

**Minutes of the 134th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on September 12–16, 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
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)
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)
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)

Present: Rogier Wezenbeek (European Commission) (September 13 and 16)

Public Interest Oversight Board (PIOB) Observer

Present: Mr. Michael Hafeman

¹ The September 2022 IAASB meeting was held in-person in New York USA, with videoconference dial-in available.

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards) (September 12-13), Willie Botha (Program and Technical Director), Sally Ann Bailey, Amy Fairchild, Claire Grayston, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska, Jasper van den Hout (June 13-16), Danielle Davies (Staff Fellow), Adriana Chircusi (Staff Fellow), Dan Montgomery (Senior Advisor – Technical Projects).

Apology: Hanken Talatala

Welcome and Introduction

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

Meeting Topics

- [Approval of Minutes \(Agenda Item 1\)](#)
- [Audit Evidence \(Agenda Item 2\)](#)
- [Disruptive Technologies \(Agenda Item 3\)](#)
- [Sustainability \(Agenda Item 4\)](#)
- [Audits of Less Complex Entities \(Agenda Item 5\)](#)
- [Fraud \(Agenda Item 6\)](#)
- [Going Concern \(Agenda Item 7\)](#)
- [Strategy 2024–2027 \(Agenda Item 8\)](#)

Approval of Minutes (Agenda Item 1)

Decision

1. The Board approved the minutes of the June 2022 IAASB quarterly meeting as presented on September 12, 2022.

Audit Evidence (Agenda Item 2)

Decisions

Approval of the Exposure Draft (ED–500)²

2. After presenting an updated version of proposed ISA 500 (Revised), the IAASB voted on and unanimously approved the exposure draft of the proposed amendments to ISA 500,³ along with the proposed conforming and consequential amendments, with 18 affirmative votes out of the 18 Board members in attendance. The revisions made in finalizing ED–500, which addressed Board members' comments, are indicated in mark up in:
 - [Agenda-Item-2-C-UPDATED](#) – Proposed ISA 500 (Revised); and

² Proposed International Standards on Auditing (ISA) 500 (Revised), *Audit Evidence*

³ ISA 500, *Audit Evidence*

- [Agenda-Item-2-D-UPDATED](#) – Proposed conforming and consequential amendments arising from the proposals in the draft of ISA 500 (Revised).

Directions

Proposed ISA 500 (Revised)

3. Board members suggested a number of changes to the application material, including:
 - Adding guidance to reinforce the auditor’s exercise of professional skepticism when information is received in a form that is different from what was expected;
 - Clarifying throughout the application material that audit procedures can be performed manually or using automated tools and techniques; and
 - Clarifying that, in circumstances when the source of the information is subject to the influence of management or a related party, the auditor may also be concerned with the attribute of authenticity, as there may be a risk of manipulation of such information.

Content of the Explanatory Memorandum (EM) Accompanying the ED–500

4. The Board provided direction on matters proposed to be included in the EM presented in [Agenda-Item-2](#), including the expected effect on auditor behavior as a result of the proposed changes in ED-500.

Other Substantial Matters

Other Matters – Exposure Period

5. Notwithstanding the explanation provided in [Agenda-Item-2](#), some Board members expressed concern with the length of the proposed exposure period, noting that it may adversely affect the implementation date (e.g., in circumstances where the standard is subject to translation).

IAASB CAG Chair Remarks

6. Mr. Dalkin thanked the Board, noting that the input from the CAG Representatives had been considered and the Representatives were supportive of the proposals included in ED–500.

PIOB Observer Remarks

7. Mr. Hafeman expressed concern about the proposed 180-day public comment period of ED–500. Mr. Hafeman asked the IAASB to consider reducing the length of the exposure period and to look for ways to speed up the analysis of comments, which may also mitigate risks of further or unexpected delays in implementing the final standard. Mr. Hafeman also asked the IAASB to consider how auditors may be encouraged to seek external sources of audit evidence, in particular in circumstances where information from external sources may contradict information provided by the entity. In doing so, he encouraged the IAASB to consider at what point the auditor has undertaken sufficient work to address any inconsistencies in audit evidence, and whether such circumstances should be addressed in the requirements or application material. Mr. Hafeman also asked that the IAASB remain attentive to the public interest issues identified by the PIOB, to ensure that the final result responds to them as fully as possible.

