noted that the statement in paragraph 21A(b) of proposed ISA 570 (Revised) is much clearer for non-auditors as it states that no material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been

identified. She explained that for non-auditors the statement in paragraph 21A(a) of proposed ISA 570 (Revised) is vague. Ms. van Diggelen noted her support for retaining the requirement in paragraph 21A(b) of proposed ISA 570 (Revised) so views can be sought on exposure from investors and other users of audited financial statements about the value of this information provided in the auditor's report.

IAASB CAG Chair Remarks

61. Mr. Dalkin thanked the Board and also emphasized the relevance of the project to revise ISA 570 (Revised) for public sector entities.

PIOB Observers Remarks

62. Ms. van Diggelen emphasized the importance of the project to revise ISA 570 (Revised) from the public interest perspective, as well as its potential impact on narrowing the expectation gap. She noted that the topics discussed by the Board, such as providing explicit statements in the auditor's report about going concern and communication with appropriate external parties, are key elements of the project that the PIOB is monitoring.
63. Ms. van Diggelen noted that as the project progresses, there is an expectation for further enhancements to the proposed standard, particularly with respect to strengthening the auditor's procedures to evaluate management's assessment of going concern. She explained that the extant procedures in the standard are very much written as the auditor is following what management has done rather than thinking first of what the auditor would expect in management assessment of going concern and, as appropriate, challenging management in this regard. She explained that from the public interest perspective, these are the elements that the PIOB expects to see in the revised standard as well as noting her appreciation for the progress of the project to revise ISA 570 (Revised).
64. Ms. van Diggelen noted previous IAASB discussions regarding communicating key audit matters (KAM) in the auditor's report and concerns about boilerplate with KAM in the auditor's report. She emphasized that, despite such concerns, communicating KAM is seen as a valuable enhancement to the auditor's report by investors and other users of audited financial statements and that auditors' practices have evolved in this area as the new requirements have been implemented in jurisdictions. Ms. van Diggelen noted that this is an important lesson learned to consider when developing new requirements in the auditor's report to enhance transparency for topics such as going concern and fraud.
65. Ms. van Diggelen encouraged the Board to consider the overall impact of the changes being considered to enhance transparency in the auditor's report through several of its standard-setting projects, and to develop a strategic approach how to address the collective impact of the proposals on the auditor's report so as to ensure consistency.

Next Steps

66. In September 2022, the Going Concern Task Force intends to discuss with the Board certain other proposed actions in the project proposal such as risk identification and assessment, terminology, evaluating management's assessment of going concern, and professional skepticism.

Audits of Less Complex Entities (LCE) (Agenda Item 6)

Decisions

Development of ISA for LCE

Develop a Standalone “Self-Contained” Standard: Agenda Item 6, Question 3(a)

67. The Board supported the direction to continue developing the proposed ISA for LCE as a standalone “self-contained” standard and to include wording to clarify that the ISAs may be a source of additional guidance for the auditor.

Title of the Standard: Agenda Item 6, Question 3(c)

68. The Board supported the LCE Task Force’s recommendation to make no changes to the proposed title of the standard (International Standard on Auditing (ISA) for Audits of Financial Statements of Less Complex Entities (“ISA for LCE”)).

To Continue the General Approach to Authority and Incorporating the Description of ‘Typical LCE’: Agenda Item 6, Questions 4(a) (b) & (d)

69. The Board supported the approach to the Authority of describing the limitations (i.e., describing a list of prohibited entities and qualitative characteristics to determine whether the standard is appropriate to use or not) and to incorporate the description of a ‘typical LCE’ into the qualitative characteristics of the Authority.

Including Requirements for Group Audits: Agenda Item 6, Question 6

70. The Board supported the proposed inclusion of procedures for group audits in the scope of the standard. Notwithstanding the support noted above, the Board expressed mixed views on how the requirements for group audits should be presented (i.e., as a separate part of the standard or incorporated in the existing parts of the standard). It was noted that drafting requirements as a separate part would be more practical when considering the need for public exposure. On balance the Board agreed with the LCE Task Force’s recommendation to pursue that approach when commencing the drafting.

The Continuation of the Project: Agenda Item 6, Question 9

71. The Board supported the LCE Task Force recommendation to continue to progress the project to develop a separate standard for audits of financial statements of LCEs, while acknowledging concerns from respondents that did not support the project and concerns raised from some Board members as noted in **Other Substantial Matters** below.

