

IAASB Staff

Present: Willie Botha (Technical Director), Beverley Bahlmann, Yvonne Chan, Brett James, Natalie Klonaridis, Armand Kotze, Joy Thurgood, Hanken (Jane) Talatala, Jasper van den Hout

Pauline Irwin (External Principal on the EER Assurance Project)

IAASB agenda materials referred to in these minutes can be accessed at the [November 7, 2019 IAASB Teleconference](#). These minutes are a summary of the decisions made at the November 7, 2019 IAASB Teleconference, in light of the issues and recommendations in the agenda material put forth by the Extended External Reporting (EER) Task Force (the Task Force) and Staff supporting the project. These recommendations are made through consideration of previous discussions of the Board and its CAG and feedback from stakeholders through outreach activities.

1. Welcome

Mr. Seidenstein welcomed all participants to the teleconference. Mr. Seidenstein noted that the objectives of the session were to:

- Obtain an update on the work of the EER Task Force, which had been substantial and was intended to be responsive to the Board's views from the September 2019 IAASB Meeting, and;
- To obtain the Board's views on: the restructured and simplified guidance presented, the revised terminology, and the next steps for finalising the guidance.

Mr. Botha further noted that the aim of the teleconference was to progress the EER guidance so that it could be approved at the December 2019 IAASB meeting for public consultation. He noted that the proposed next steps to finalize the guidance were consistent with the project proposal and funding arrangements.

2. EER Assurance

INTRODUCTION

Mr. Grabowski introduced the matters for discussion, and the following sets out the Board's views.

REVISED STRUCTURE OF THE GUIDANCE

- The Board expressed strong support for the revised structure.
- The order of the Guidance was generally supported, and considered to be logical and to follow the way in which engagements are carried out, although some Board members questioned the placement of the chapters on Narrative and Future-Oriented information at the end of the Guidance, and suggested it may be better placed after Chapter 9 or immediately before Chapter 11, to avoid marginalising it. Another member of the Board queried whether it would make more sense for Chapter 7 to come before 5 and 6.
- The need for caution was expressed that information that was important for context should not be lost by placing it in Supplements A and B. Often those who need it most comment on how long guidance is and may not refer to the Supplements. While not opposed to the use of supplements,

some Board members considered that it might be necessary to consider the suite of materials together.

CONTENT OF THE REDRAFTED CHAPTER 1, 4 AND 8

Chapter 1

- Board members expressed their support for Diagram 1 in this chapter, and their support for the consequent removal of Chapter 2 of the phase 1 guidance.
- The concept of hyperlinks was supported with encouragement to also link from the guidance to a glossary.
- Some Board members considered the legend explaining the referencing system to be complex, and mixed views were expressed on the use of the professional skepticism and professional judgment icons; some considered the icons to be innovative, and a good way to signpost to important information; others expressed a view that, if an indicator was needed, there must be complexity that is not directly evident in the way the guidance is written, or could be a distraction.
- Two Board members considered the chapter to be 'preface-like'. It was suggested that instructions on how to use the guidance could be placed in a preface, with the chapter using the opportunity to set out the importance of the project to the public interest, the reasons for the IAASB producing the guidance, and with a focus on the unique features of EER. Suggestions were also made regarding ordering of subsections to place 'instructions' together and 'reasons for guidance' together, for example by moving paragraphs 9A to 9E to before the subheading 'Nature of EER'
- It was noted that the language in the chapter was, in places, ambiguous as to its level of authority, for example in paragraph 7, the sentence indicating that the guidance was intended to be applied, could be perceived as mandatory. Caution was also needed so as not to suggest in paragraph 5A that remediation was needed because the standard may have been applied inappropriately.

Chapter 4

- A point was raised that often criteria are not entity-developed, customised criteria, but are built out by the entity from within the framework. The EER Task Force was asked to give further consideration to clarifying this in the draft guidance.
- This chapter was considered to be complex and could be made easier to navigate. Further, some terminology is unclear, for example it is not clear what 'primary representations' means, as 'representations' has a meaning in other standards.
- The diagram in paragraph 72A, is too complex, and counter to the objective of using diagrams to simplify and clarify. Perhaps breaking down into a series of less complex diagrams that tie into one another may be a direction for the EER Task Force to consider.
- One of the most important considerations relating to rational purpose is whether aspects of the subject matter information are expected to be excluded, and the reasons for their exclusion. The discussion in this paragraph 74 of the Guidance may not capture this sufficiently prominently.
- One Board member considered paragraph 76 to be theoretical, noting that further examples would be helpful, particularly examples of engagements that may not have a rational purpose.

- There was a reminder for the EER Task Force to liaise with the International Ethics Standards Board for Accountants (IESBA) on independence matters (paragraphs 12A, 12C, 82, 82C and 82D).
- It was still unclear how the concept of a 'rolling program' would work in practice, and whether users would understand the implications. The difference between a 'rolling program' of assurance, and rotational assurance procedures could also be clarified.

Chapter 8

- Some of the guidance in this chapter was considered to be theoretical, with a level of detail that seems unnecessary. The concept of categories of assertions is unclear, and not the only alternative. It would be simpler for the guidance to consider what could go wrong and to include examples.

