

**Minutes of the 125th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on June 14–23, 2021 via Video Conferences¹**

Voting Members

Present: Tom Seidenstein (Chair)
Len Jui (Deputy Chair)
Sue Almond
Chun Wee Chiew
Julie Corden
Kai Morten Hagen
Josephine Jackson
Sachiko Kai
Edo Kienhuis
Diane Larsen
Prof. Kai-Uwe Marten
Lyn Provost
Fernando Ruiz Monroy
Prof. Roger Simnett
Wendy Stevens
Isabelle Tracq-Sengeissen
Eric Turner
Imran Vanker²

Technical Advisors (TA)

Helene Agélii (Mr. Hagen)
Sara Ashton (Ms. Almond)
Vivienne Bauer (Mr. Monroy)
Wolf Böhm (Prof. Marten) (June 14–
16,18,23)
Fabien Cerutti (Ms. Tracq-Sengeissen)
Antonis Diolas (Mr. Chiew)
Johanna Field (Mr. Turner)
Hiram Hasty (Ms. Stevens)
Rene Herman (Prof. Simnett) (June 14–
17, 23)
Susan Jones (Mr. Jui) (June 14–18)
Thokozani Nkosi (Ms. Jackson)
Tania Sergott (Ms. Corden)
Jamie Shannon (Mr. Kienhuis) (June 14–
18)
Sylvia Van Dyk (Mrs. Provost)
Denise Weber (Ms. Larsen)
Kohei Yoshimura (Ms. Kai)

Non-Voting Observers

Present: Jim Dalkin (IAASB Consultative Advisory Group (CAG) Chair), Yosh'inao Matsumoto
(Japanese Financial Services Authority)
Apology: Juan Maria Arteagoitia (European Commission)

Public Interest Oversight Board (PIOB) Observer

Present: Mr. Michael Hafeman (June 14–18), Ms. Karen Stothers (June 23)

¹ Due to the COVID-19 pandemic, the IAASB decided to hold the June 2021 IAASB meeting via a number of videoconference sessions during the weeks of June 14 and 23, 2020. The discussions held during these videoconferences are captured within these minutes.

² Mr. Vanker was supported by Ms. Sinethemba Maseko during the June 2021 IAASB meeting.

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards) (June 14–16, 23), Willie Botha (Technical Director), Beverley Bahlmann (June 14–16, 18, 23), Amy Fairchild (June 14–16, 18, 23), Brett James, Natalie Klonaridis (June 14–18), Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska, Hanken Jane Talatala, Jasper van den Hout, Nicki Bester (Independent Contractor), Dan Montgomery (Senior Advisor – Technical Projects) (June 17-18).

IAASB agenda materials referred to in these minutes can be accessed on the IAASB's Website for the sessions held [June 14–23](#). These minutes are a summary of the decisions made at the June 2021 IAASB meeting, in light of the issues and recommendations in the agenda material put forth by the Task Forces, Working Groups, and Staff supporting the individual projects. These recommendations are made taking into account feedback from respondents to the IAASB's public consultations, in particular Exposure Drafts (EDs) of the IAASB's proposals, 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 June 2021 IAASB virtual meeting. He then also welcomed the public observers who were observing the meeting via the IAASB's YouTube channel.

Mr. Seidenstein updated the Board on the outreach performed during the second quarter of 2021, highlighting the extent of the IAASB's interactions with its key stakeholders for various projects.

2. Audit of Less Complex Entities (LCEs)

INTRODUCTION

Mr. Seidenstein introduced the session, highlighting the Board's recognition of the growing demand for standards for LCEs. He commended the Board and Task Force for the speed with which the project had been progressed and recognized the efforts of the LCE Reference Group in providing feedback on an ongoing basis as the draft was developed. He also recognized the Board's efforts on this strategic public interest topic and emphasized the benefit of hearing from the IAASB's stakeholders at this point of the development of the draft standard.