Directions

The Description of a “Typical LCE”: Agenda Item 6, Question 1(a)

72. The Board supported the LCE Task Forces direction to better describe the type of entity that would fall within the intended scope of the standard (i.e., a “typical LCE”). The Board generally supported the description included in paragraph 63 of [Agenda Item 6](#), providing some specific comments and further characteristics to consider (including around number of owners and the entity’s governance structure).
73. There were mixed views expressed by the Board on the quantitative indicators included within the

description of the qualitative characteristics of a typical LCE (with specific comments provided on individual indicators e.g., employee numbers and number of members of the management team), including whether quantitative indicators should be included. Other Board members suggested to add additional quantitative indicators such as revenue and total assets. The Board directed the Task Force to consider their comments on specific quantitative indicators when further refining and using the description of a typical LCE.

74. Generally, the Board was of the view that the quantitative factors should guide the auditor whether to use the standard and that quantitative factors (or ranges for certain quantitative factors) could be included in examples (i.e., as guidance). Board members noted that the use of ranges or values that were at the lower range of the complexity spectrum may narrow the scope further and would help to avoid market confusion. The Board directed the Task Force to further consider how the indicators may be incorporated into guidance.

To Further Differentiate the Standard from the ISAs: Agenda Item 6, Question 1(b)

75. The Board directed the LCE Task Force to continue to explore the proposed approach to differentiating the standard from the ISAs through the use of less granular, principles-based requirements, focusing on the targeted areas described in paragraph 70 of **Agenda item 6**. Board members reminded the LCE Task Force to approach this exercise with the objective of developing a standard that would result in a high-quality audit that would obtain reasonable assurance and not for the focus to be on reducing the length of the standard.

To Continue the Approach to Essential Explanatory Material (EEM): Agenda Item 6, Question 2

76. The Board asked the LCE Task Force to continue with the current approach to include limited EEM in the standard, focusing revisions and additions on specific areas identified by respondents to the [Exposure Draft of ISA for LCE](#) (the Exposure Draft). The Board directed the LCE Task Force to carefully consider whether auditors will have sufficient guidance to understand and carry out the requirements, particularly given the proposed approach to revise areas of the standard to use higher level (less granular) principles-based requirements.

The Inclusion of Procedures For 'More Complex' Accounting Estimates: Agenda Item 6, Question 3(b)

77. Board members had mixed views on whether to include procedures for 'more complex' accounting estimates in the standard. However, acknowledging the strong view from the respondents to the Exposure Draft in this area, the Board directed the LCE Task Force to further explore what type of accounting estimates may be more commonly held by a "typical LCE" and bring findings and further recommendations back to the Board for further discussion.

The Use of Quantitative Threshold(s): Agenda Item 6, Question 4(c) and 5

78. The Board expressed mixed views about the incorporation of quantitative thresholds in the Authority, with Board members generally supporting the ability for jurisdictions to set thresholds (rather than being able to set explicit threshold(s) at the global level). In addition, the Board expressed mixed views whether indicative or maximum values (or ranges) should be included in the Authority or supporting guidance. Based on these views, the Board directed the LCE Task Force to further explore what quantitative threshold(s) could be used and how they could be included in the standard or

supporting guidance.

Characteristics of a Less Complex Group: Agenda Item 6, Questions 7 & 8

79. The Board provided direction on the type of group audits that should be in scope, including agreeing with the principle that a less complex group (for the purposes of using the standard) would also “meet” the requirements of a less complex entity (i.e., the characteristics of a less complex entity would also apply to the group, including any quantitative indicators or thresholds). The Board provided some additional group-specific characteristics that may be considered by the LCE Task Force, including groups operating in multiple jurisdictions or with different laws or regulations, or where a group has multiple owners.
80. Mixed views were expressed on if the use of component auditors should prohibit the use of the standard, with Board members acknowledging the use of a component auditor might not always be a driver for complexity and that the underlying reason for using component auditor might need to be explored. Other Board members noted that group audits that use component auditors should not be in the scope of the standard. After deliberation, the Board directed the LCE Task Force to further explore the inclusion of component auditors, considering the comments provided by Board members.

Other Substantial Matters

Basis for Support of Project

81. During the Board Session, some Board members expressed concern that, while providing support and direction on individual matters for Board consideration (i.e., *Matters for Board Consideration* (questions 1-8) described in **Agenda Item 6**) there would still be a need to “stand back” after all questions are addressed and after future revisions are made, in order to evaluate if the proposed standard meets the objective of achieving a high-quality audit that is proportional for an LCE.