Mr. Grabowski noted that the EER Task Force is looking forward to receiving their detailed written comments. He also noted that some mixed views had been expressed and that it may be worth exploring those areas in the consultation by asking a specific question.

VIEWS ON THE PROPOSED UPDATED APPROACH TO TERMINOLOGY

- There was generally positive support expressed for the new terminology, but caution was advised not to not to invent new terminology – e.g., 'reasoned determination': one Board member questioned whether concepts, such as elements of underlying subject matter, which had previously been covered in the guidance, might be lost if they were described only in the Supplement.

PROPOSED NEXT STEPS FOR FINALIZING THE EER GUIDANCE FOR PUBLIC CONSULTATION

- Next steps were generally supported, although some reservation was expressed that there would not be opportunity to see the full suite of Guidance and Supplements at the December 2019 IAASB meeting, and about approving one without the others.
- The extent of possible change after the December 2019 IAASB meeting was also questioned, and a call for clarification of due process. The extent of preparation needed for the December 2019 IAASB meeting was highlighted, and the need for there to be appropriate focus on EER. A question was also raised as to whether the 120-day consultation period would be sufficient for respondents, given the volume of material they will be asked to look at.

Mr. Seidenstein noted the concerns raised on the question of process.

Mr. Botha noted that the Board will be asked to approve the Guidance document only for public consultation. Board members will be encouraged to provide written comments on the Supplements before finalization of the 'pack' that will go out with the consultation. He noted that respondents will be asked to comment on the Guidance document but could be encouraged to comment on the Supplements if respondents felt the necessity to. However, the idea was to make it very clear that it was the Guidance on which comments were specifically being sought. He noted the Board members' request to be able to consider the whole package, including the Supplements.

CAG CHAIR'S REMARKS

Mr. Dalkin requested the EER Task Force to make sure that the guidance does not add requirements or application guidance over and above ISAE 3000 (Revised)¹ or conflict with, as it runs the risk of confusing practitioners. He noted that the CAG has been supportive of the EER Guidance and recognizes the importance of this subject.

PIOB OBSERVER REMARKS

Ms. Stothers thanked the EER Task Force for its work, noting that the public interest would be well-served in having the guidance on EER. She noted that there was a challenge in relation to the length and complexity of the guidance and encouraged further work in this respect. Ms. Stothers also expressed appreciation that the chapter on professional skepticism had been brought forward in the guidance. She also supported the idea of consulting on the innovative features like the icons to seek views and suggested putting specific questions into the consultation document to help bring back comments that would help address the differing views.

3. Conforming Amendments for Revised IESBA Code²

Mr. James introduced the topic and explained the background to the project, making reference to the IESBA's revised Code. He explained that the IAASB's project is intended to assess whether amendments to the IAASB's International Standards³ are needed in light of the revised IESBA Code and propose such changes. He highlighted that the project proposal and exposure draft had been reviewed by a select group of members and technical advisors, the board as a whole for offline review, and by IESBA representatives.

PROJECT PROPOSAL

Mr. James introduced the project proposal, noting that the Board had discussed a draft project proposal in March 2019. He noted that the project was intended to propose only limited changes to remove actual or perceived inconsistencies with the revised IESBA Code that would prevent the Code and the IAASB's International Standards operating together.

APPROVAL

The IAASB unanimously approved the project proposal with 16 affirmative votes out of the 16 Board members present for this Agenda Item.

DRAFT ED

Mr. James explained that the offline review by the board had resulted in certain minor changes to improve the wording or alignment with the revised IESBA Code. He referred also to the Supplement to Agenda Item 2 that highlighted the changes received before the board teleconference. Mr. James highlighted that one

¹ International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

² International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

³ The IAASB's International Standards comprise the International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs), International Standards on Assurance Engagements (ISAEs), International Standards on Related Services (ISRSs), and International Standards on Quality Control (ISQCs).

final change was proposed to better align the change proposed to ISA 700 (Revised),⁴ paragraph 40 and the associated illustrative report. He highlighted that the significant matters identified as a result of the Board's discussions and Staff's deliberations since the beginning of this project, and the considerations thereof, have all been reflected in the issues papers presented to the IAASB at its meetings. Mr. James also drew the Board's attention to the draft Explanatory Memorandum that was included in the agenda material.

IAASB CAG CHAIRMAN'S REMARKS

Mr. Dalkin did not have any further comments to add to the Board's discussion.

APPROVAL

The IAASB unanimously approved the ED for public exposure, with 16 affirmative votes out of the 16 Board members present for this Agenda Item. The IAASB agreed that the ED should be publicly exposed until January 10th, 2020.

The Board agreed with staff's recommendation that a consultation paper, field testing, or a roundtable are not warranted, as the proposed conforming amendments are only limited in nature. In respect of the proposed effective date, the Board agreed with Staff's proposal that it be 90 days after the approval of the due process by the PIOB, and that the Explanatory Memorandum should explain why a shorter period than normal is proposed.

PIOB OBSERVER REMARKS

Ms. Stothers did not have any further comments to add to the Board's discussion. Closing Remarks

4. Next Meeting

The next IAASB meeting is scheduled for December 9–13, 2019 in New York, USA

5. Closing Remarks

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

⁴ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*