Mr. Hagen thanked Board members for providing their comments on the proposed standard, preface and supplemental guide as presented in **Agenda Items 2-A, 2-C and 2-D**. He also thanked the LCE Task Force and Staff for their substantial and continued efforts on the project.

Mr. Hagen provided an overview of the key outreach performed since the last meeting, highlighting that:

- National Standard Setters had broad support for the approach relating to the authority of the standard.
- The International Federation of Accountants (IFAC) Small and Medium Practices Advisory Group expressed broad support for the approval of the exposure draft, but continued to express concern about the exclusion of group audits as well as the increasing length of the proposed standard.
- The PIOB continue to support the publication of an exposure draft on the proposed standard. It was noted that the PIOB supported efforts made regarding consistency with the International Ethics Standards Board for Accountants' (IESBA's) project on definition of listed entities and public interest

entities, but emphasized the need for the scope of the exposure draft for the International Standards on Auditing (ISA) for LCE (ED-ISA for LCE) to be sufficiently restricted to entities for which the standard is appropriate, and were very supportive of not including listed entities. They continue to support the decision for group audits to be excluded from use of the proposed standard but welcome consultation on the topic.

- A letter was received from the IFAC emphasizing the urgency of the project, and strongly encouraging the IAASB to issue an exposure draft for stakeholder views.
- A letter was received from the Institute of Chartered Accountants in England and Wales supporting the progress made, but strong concern was highlighted about the exclusion of group audits.

FINALIZATION OF EXPOSURE DRAFT

Mr. Hagen provided an overview of the changes in key areas in the proposed standard and supplementary guides since the previous draft. A significant number of editorial changes suggested by Board members during the week (written and oral) were taken up in the final exposure draft. The following explains the more substantive changes made in finalizing the ED-ISA for LCE.

Reasonable Assurance

A number of specific requirements were identified by Board members who had the view that these requirements should be included to be able to support a reasonable assurance opinion. The relevant requirements were included in ED-ISA for LCE where appropriate.

Preface

Revisions were made to:

- Explain the concept of reasonable assurance in an audit, as it was highlighted that this was missing if ED-ISA for LCE was intended to be standalone.
- Clarify how the standard would be maintained (i.e., remove reference to a specific time period for which amendments would be made and delete the explanation about early adoption of any relevant ISA changes).
- Explain how projects to revise the ISAs and consequential changes that may be needed in ED-ISA for LCE from these projects would be considered when determining possible changes to the ISA for LCE
- Explain how the standard could be used for audits in the Public Sector. In addition, considerations specific to public sector entities were added throughout Parts 1 through 9 as appropriate.

Authority

The Authority Part was re-ordered to help clarify the limitations for using the ED-ISA for LCE. In addition, changes were made to:

- Clarify the two categories of limitations, i.e., the specific prohibitions and the qualitative characteristics.
- Clarify how modifications could be made, in particular to better explain which classes of entities with public interest characteristics could be modified, as well as who may make these modifications.

- Explain what is meant by public interest characteristics. In doing so, the Board did not support the use of “accountability” to explain public interest characteristics.
- Make clear that when considering whether an entity is a LCE for the purpose of using the standard, if there was uncertainty whether an entity is a LCE for the purpose of using the draft standard, then use of the ED-ISA for LCE would not be appropriate.
- Further clarify the role of firms.

Based on these discussions, corresponding changes were also made on the Supplemental Guidance – Authority of the Standard.

Although the Board continued to support the exclusion of group audits from the ED-ISA for LCE, the LCE Task Force was encouraged to consider addressing those circumstances where the entity being audited using the ED-ISA for LCE was a component in a group being audited using the ISAs. Mr. Hagen explained that this would be a group audit issue, highlighting that the ED-ISA for LCE would not be the appropriate place for such guidance as the draft standard did not address *why* audits are undertaken.