Next Steps

8. In October 2022, the IAASB intends to publish ED–500 for a 180-day public comment period.

Disruptive Technology (Agenda Item 3)

Substantial Matters

9. The Board received an update on the Disruptive Technologies initiative and discussed the audit and assurance technology landscape that was presented in [Agenda Item 3–A](#). The Board was broadly supportive of the work that had been undertaken, including the updates to the technology landscape presented.
10. Suggestions were provided for certain specific matters to be further considered, including a greater emphasis on the technology used by entities being audited, (e.g., in financial reporting) and the implications of disruptive technologies for the IAASB's International Standards and possible standard-setting activities. The Board also suggested that the technology landscape could be modified to separately present technologies relevant to sustainability reporting.
11. Following the presentation, the Board discussed in break-out groups their views on the themes presented in [Agenda Item 3–A](#) and proposed actions arising from the inaugural Digital Advisory Group meeting.

IAASB CAG Chair Remarks

12. Mr. Dalkin recognized the importance of the Disruptive Technologies initiative the IAASB's current and future projects. Mr. Dalkin noted that the impact of various technologies can be very different across different stakeholders and cited a personal interaction with a technology company looking to develop an Artificial Intelligence application to perform an attest engagement.

PIOB Observer Remarks

13. Mr. Hafeman encouraged the board to draw on some of the findings on technology to think about ways it might be used to help with its own work.

Next Steps

14. Staff will collate and consider the feedback received during the plenary and break-out group discussions, which will be used to prioritize future activities and incorporated as appropriate in future Board materials as this initiative progresses.

Sustainability Assurance (Agenda Item 4)

Decisions

Approval of the Project Proposal for an Overarching Standard for Assurance on Sustainability Reporting

15. After discussing the turn-around version of the Project Proposal, the IAASB voted on and unanimously approved the Project Proposal for an overarching standard for assurance on sustainability reporting, 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 4-A.1 \(updated\)](#) and [Agenda Item 4-A.2 \(Final approved\)](#).

Title of the Overarching Standard Assurance on Sustainability Reporting

16. The Board on balance supported the proposal for the standard to be titled: International Standard on Sustainability Assurance™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*. However, the Board indicated that there may be jurisdictions where the pronunciation of the acronym may create confusion with the ISAs.

The Draft Structure for the Requirements of Proposed ISSA 5000

17. In developing the structure of the requirements, the Board supported, with some suggestions, using a similar approach as the ISA for LCEs,⁴ by separating the content into Parts.

Defined Terms for Proposed ISSA 5000

18. The Board supported several definitions and provided direction on certain terms, as further explained in the section below.

Developing the Requirements of Proposed ISSA 5000

19. The Board supported the manner in which ISAE 3000 (Revised) and ISAE 3410 were adapted for Proposed ISSA 5000.
20. The Board supported the level of granularity applied in including the requirements of ISA 250⁵ and ISA 260⁶ and provided direction on the incorporation of further ISA material as further explained in the section below.

Directions

The Draft Structure for the Requirements of Proposed ISSA 5000

21. The Board had varying views related to the sequence of the requirements including:
- Moving Part 4: *Evidence and Documentation* before Part 3, as it includes overarching principles.
 - Moving Part 3: *Engagement Scope and Other Preconditions for a Sustainability Assurance Engagement* earlier, given other parts are not relevant if the engagement has not been accepted.
22. The Board provided various suggestions of specific matters to be covered within the standard. Other recommendations included:
- Clarifying how the application material would be presented.
 - Adding introductory material about limited and reasonable assurance, and use of the standard by professional accountants and other professionals performing assurance engagements.
 - Considering appropriate paragraph numbering, given the numbering in the ISA for LCE is cumbersome.
 - Exploring the use of technology to enable the standard to be more accessible and navigable.