IAASB CAG Chair Remarks

82. Mr. Dalkin noted that CAG Representatives have been very supportive of the project. He added that the Representatives would generally envision an LCE to be a very small organization. Mr. Dalkin noted that there has been scope creep by including larger organizations in the scope, and he did not believe the Representatives supported that. Mr. Dalkin further noted that public sector specific issues in the feedback need to be addressed.
83. Mr. Dalkin reiterated that CAG Representatives believe the draft standard is worthwhile, and to keep in mind that there are stakeholders that could benefit from it.

PIOB Observers Remarks

84. Ms. van Diggelen noted that PIOB is supportive of the project as a global standard-setting response is required to counterbalance the ongoing fragmentation due to jurisdictional initiatives on audits of LCEs and to safeguard confidence in and drive consistent high quality LCE audits. Ms. van Diggelen noted the importance of the project due to the large scale of LCE audits globally, but recognized the difficulties to navigate a path forward based on the diversity of external comments received.
85. Ms. van Diggelen noted that the discussion on what a typical LCE is, is important since clarity and common understanding of the scope and consistent application of the ISA for LCE is key. She supported the Board’s direction to describe characteristics for a typical LCE, but also to set clear

boundaries when not to use the standard, narrowing the scope to drive consistency in application. This would support the public interest perspective in view of providing reasonable assurance and driving consistency in high quality LCE audits without negatively impacting the confidence in audits that are performed using the full suite of ISAs.

86. Ms. van Diggelen noted that the “auditability” of entities is also an important concept to consider. In that respect, she noted that the standard should include references to the internal control environment and situations when there is, for instance, a lack of segregation of duties in the entity. This is to avoid giving the impression that all entities that would meet certain characteristics are “auditable”.
87. Ms. van Diggelen encouraged the Board to consider not only how to address the comments received in terms of content, but also in view of the process when further exploring various options, including continued targeted outreach with IAASB’s stakeholders, particularly with the regulatory community, in order to ensure advancing support for the standard.

Next Steps

88. The LCE Task Force will continue to analyze responses to the Exposure Draft and commence drafting in priority areas. In September 2022, the LCE Task Force will bring to the Board for discussion the revised Authority of the draft standard, proposed content and requirements addressing group audits, along with other targeted topics.

Fraud (Agenda Item 7)

Decisions

Revision of ISA 240¹⁶

89. The Board was presented with drafting paragraphs for proposed ISA 240 (Revised) as included in [Agenda Item 7-A](#).

Specialized Skills

90. The Board agreed that the proposed requirement in paragraph 16A of proposed ISA 240 (Revised) should not be limited to members of the engagement team only.

Identifying and Assessing the Risks of Material Misstatement Due to Fraud

91. The Board agreed not to reopen ISA 315 (Revised 2019) in addressing fraud in an audit of financial statements. Instead, the Board reaffirmed the decision that proposed ISA 240 (Revised) refer to, or expand on, the application of ISA 315 (Revised 2019).

Directions

Introduction

92. While the Board broadly agreed that the term “fraud” as used throughout proposed ISA 240 (Revised) is intended to encompass both fraud and suspected fraud, unless otherwise noted, the Board instructed the Fraud Task Force to:
- Identify instances where the phrase “suspected fraud” is used throughout the ISAs and

¹⁶ ISA 240 (Revised), *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

understand whether the clarification that the term “fraud” includes both fraud and suspected fraud may lead to unintended consequences.

- Clarify that the auditor is technically dealing with suspected fraud (in most cases) when identifying, assessing, and responding to the risks of material misstatement due to fraud, since the auditor does not make legal determinations of whether fraud has actually occurred.

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

- Presenting the responsibilities of management and TCWG before the responsibilities of the auditor.
- Enhancing paragraph 1B by making it shorter and more to the point.
- Removing the word “actual” in the phrase “actual fraud and suspected fraud” in paragraph 4C as this may cause confusion as it is different from the phrase “fraud and suspected fraud” which is used throughout the requirements and application material.
- Removing paragraph 8C from the Introduction section as it was not deemed necessary.
- Linking the inherent limitations of an audit and the auditor’s responsibilities for fraud.

Specialized Skills

94. The Board directed the Fraud Task Force to:

- Align the requirement in paragraph 16A of proposed ISA 240 (Revised) more closely to paragraph 26 of ISA 220 (Revised),¹⁷ including its construct.
- Enhance the second sentence¹⁸ of paragraph A12B of proposed ISA 240 (Revised). Some Board members were of the view that the sentence was important for scalability, while others were of the view that it reduces the intended outcome of the requirement in paragraph 16A.
- Consider whether all examples in paragraph A12A need to be included as some may not be seen as matters that may affect the auditor’s determination of whether the engagement team requires specialized skills or knowledge.