Notwithstanding the changes that had been made to address Board comments, some Board members continued to have strong concerns relating to the use of judgment by auditors at the engagement and firm level about use of the standard, including the potential commercial or quality implications from this and the potential scoping into the use of the standard of too many entities for which the standard would not be appropriate. Some Board members also highlighted that the use of judgment would lead to inconsistency in application, which was not in the public interest.

Determining that the ED-ISA for LCE is Appropriate

Clarifications were made relating to the use of the ED-ISA for LCE including:

- Explicit acknowledgement in the engagement letter that the audit would be performed using the ED-ISA for LCE (Part 4); and
- Clarifying that the evaluation of the appropriateness of using ED-ISA for LCE in Part 6 was based on the procedures that had been performed to identify and assess the risks of material misstatement.

Engagement Quality Reviews

A few Board members questioned whether Engagement Quality Reviews should be included in the ED-ISA for LCE because these were typically more common in audits of more complex entities. It was noted that the inclusion of procedures for engagement quality reviews may therefore not be consistent with other matters that were related to indicators of complexity. However, on further reflection and discussion, the Board noted that there were many instances, even in entities that are less complex, where Engagement Quality Reviews would be appropriate and therefore relevant requirements for such reviews continue to be included in the ED-ISA for LCE.

Accounting Estimates

Although acknowledging that the accounting estimates typically found in an LCE would be different to those in a more complex entity, some Board members expressed concern that certain critical procedures that

would still be needed had been omitted. Procedures related to point estimates and related disclosures, and processes related to developing accounting estimates, in Parts 6 and 7, were added to the ED-ISA for LCE.

Testing of Controls

Although Board members recognized that the testing of controls would likely be less in entities that the ED-ISA for LCE had been developed for, there was strong concern expressed by a few Board members about the limited procedures to appropriately address the testing of controls in cases where controls would be tested. Some Board members emphasized the need for balance in the draft standard. The LCE Task Force enhanced the procedures relating to testing of controls, in particular in Part 7, and Board members supported the enhancements that had been made.

Service Organizations

Some Board members continued to note the limited procedures addressing circumstances where a service organization is used. After further consideration, taking into account the nature of ED-ISA for LCE, the LCE Task Force agreed that no further changes would be made but that specific questions about this would be asked in the consultation. Board members generally supported this approach.

Reporting

Significant concerns were expressed by Board members as to the content of the ED-ISA for LCE related to auditor reporting, in particular in relation to the content of the auditor's report as well as when there were modifications or other changes made to a standard auditor's report.

In a revised draft presented to the Board during the Board meeting week, the content of the auditor's report was set out in a specified format with specific content. The Board supported this approach, but encouraged further consideration of additional requirements (or the ability to make changes) for jurisdictions where the form and content of the auditor's report is mandated by law or regulation. Changes were made in Part 9 to address these circumstances. It was also suggested that the inclusion of the voluntary reporting of key audit matters be reconsidered, but the Board agreed to continue to exclude key audit matters from the scope of the draft ISA for LCE because key audit matters were typically expected in audit reports of entities that would not be using the draft standard.

With regard to circumstances where a modification or other change is needed to an auditor's report (e.g., an emphasis of matter, other matter, material uncertainty related to going concern, disclaimer of opinion or other information paragraph) the Board agreed that, due to the standalone nature of the standard, reference would not be made to the reporting standards within the ISAs. However, relevant requirements were added in a tabular format, with illustrative reports presenting the articulation of such reports in the non-authoritative Supplemental Guide – Auditor Reporting. The Board supported this approach.

Because of the changes made in Part 9, and the further development of the Supplemental Guide – Auditor Reporting, the Board supported removing the appendices with the illustrative auditor's report.

Transitioning Out of the Proposed Standard

Some Board members expressed concern that it was not clear what would need to be done when transitioning between the ED-ISA for LCE and the ISAs. However, other Board members did not have the view that detailed guidance would be needed for transitioning out of the standard as this would be unique to each audit. Mr. Hagen explained that this would broadly be addressed in the Explanatory Memorandum

(EM) through a high-level explanation and an accompanying question on this in the consultation. Mr. Botha clarified that this would be done at a higher level for the purpose of the consultation, which was appropriate at this point of the development of the ED-ISA for LCE. On balance, the Board agreed with this approach.