⁴ Proposed *International Standard on Auditing for Audits of Financial Statements of Less Complex Entities*

⁵ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

⁶ ISA 260 (Revised), *Communication with Those Charged with Governance*

Defined Terms for Proposed ISSA 5000

23. The Board asked the Sustainability Assurance Working Group (SAWG) to seek input from relevant stakeholders on whether the term “engagement partner” is sufficiently neutral to who performs the assurance engagement and would be understood outside the accountancy profession, and to further explore a solution in this regard.
24. The Board suggested using the definition of “assertions” in ISAE 3410 as a basis for the definition of “assertions” in Proposed ISSA 5000, given that assertions should reflect that they are management’s assertions.
25. With regards to the definition of “sustainability subject matter” the Board had varying views including:
 - Reverting to “underlying subject matter” because the underlying subject matter may not always be sustainability labeled, yet is used to prepare sustainability information.
 - Support for not using the term “phenomenon”, however a preference not to list categories of the types of sustainability subject matter in the definition.
 - Using another term to describe the “entity’s ability to generate value over time,” as this term is strongly associated with integrated reporting and should be neutral regarding reporting frameworks.
26. The Board suggested not having differences from ISAE 3410, unless needed, and provided specific comments on the definitions of “misstatement of the other information,” “assurance competence,” and “fraud.” The Board also suggested additional definitions, including “management experts,” and separate definitions for “criteria,” “entity-developed criteria” and “framework criteria.”

Developing the Requirements of Proposed ISSA 5000

27. The Board broadly supported the criteria for identifying which ISAs may be considered in determining whether there are concepts appropriate for Proposed ISSA 5000, and asked the SAWG to:
 - Also use the criteria in determining which requirements and application material to include from the qualifying ISAs.
 - Consider how the criteria deal with the suitability of requirements for limited versus reasonable assurance.
28. The Board broadly agreed with the ISAs identified by the SAWG for consideration in determining whether there are concepts appropriate for Proposed ISSA 5000, although expressed mixed views about certain ISAs, such as ISA 240.⁷ The Board also provided ad-hoc suggestions of several additional ISAs to consider, such as ISA 402.⁸
29. The Board further encouraged the SAWG to:
 - Exercise professional judgment in considering the ISAs; and
 - Apply discipline in respect of the requirements and application material that should be brought in, given this is an overarching standard.

⁷ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

⁸ ISA 402, *Audit Considerations Related to an Entity Using a Service Organization*

30. With respect to the requirements from the ISAs proposed to be included in Proposed ISSA 5000, the Board expressed mixed views regarding the level of granularity incorporated from ISA 220 (Revised).⁹

Other Substantial Matters

IAASB CAG Chair Remarks

31. Mr. Dalkin noted the CAG Representatives' support for the project and prioritizing timeliness. Mr. Dalkin emphasized the following comments from the CAG Representatives:
- Acknowledgment of the significant progress made on the project since March 2022;
 - The need to address greenwashing or fraud as a priority area; and
 - The need for scalability.
32. Mr. Dalkin also commented on the following:
- The use of the acronym "ISSAIs" in the public sector, which may be confused with the new proposed "ISSA."
 - The use of specialists, given the prevalence in sustainability assurance engagements.

PIOB Observer Remarks

33. Mr. Hafeman asked for clarity on the composition of the reference groups and how representatives for the groups were selected. He suggested that certain other ISAs also may need to be considered, such as ISA 540 (Revised)¹⁰ and ISA 620.¹¹ Mr. Hafeman recommended providing more clarity on what would be addressed in the IAASB's future standard-setting efforts.
34. Overall, Mr. Hafeman welcomed the Board's progress so far and the approval of the project proposal. He observed that the Board should act as expeditiously as they can.

Next Steps

35. After the approval of the project proposal the SAWG will become a Task Force. The Task Force will bring to the Board in December 2022 the draft requirements and application material for the [Parts of the proposed standard that address the](#) identified priority areas.
36. The SAWG intends to continue outreach activities and collaboration with key stakeholders.

Audits of Less Complex Entities (LCE) (Agenda Item 5)

Decisions

Development of ISA for LCE

The Authority

37. The Board, on balance, supported the LCE Task Force's proposed changes to the draft Authority of the proposed ISA for LCE, including agreeing to have illustrative numerical indicators as part of the

⁹ ISA 220 (Revised), *Quality Management for An Audit of Financial Statements*

¹⁰ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

¹¹ ISA 620, *Using the Work of an Auditor's Expert*

qualitative characteristics where appropriate.

Accounting Estimates

38. The Board broadly supported the LCE Task Force's proposals on how to reflect accounting estimates in the Authority and encouraged the LCE Task Force to use some of the material presented in the Board papers as ~~application material~~ Essential Explanatory Material (EEM). The Board also supported the LCE Task Force's proposal to review ISA 540 (Revised) to evaluate if any additional requirements should be included and incorporated within the existing parts of the ISA for LCE.