Identifying and Assessing the Risks of Material Misstatement Due to Fraud

95. While the Board broadly supported advances that had been made in the overall structure of this section, which leverages the layout, headings and content of ISA 315 (Revised 2019) and other recently approved ISAs, the Board directed the Fraud Task Force to:

- Clarify that the risk assessment procedures performed in proposed ISA 240 (Revised) are intended to refer to, or expand on, and should not be duplicative of, what is already required in ISA 315 (Revised 2019).
- Align the requirements and application material more closely to ISA 315 (Revised 2019).
- Align the impact of inconsistent responses in paragraph 22B of proposed ISA 240 (Revised) with how it is articulated and addressed in proposed ISA 500 (Revised).

¹⁷ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

¹⁸ “For many audits, the auditor may determine that the audit engagement does not require specialized skills or knowledge.”

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

- Including in paragraph 22 of proposed ISA 240 (Revised) inquiries with TCWG about the entity's risk assessment process.
- Including information obtained from procedures on the acceptance or continuance of the client relationship or audit engagement as information from other sources in paragraph 24 of proposed ISA 240 (Revised) instead of the auditor's procedures regarding other information in accordance with ISA 720 (Revised).¹⁹
- Removing the unintended consequences caused by introducing a new threshold in paragraph 24B(f) of proposed ISA 240 (Revised) (i.e., when using the phrase "for which a risk of fraud is likely to exist").
- Including, in the application material to paragraph 28A of proposed ISA 240 (Revised), an example on goodwill.
- Reducing the length of the application material or moving some of it to the Appendix, where appropriate.

Presumption of Fraud Risk in Revenue Recognition

97. The Board asked the Task Force to consider:

- Clarifying the work effort related to the presumption that there are risks of fraud in revenue recognition, including the work effort required for the consideration of fraud risk factors.
- Strengthening the application material in paragraph A30A of proposed ISA 240 (Revised) by describing when it may be inappropriate to rebut the presumption of fraud risk in revenue recognition.
- Streamlining the examples in paragraph A30A of proposed ISA 240 (Revised).
- Clarifying in paragraph A31 of proposed ISA 240 (Revised) that the presumption of fraud risk in revenue recognition could also apply to simple, straightforward and non-complex revenue.

Journal Entries

98. The Board directed the Fraud Task Force to further enhance the standard to:

- Clarify the nature, timing and extent of testing journal entries and other adjustments.
- Provide guidance on how technology could be used to develop both qualitative and quantitative criteria for selecting journal entries to test.
- Align the requirement to obtain evidence about the completeness of the population in paragraph 33(a)(ii) of proposed ISA 240 (Revised) more closely to the relevant requirement in proposed ISA 500 (Revised).

Communication with TCWG

99. The Board directed the Task Force to:

- Have the requirement in paragraph 40A of proposed ISA 240 (Revised) earlier in the standard.

¹⁹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

- Strengthen paragraph A60A by including that the auditor may discuss with TCWG how TCWG are comfortable with the entity's fraud risk assessment process.

Other Substantial Matters

IAASB CAG Chair Remarks

100. Mr. Dalkin was pleased to see the progress made on the project. He highlighted the importance of considering external information when performing risk assessment procedures.

PIOB Observer Remarks

101. Ms. van Diggelen was encouraged by the work done and noted that the changes in proposed ISA 240 (Revised) were in line with the project proposal and the PIOB's recommendations. She highlighted the importance of explicitly addressing both fraud and suspected fraud in the standard, focusing on internal controls to lower the detection risk in an audit, and making enhancements in proposed ISA 240 (Revised) that will drive improved auditor behavior, for example, to include the proposed requirement to determine the need for specialized skills.
102. Ms. van Diggelen encouraged the Fraud Task Force to further explore external information sources as part of other information that the auditor should take into account, how to enhance the standard by considering the culture, tone at the top and the role of the group auditor in identifying and assessing the risks of material misstatement due to fraud at the component level, and how IT innovations, including data analytical tools, could contribute to the detection of fraud.
103. Ms. van Diggelen supported the way forward as set out by the Fraud Task Force and the upcoming targeted outreach with investors on how to best enhance transparency on fraud in the auditor's report.

Next Steps

104. The Fraud Task Force will conduct outreach with users of financial statements in Q2/Q3 2022 relating to transparency on fraud in the auditor's report and report back on this to the Board in September 2022. In December 2022, in addition to advancing the areas previously discussed by the Board, the Fraud Task Force will bring additional topics for the Board to deliberate.

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

The next IAASB meeting will be held in New York from September 12–16, 2022. Details of the meeting will be communicated in due course.