Other Significant Matters

Some Board members had the view that the documentation requirements were too much for a typical audit of an LCE. On balance, the Board agreed to not change the approach to documentation but agreed to further consider documentation once feedback from the public comments on exposure was received. In addition, further specific documentation requirements were also added for:

- Quality control matters (Part 3).
- Details about the audit procedures performed (Part 5).
- Misstatements that are considered trivial and the accumulation of misstatements (Part 7).
- Significant judgments relating to accounting estimates (Part 7).
- The reconciliation of the underlying information with the financial statements (Part 8).

Other areas where Board members had expressed concern where enhancements or changes were made included:

- In relation to interim work performed;
- The auditor's obligations when information becomes known after the financial statements have been approved; and
- Removing the time period for the completion of the audit file as it was noted that because the entities were less complex a longer time period would not be needed.

Some Board members raised concern over the lack of application material or essential explanatory material (EEM) within ED-ISA for LCE that would be needed to support effective implementation of the relevant requirements. Enhancements were made in several areas to include more EEM. However, the Board agreed that in order to keep the standard succinct, the addition of application material more broadly not be reconsidered. Mr. Hagen explained the intention that the final ISA for LCE be accompanied by further guidance, and that the development of such guidance would need to be considered as the draft standard is further progressed, in particular who would develop such guidance.

EXPLANATORY MEMORANDUM AND OUTREACH DURING EXPOSURE PERIOD

Mr. Hagen walked through the topics for the EM as proposed by the LCE Task Force and received feedback that was incorporated into the final document. Key areas of feedback included:

- The approach to, and content of EEM.
- The standalone nature of the proposed standard.
- Transition in and out of the standard.
- Understanding any barriers to use of ED-ISA for LCE.
- The structure and length of the EM.

It was highlighted by Board members that it was important to explain how the ISA requirements had been incorporated in ED-ISA for LCE, and to ensure that there were questions exploring the adequacy of the essential explanatory material.

Ms. Bahlmann provided an overview of the proposed outreach, highlighting the goal to reach different stakeholder groups in order to get feedback from those that may be affected by the proposed standard, in particular those that the IAASB does not ordinarily receive feedback from.

APPROVAL OF THE EXPOSURE DRAFT

IAASB CAG Chair Remarks

Mr. Dalkin expressed the CAG's continued support for the project and ED-ISA for LCE.

PIOB Observers Remarks

Ms. Stothers broadly supported the changes that had been made to be able to finalize ED-ISA for LCE. She reiterated that it is very important to be clear about which entities the standard may be used for, so that application of the Authority of the draft standard is consistent.

Due Process Matters

The Board agreed with the LCE Task Force's recommendation that field testing, holding a public forum or roundtable, or issuing a consultation paper was not needed prior to approval of ED-ISA for LCE for public exposure given the input from stakeholders over the course of the project as a whole. In the LCE Task Force's view, the significant matters it had identified as a result of its deliberations since the beginning of this project, and its considerations thereon, have been reflected in the agenda material presented to the IAASB at its meetings and there were no significant matters it has discussed in the project that have not been brought to the IAASB's attention.

Approval

After agreeing on specific changes, the IAASB approved ED-ISA for LCE for exposure with sixteen affirmative votes out of the eighteen IAASB members present. Two Board members abstained from the vote.