The Incorporation of Group Audits

39. The Board supported the LCE Task Force's proposed approach to:
- Incorporating group-specific considerations into the existing Authority of the ISA for LCE;
 - Developing those characteristics; and
 - The drafting of Part 10, *Audits of Group Financial Statements*.
40. The Board supported excluding group audits involving the use of component auditors from the scope of the proposed ISA for LCE.

Approach to Proportionate Requirements for LCEs

41. Discussing the initial illustrative drafting proposed by the LCE Task Force, the Board supported the presented approach that included repositioning and moving requirements or parts of requirements as ~~Essential Explanatory Material (EEM)~~ or their removal where appropriate.

Directions

The Authority

42. The Board provided specific drafting suggestions on the proposed revisions to the Authority for the LCE Task Force's consideration, including to clarify wording describing key matters not included in the proposed ISA for LCE. The Board also asked the LCE Task Force to explore further the justification for any potential proposed changes to the classes of entities prohibited in paragraph A.1.(c) of the Authority.
43. The Board discussed the expectation for legislative or regulatory authorities or relevant local bodies with standard setting authority to determine quantitative thresholds for the appropriate use of the ISA for LCE in their jurisdiction. The Board directed the LCE Task Force to explore the addition of EEM or supplemental guidance to explain how quantitative measures were considered during the development of the proposed ISA for LCE and how existing thresholds such as those used in the European Commission's definition of a "small" enterprise¹² may be used as a point of reference.

Accounting Estimates

44. Notwithstanding general support for the qualitative characteristic describing accounting estimates, the Board suggested the LCE Task Force consider alternative wording to the word "typical" since it may not be clear how this term is to be interpreted, and it is not defined in the IAASB's complexity,

¹² Source: https://single-market-economy.ec.europa.eu/smes/sme-definition_en

understandability, scalability and proportionality ([CUSP](#)) drafting principles and guidelines.

The Incorporation of Group Audits

45. The Board provided comments on the proposed qualitative characteristics for further consideration by the LCE Task Force. This included a suggestion to separate out the characteristic describing activities in different jurisdictions and geographical locations that would indicate complexity was different for a jurisdiction compared to a location. [Board members also suggested to clarify the terms used and provided comments on the numbers used in the illustrative numerical indicators.](#)
46. The Board directed the LCE Task Force to define “component auditor” in the draft Authority and to provide sufficient guidance around evaluating whether an auditor is a component auditor or not.
47. The Board provided suggestions on individual requirements that may be included or excluded from Part 10, *Audits of Group Financial Statements*.

Approach to Proportionate Requirements for LCEs

48. The Board directed the LCE Task Force to continue the proposed approach of considering requirements individually when determining if they are proportionate to the typical nature and circumstances of an audit of an LCE. The Board also encouraged the LCE Task Force to “stand back” to evaluate if the requirements are as a whole still supporting the achievement of reasonable assurance.
49. The Board provided various views regarding the changes to verbs that determine the work-effort (e.g., the change of “evaluate” to “consider”) as it was noted that these verbs should not be different to those used in similar requirements of the ISAs. The Board asked the LCE Task Force to consider these views when making revisions to the proposed ISA for LCE.

Other Substantial Matters

IAASB CAG Chair Remarks

50. Mr. Dalkin noted that while certain CAG Representatives have expressed concerns about the IAASB continuing with the project, on balance, Representatives ~~was~~ were of the view that the project is needed based on the stated rationale for the project.
51. Regarding the Authority of the proposed ISA for LCE, Mr. Dalkin noted that CAG Representatives had mixed views regarding the use of quantitative thresholds, with more CAG Representatives supporting their inclusion than not. These CAG Representatives noted that quantitative thresholds provide guardrails for auditors and facilitate the consistent use of the standard.
52. Mr. Dalkin noted that majority of CAG Representatives supported the inclusion of group audits in the scope of the proposed ISA for LCE and the qualitative characteristics proposed by the LCE Task Force, but also noted that many CAG Representatives did not agree with the exclusion of group audits involving the use of component auditors.

PIOB Observer Remarks

53. Mr. Hafeman commended the progress made on this project. Mr. Hafeman also emphasized the importance of communication with stakeholders, particularly in the regulatory community, to ensure that they understand the direction of the project and how their concerns are mitigated, so that the proposed ISA for LCE also is acceptable from a regulatory perspective.