Mr. Vanker acknowledged the significance of this project and its importance to many stakeholders, and his support for the requirements and application material in the nine parts of the approved ED-ISA for LCE. Although recognizing the speed and agility by the Board in developing the exposure draft, and the need for this draft standard, Mr. Vanker noted that more time was needed to allow for a fuller consideration of some of the proposals in the draft. In particular, Mr. Vanker expressed concerns about the consistency with how the Authority of the standard would be applied. In particular, he highlighted the judgment needed with regard to the qualitative characteristics of a less complex entity, noting that this in particular could lead to inconsistent application of the Authority (i.e., the standard being used inappropriately) which would not be in the public interest. Among the public interest issues, he highlighted were the potential for commercial considerations and auditor bias influencing the scope of engagements eligible for application of the standard. He further added that the inconsistency could arise within partners in the same firm, between firms in a network, among regulators and practitioners and from one jurisdiction to another. He added that without a clear scope for the draft standard it would also be difficult to conclude whether the requirements within the rest of the standard were appropriate without more clarity about the scope of the standard. He

stressed that when the public receives the auditor's report, they need to know what the report means and whether it is an appropriate application of the standard. He explained that the interpretation of the highly judgmental language in the standard has the potential for changing views of users about the expectation gap and could erode trust. He concluded by saying that the risks we face as a Board are inconsistent application, determining when the standard applies or not, the risk of arbitrage between the user selection of IAASB standards and between firms, opinion shopping, or a failed audit.

Mr. Kienhuis expressed his support for the requirements in the draft standard, noting the same concerns as Mr. Vanker about the judgments related to the qualitative characteristics that would need to be applied, with the resulting risk of inconsistent application. He also expressed concerns relating to the limited nature of EEM or application material, and how this limited application material supports consistent, effective and high-quality audits for LCEs.

3. Fraud in an Audit of Financial Statements

Mrs. Provost introduced the session and explained that the objective was to discuss possible actions for six specific topics raised by respondents to the Discussion Paper³ where mixed responses were received, as set out in **Agenda Item 3**. Mrs. Provost explained that this session would build on the recommendations made to the Board and discussions thereon in April 2021 and, together with the matters to be presented and related discussion to be held in July 2021, would inform the development of the project proposal to be presented to the Board in September 2021.

The IAASB Chair encouraged the Board, at this stage of developing the project proposal, to remain open to possible standard-setting solutions in particular on major public interest issues identified, and to not prejudge specific future actions that may limit the Board's options.

SUMMARY OF FEEDBACK RECEIVED

The Board provided feedback on possible actions recommended by the Fraud Working Group in response to the six matters highlighted by respondents to the Discussion Paper and summarized in **Agenda Item 3**.

Standard-Setting

The Board discussed the possible actions to address the challenges and issues identified on the six topics presented, and in some areas continued to express mixed views on these possible actions.

The Board provided comments and suggestions for the Fraud Working Group's consideration on the possible actions as it develops the project proposal:

Revising the introductory language in ISA 240⁴ about responsibilities of the auditor and inherent limitations of an audit.

In relation to the proposals of the Fraud Working Group, specific comments and suggestions included:

- That the reordering of paragraphs and enhancing application material would not be sufficient to set the right tone on this important issue, and the proposal was seen by several board members to be 'cosmetic' or insufficiently responsive. However, mixed views were expressed by various Board

³ Discussion Paper, [Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit](#)

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

members about what may be needed; on one hand, a few Board members suggested changes and enhancements to the text of the introductory paragraphs to emphasize the auditor's role notwithstanding the inherent limitations, while on the other hand, some were cautious to imply that inherent limitations are less than currently described. After further deliberation, the Fraud Working Group was encouraged to further consider:

- Making changes to the text of the introductory paragraphs to reduce the ambiguity around the inherent limitations of an audit. There was support for further considering the changes made in this area by the United Kingdom in their equivalent of ISA 240.
- How the responsibilities of the auditor could be better emphasized and, in an appropriately balanced manner, clarify the respective responsibilities of others in relation to fraud. Other Board members, however, had the view that the auditor's responsibilities were clear in the ISAs and that this would not necessarily address the issues identified in relation to the inherent limitations of an audit. Caution was also expressed about focusing on what may not be within the Board's remit, with encouragement to focus on the standard-setting changes that would support enhanced audit quality.
- When revising the standard that any changes should not imply that the limitations in an audit are less than what is currently conveyed, as the limitations are inherent in nature and will not cease to exist.
- Monitoring what other jurisdictions have done to make enhancements in this area and consideration of those enhancements in informing the Board's actions. It was also highlighted that developments in the environment around the world should also be considered when developing revisions in this area.
- How 'education' can be used, possibly in collaboration with others, to help users of financial statements and others better understand the inherent limitations of an audit.