Next Steps

54. The LCE Task Force will continue to analyze responses to the Exposure Draft and commence further drafting revisions in priority areas. In December 2022, the LCE Task Force plans to bring to the Board for discussion the full draft of Part 10, *Audits of Group Financial Statements*, along with other targeted areas of the proposed ISA for LCE.

Fraud (Agenda Item 6)

Decisions

Transparency in the Auditor's Report on Fraud

55. Overall, the Board agreed that the auditor's report should seek to appropriately enhance the description of the auditor's responsibilities as it relates to fraud in the audit of the financial statements. The Board noted that a more detailed description may help to improve the users of the financial statements' understanding of the auditor's responsibility and that this may also reduce the ambiguity between the auditor's responsibilities for fraud in an audit of financial statements and the inherent limitations of an audit.
56. The Board also agreed that additional disclosures on fraud in the auditor's report should be included in a separate section addressing fraud as it would provide a clear signpost to the users of the financial statements as to where to find all matters relating to fraud.
57. The Board furthermore agreed that the additional disclosures on fraud in the auditor's report should only apply to listed entities as including all entities in the scope would be a disproportionate response for entities that are not listed, in particular for smaller or less complex entities. It was noted that, in general, users of financial statements of smaller or less complex entities have other means of obtaining information about the entity.

Identifying and Assessing the Risks of Material Misstatement due to Fraud

58. The Board was supportive of the restructuring of the sections in proposed ISA 240 (Revised)¹³ that build on ISA 315 (Revised 2019).¹⁴ The Board noted that the restructured sections refer to, or expand on, what is already required by ISA 315 (Revised 2019) and that the duplication noted in the previous draft in June 2022 was reduced significantly.

Directions

Transparency in the Auditor's Report

59. The Board asked the Fraud Task Force to further explore a way forward on the following matters that may be included in the auditor's report:
 - Identified and assessed fraud risks and the auditor's response to the assessed risks. The Board suggested to explore a reporting mechanism similar to what is used to communicate key audit matters as this would help the auditor in determining when and how to report identified and assessed fraud risks and the auditor's response to the assessed risks. The Board also suggested to include a filter or a threshold, similar to KAM, so that only the most significant

¹³ Proposed ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁴ International Standard on Auditing (ISA) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

fraud risks would be communicated, and that the requirements be drafted in such a manner so as to encourage disclosures that are not boilerplate.

- Identified significant deficiencies in internal control that are relevant to the prevention and detection of fraud in the financial statements. In exploring a way forward, the Board asked the Fraud Task Force to balance the views of users of the financial statements, interviewed as part of the targeted outreach, who were proponents of disclosing the aforementioned information in the financial statements, with the concerns raised by the Board. The concerns raised included the following:
 - The audit of financial statements does not have as an objective and is not designed to identify significant deficiencies in internal control. The auditor is required to obtain an understanding of the entity's system of internal control when identifying and assessing the risks of material misstatement due to fraud or error, but not for the purpose of expressing an opinion on the effectiveness of internal control.
 - Depending on whether the auditor adopts a substantive or controls-based approach the auditor may get different outcomes as deficiencies in internal control may or may not be identified not only during the risk assessment process, but also at any other stage of the audit.
 - Recognizing that in many instances the financial reporting framework may not require disclosures by management in the financial statements about deficiencies in the entity's system of internal control. Thus, there is a risk that the auditor may provide original information in the auditor's report about significant deficiencies in internal control, which may have unintended consequences.
 - The proposal does not extend to significant deficiencies in internal control that may result in a misstatement in the financial statements due to error, giving undue emphasis on the fraud aspect of 'risks of material misstatement due to error or fraud'.

60. The Board suggested to holistically consider the changes proposed to the auditor's report to evaluate the overall continued coherence of the report, noting that other projects, such as the projects on Going Concern and Listed Entity and Public Interest Entity (PIE), are also proposing changes to the auditor's report.

Identifying and Assessing the Risks of Material Misstatement due to Fraud

61. The Board provided some specific drafting comments on the proposed revisions to the sections in proposed ISA 240 (Revised) that build on ISA 315 (Revised 2019). In addition, the Board asked the Fraud Task Force to:
- Review the terminology used as the terms 'fraud risk' and 'fraud risk factor' are used interchangeably.
 - Enhance the application material by streamlining some of the paragraphs.
 - Consider rather including certain of the paragraphs in proposed ISA 240 (Revised), that build on ISA 315 (Revised 2019), in ISA 315 (Revised 2019).

Other Substantial Matters

IAASB CAG Chair Remarks

62. Mr. Dalkin thanked the Fraud Task Force for highlighting the issues raised by CAG Representatives. He also noted that CAG Representatives had a good discussion about internal controls. Mr. Dalkin explained that CAG Representatives noted that the auditor shouldn't be the first to communicate about fraud₇ in the financial statements₂, but they were of the view that the auditor can communicate deficiencies in internal control that relate to the prevention and detection of fraud in the financial statements.

PIOB Observer Remarks

63. Mr. Hafeman thanked the Board for the engaging discussion. He noted that the PIOB is very supportive of this project and the Fraud Task Force's proposals with respect to transparency in the auditor's report. Mr. Hafeman added that he is supportive of where the Board landed after the discussions on this topic. He also commended the Fraud Task Force for finding a way forward on transparency in the auditor's report as it would have been easy not to propose any changes given the issues and concerns raised.

Next Steps

64. In December 2022, the Fraud Task Force will bring drafting for various topics in proposed ISA 240 (Revised) to the Board for further deliberation.

Going Concern (Agenda Item 7)

Decisions

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

65. The Board was presented with drafting paragraphs for proposed ISA 570 (Revised) as included in [Agenda Item 7-A](#).
66. The Board supported and affirmed the Going Concern Task Force's approach to the proposed:
- Definition of material uncertainty (related to going concern).
 - Changes made to demonstrate the integrated nature of ISA 570 (Revised) and ISA 315 (Revised 2019), including strengthening and enhancing requirements and application material for a more robust identification of whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.
 - Revisions to strengthen the proposed standard and enhance requirements and application material to require a more robust evaluation of management's assessment of going concern by applying the concepts introduced in ISA 540 (Revised), such as in relation to the auditor's evaluation of management's method, assumptions and data.
 - Enhancements made to reinforce a more robust exercise of professional skepticism when performing procedures related to going concern and when evaluating whether sufficient appropriate evidence has been obtained.

Directions

67. 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.

Terminology

- Provide clarity for the term “significant doubt” and consider how to clarify or enhance the application material to the definition in paragraph A2C of proposed ISA 570 (Revised).
- Consistently align the terminology in proposed ISA 570 (Revised) with the defined term “material uncertainty (related to going concern).”
- Consider whether:
 - The phrase “individually or collectively” used in the definition of material uncertainty (related to going concern) in paragraph 9A of proposed ISA 570 (Revised) should be revised to “individually and collectively” so as to clarify that the events or conditions should be considered in aggregate.
 - The reference to “material” and “reasonably be expected to influence the economic decisions of intended users” in paragraph A2C of ISA 570 (Revised) should be elevated to the definition and if this reference is appropriately aligned with ISA 320¹⁵ when discussing materiality in the context of an audit of financial statements.

Risk Identification and Assessment

- Consider whether the use of the word “relevant” in paragraph 10A(a) of proposed ISA 570 (Revised) is appropriate in terms of referring to the items the auditor should be addressing when obtaining an understanding of the entity and its environment. It was suggested that it may be more appropriate to refer to the entity’s process to assess going concern rather than controls related to the entity’s business model, objectives, strategies, and business risks.
- Consider emphasizing in paragraph 10A(h) of proposed ISA 570 (Revised) that the auditor’s understanding of how the events or conditions are captured, processed, and reflected is of relevance to the entity’s process to make its assessment.
- Include further references of external performance measures in paragraph A6B of proposed ISA 570 (Revised).

Management’s Assessment of Going Concern

- Provide scalability considerations in the application material to paragraph 16A of proposed ISA 570 (Revised). In addition, provide examples in the application material of method(s) management may use in its going concern assessment based on the nature and circumstances of the entity.
- Remove the reference to “in a less complex entity” in paragraph A9 of proposed ISA 570 (Revised) given that the circumstances discussed may also apply for more complex entities.
- Consider the consistency of the use of the phrase “sufficient appropriate audit evidence” in paragraph 12 of proposed ISA 570 (Revised) with that used in the auditor’s objective in extant

¹⁵ ISA 320, *Materiality in Planning and Performing an Audit*

paragraph 9(b) of ISA 570 (Revised) for the auditor to conclude “based on the audit evidence obtained”.