The Working Group agreed to reconsider the proposals in this area.

At the conclusion, one Board member continued to express reservations about the adequacy of the Fraud Working Group's original path forward and warned the IAASB on its messaging to the marketplace concerning the inherent limitations of an audit with respect to fraud.

Use of forensic specialists in an audit of financial statements.

Specific comments and suggestions included:

- The working group was encouraged by a Board member to consider proposals that would raise the bar in this area.
- Regarding paragraph 45 of the Issues Paper, possible clarification and requirements for the auditor's considerations about when the use of forensic specialists may be appropriate, but being mindful of scalability when developing such enhancements, with a Board member encouraging the Fraud Working Group to give greater consideration to responses on the DP that were supportive of the IAASB doing work in this area.
- Support for defining what is meant by "forensic specialist," while also taking into account how any terms used may be translated.

- Consideration of exploring trigger events where specialists should be considered for assistance in the risk assessment process.
- Considering how forensic specialists could be used in a 'coaching' role for auditors when appropriate.
- Support for making a connection between enhancements related to forensic specialists with paragraphs 25-28 in ISA 220 (Revised)⁵ related to engagement resources.
- Further consideration of whether forensic specialists should be required for higher-risk entities.

Clarifying the definition of fraud.

The Board was presented with two options regarding the definition of fraud. As a result, the Board discussed the adequacy of the options presented in clarifying the definition and assisting practice. Specific comments and suggestions included that:

- The definition of fraud should not be expanded. However, it was noted that the Board should clarify the definition, possibly through application material or non-authoritative guidance to illustrate how concepts like bribery and corruption are interlinked with fraud for purposes of an audit of financial statements. This may include the consideration of one or both of the options presented to the Board.
- There was a suggestion that the definition be reconsidered to include bribery and corruption, further clarified by the statement that as long as it was clear how the concepts were interlinked to fraud it may not be necessary to change the definition.

Enhancing application of professional skepticism.

Specific comments and suggestions included:

- Support for enhanced application material and non-authoritative guidance to illustrate the 'ramp up' of procedures and give practical examples of professional skepticism applied in certain circumstances.
- Recognize the linkage between professional skepticism and the potential role of forensic specialists.
- Provide more detail about future collaboration with other IAASB workstreams in the development of the project proposal, with encouragement to describe more specifically the detailed actions for the relevant workstreams.

Further considering the presumed risk of fraud in revenue recognition and what changes are needed.

Specific comments and suggestions included:

- Further exploration on how to shift focus from the auditor developing a rebuttal to the need for the auditor to perform robust risk identification and assessment.
- For enhancements to application material, shifting away from clarifying when it may be appropriate to rebut the presumption of risk of fraud in revenue recognition, and focusing instead on when it is *inappropriate* to rebut the presumption. It was also noted that this may be a good opportunity to provide more guidance on rebutting fraud risks in revenue recognition.

⁵ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

Strengthening requirements about the auditor's considerations for external confirmations.

Specific comments and suggestions included:

- Consideration of scope to only explore enhancements specific to fraud. It was noted that broader enhancements related to external confirmations may need to be considered for a possible future project on ISA 505,⁶ with encouragement to coordinate with the Audit Evidence Task Force in this area.

AREAS WHERE NO FURTHER ACTION RECOMMENDED

Introducing the Concept of a 'Suspicious Mindset' Into the ISAs.

Specific comments and suggestions included:

- Support for not further pursuing the concept of a "suspicious mindset" but rather enhancing the application of the existing concept of professional skepticism.