- Clarify the relationship with ISA 560¹⁶ of the example in paragraph A19B of proposed ISA 570 (Revised) and the related requirements in paragraphs 16D–16E in terms of clarifying the period for which the auditor considers additional facts or information that become available after management made its assessment.
- Consider if the requirement in paragraph 16D–16E of proposed ISA 570 (Revised) necessary given the proposed change in the commencement date of the auditor’s evaluation of management’s assessment to at least twelve months from the date of approval of the financial statements as defined in ISA 560.

Professional Skepticism

- Consider providing further examples of indicators of management bias in paragraph A22A of proposed ISA 570 (Revised).
- Add another example in paragraph A10C of proposed ISA 570 (Revised) when obtaining audit evidence whether corroborative or contradictory (e.g., to challenge management’s projections).

Timeline Over Which the Going Concern Assessment is Made

- Clarify in paragraph A13E of proposed ISA 570 (Revised) that an unwillingness by management to make or extend its assessment may also be a scope limitation. In addition, enhance the paragraph to address a more robust discussion with those charged with governance (e.g., whether they are aware of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern).
- Enhance the application material in paragraph A13D of proposed ISA 570 (Revised) to recognize that contradictory information or representations made by management can also lead the auditor to consider requesting management to revise the period of its assessment by extending it beyond twelve months from the date of approval of the financial statements.

Other Substantial Matters

Timeline Over Which the Going Concern Assessment is Made

68. A few Board members continued to question whether it is appropriate to propose a change in the twelve-month commencement date of the 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. In this regard, comments were made that when the entity has a history of profitable operations or when the date of approval of the financial statements is close to the balance sheet date, then the auditor should not be required to request management to extend its assessment period.

Transparency About Going Concern in the Auditor’s Report

69. One Board member expressed concern that while the auditor’s opinion covers the conclusions required by paragraphs 21A and 22(c) of proposed ISA 570 (Revised), making such conclusions in

¹⁶ ISA 560, *Subsequent Events*

the auditor's report when management is not required to make explicit disclosures in this regard, sends a message to users that auditors have a greater responsibility in relation to the going concern assumption and the identification of material uncertainties than management. The Board member also suggested that these conclusions are separate piecemeal opinions.

70. In addition, the Board member commented that the requirement in paragraphs 21B of proposed ISA 570 (Revised) presumes that in all instances when events or conditions that may cast significant doubt on the entities ability to continue as a going concern have been identified but no material uncertainty exists, disclosure is required by the applicable financial reporting framework which may not be the case. When management does not provide any disclosure, the auditor would have no basis for the auditor's description in the auditor's report of how the events and conditions were addressed.
71. For paragraph 21B of proposed ISA 570 (Revised), another Board member raised comments to consider whether:
- The requirement should be extended to apply for audits of all entities. It was noted that this may be appropriate because there may be circumstances when in an audit of a non-listed entity a "close call" is identified and to avoid creating an impression that the auditor's work on going concern for the audit of non-listed entity is less than for a listed entity.
 - The key audit matter section of the auditor's report would be a more appropriate mechanism to provide the disclosure.

IAASB CAG Chair Remarks

72. Mr. Dalkin thanked the Board noting his appreciation for the discussion and for the reflection on the comments provided by CAG Representatives in relation to going concern. He also emphasized the relevance of the project to revise ISA 570 (Revised) for public sector entities and noted that going concern considerations may be different compared to that for corporate entities.

PIOB Observer Remarks

73. Mr. Hafeman noted his support for the proposals presented to enhance or clarify ISA 570 (Revised). He noted the PIOB's preference to further strengthen the standard for the auditor to develop their own expectation of going concern, not just review the analysis and assessment provided by management.
74. Mr. Hafeman expressed support for the enhancements proposed to increase transparency about going concern in the auditor's report, noting this would support the public interest by narrowing the expectation gap. He emphasized the importance to further consider whether the proposed revisions to the standard for enhanced transparency about going concern should extend beyond listed entities and encouraged to consider if they should also apply for public interest entities.

Next Steps

75. In December 2022, the Going Concern Task Force intends to discuss with the Board the remaining proposed actions in the project proposal for information from sources external to the entity and audit techniques – use of technology. In addition, the Going Concern Task Force will also present the conforming and consequential amendments to other relevant ISAs as a result of the proposed revisions to ISA 570 (Revised) and a first full draft standard.

Strategy 2024–2027 (Agenda Item 8)

Decisions

76. The Board supported the direction of the draft Consultation Paper on the IAASB's Strategy and Work Plan for 2024–2027 (the Strategy and Work Plan), including the goal, strategic drivers, strategic objectives, strategic actions and the work plan.

Directions

General

77. The Board asked the Planning Committee to consider enhancing the questions by asking respondents to explain why they agree or disagree with the proposals in the Strategy and Work Plan. It was also noted that the question on what our new standard-setting project may be, could be enhanced by asking stakeholders to prioritize the topics in Table B, which shows the possible new standard-setting projects that may commence in 2024–2027.
78. The Board suggested to clarify throughout the Strategy and Work Plan what the IAASB will be able to deliver with respect to post-implementation reviews and implementation support materials given the limited resources available and competing demands. In this regard, the Board also suggested to clarify in the strategic drivers that there are mixed views on whether and the extent to which the IAASB should be involved in implementation support activities.

Strategy

79. With respect to the goal, the Board encouraged the Planning Committee to include that the IAASB's standards enable quality in audit and assurance engagements.
80. The Board made several suggestions on how to enhance the strategic drivers, strategic objectives and strategic actions. This included, on the strategic objectives, clarifying in the first strategic objective that the IAASB 'enhance' its standards and not 'strengthen' as that could be interpreted that the standards are deficient today.

Work Plan

81. The Board provided several suggestions on how to enhance the Work Plan, including suggestions on Table B. The Board asked the Planning Committee to:
- Clarify that the project on further standards for assurance on sustainability reporting could potentially be multiple projects; and
 - Add a brief description about what each of the possible new projects may entail.
82. The Board discussed its approach to timely conclusion of standard-setting projects. In that discussion the Board acknowledged that there needs to be a balance between setting standards timely and allowing for sufficient time to develop high-quality standards that benefit from due process and sufficient stakeholder input. It was suggested to explain this balance in the Work Plan.

Other Substantial Matters

IAASB CAG Chair Remarks

83. Mr. Dalkin noted that the CAG Representatives were supportive of the Strategy and Work Plan and

that, given the competing demands, allocating the IAASB's resources appropriately will be more important than before. Regarding the timeline of the Sustainability project, Mr. Dalkin noted that this project will require substantial outreach given that it is an emerging area and given the number of stakeholders that will be affected by this project.

PIOB Observer Remarks

84. Mr. Hafeman thanked the Board for the thorough discussions, especially on the balance between timeliness of delivery and allowing for sufficient time to develop high-quality standards. Notwithstanding the importance of developing high-quality standards in accordance with due process, Mr. Hafeman emphasized the importance of setting standards in a timely manner and noted that the IAASB could enhance the Work Plan by clarifying how many which new projects it could undertake are likely to begin during this Work Plan period and when they would likely be completed. He also suggested to look for ways how to shorten the development cycle of some of the IAASB's projects and suggested that the Board may need to take a holistic view at its processes to find ways to improve its timeliness.

Next Steps

85. The Planning Committee will update the Consultation Paper for the Strategy and Work Plan and present it to the Board for approval in December 2022.

Other Matter Considered

86. Mr. Botha provided feedback on the following matter that has recently been considered by the IASB Liaison Working Group: The impact on the ISAs (and potentially some other standards) of the narrow-scope amendments to IAS 1¹⁷ that require entities to disclose their material accounting policy information, instead of significant accounting policies as previously required (effective for annual reporting periods beginning on or after 1 January 2023). Recognizing that the ISAs are framework neutral, the amendments to IAS 1 do not impact the principles-based requirements of the ISAs. However, there are a number of illustrative reports where, based on the fact pattern presented, an alignment of terminology is appropriate. Mr. Botha noted that a non-authoritative working group publication would be issued to highlight the impact of the amendments to IAS 1 and that the relevant alignment of terminology would be reflected in the next IAASB Handbook update.

Closing

Mr. Seidenstein thanked the IAASB members, TAs and IAASB Staff for the efforts leading up to, and during, the September 12–16, 2022 Board meeting. He then closed the public session.

Next Meeting

The next IAASB meeting will be held in New York from December 5–9, 2022. Details of the meeting will be communicated in due course.

¹⁷ International Accounting Standard (IAS) 1, *Presentation of Financial Statements*