ACTIONS FOR OTHERS IN THE FINANCIAL REPORTING ECOSYSTEM

Board members encouraged that the Fraud Working Group consider any possible actions in terms of the broader financial reporting ecosystem, including education initiatives that may help enhance the understanding of the respective roles that auditors and others have in addressing the issues and challenges identified. However, there was caution to focus on actions that are within the remit of the IAASB.

PIOB OBSERVER REMARKS

Mr. Hafeman expressed support for the work of the IAASB on the fraud project and encouraged as much substantive enhancement to the standard as appropriate given the public interest importance of the issues. He also supported the Board's suggestions for strengthening the proposals made by the Fraud Working Group in some areas, in particular on what the auditor is required to do. He noted that the root cause analysis underway could also further inform the development of a robust project proposal.

WAY FORWARD

The Fraud Working Group will present possible actions for the remaining specific topics where mixed views were expressed at the July 2021 IAASB meeting and seek to obtain Board feedback on possible project objectives, project scope and public interest issues that will inform the development of a project proposal to be presented at the September 2021 meeting.

4. Group Audits – Proposed ISA 600 (Revised)⁷

Mr. Jui updated the Board on the work of the ISA 600 Task Force since the March 2021 IAASB meeting as presented in **Agenda Item 4, Agenda Item 4-A, Agenda Item 4-B** and **Agenda Item 4-C**. The following sets out the more significant comments from the Board.

⁶ ISA 505, *External Confirmations*

⁷ Proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

SCOPE OF THIS ISA, OBJECTIVES AND DEFINITIONS

The Board broadly supported the ISA 600 Task Force's proposals as presented in **Agenda Item 4-C** but had several suggestions regarding the scope and applicability of the standard and the definitions. The Board asked the ISA 600 Task Force to consider:

- Deleting certain references to 'entity' or 'entities' in paragraph A2AA as such references were deemed confusing in the context of a single legal entity.
- Clarifying the difference between the terms 'audit work' and 'audit procedures' as the Board questioned the consistent use of these terms throughout the standard.
- Including more guidance in the standard on when component auditors are also performing an audit of component financial statements for another purpose (e.g., a statutory audit), including when such audit has already been completed.
- Clarifying the lead-in wording to paragraph A9A. Even though there was broad support for the bullets in paragraph A9A, it was questioned whether some of these matters described are really challenges that relate to the exercise of professional skepticism.
- Moving the first sentence of paragraph A15A to the definition of group engagement partner in paragraph 9(j) to give more prominence to the circumstances in which joint auditors conduct a group audit. The Board noted that this would be consistent with extant ISA 600.⁸

LEADERSHIP RESPONSIBILITIES FOR MANAGING AND ACHIEVING QUALITY ON A GROUP AUDIT, AND ACCEPTANCE AND CONTINUANCE

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 4-C** but had several suggestions on how to enhance the sections on the leadership responsibilities for managing and achieving quality on a group audit, and acceptance and continuance. The Board asked the ISA 600 Task Force to consider:

- Revising paragraph 12, as it does not include a special consideration and is repeating ISA 220 (Revised).
- Streamlining the application material related to paragraph 12 of proposed ISA 600 (Revised) as some paragraphs distracted from the key messages in this section and were deemed repetitive of ISA 220 (Revised).
- Clarifying paragraph 13 as, except for the subheading above the paragraph, it is unclear how this requirement relates to acceptance and continuance.
- Combining the first and third bullets of paragraph A29 as these bullets were repeating the same actions that the group auditor may take when access to information and people is restricted.
- Clarifying whether the procedures in paragraph A29A are only appropriate when the group has a non-controlling interest in an entity that is accounted for by the equity method and the group auditor's access is restricted, or whether these procedures could also be appropriate in other circumstances.

⁸ Extant ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

OVERALL GROUP AUDIT STRATEGY AND GROUP AUDIT PLAN

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 4-C** but had several suggestions on how to enhance the section on the overall group audit strategy and group audit plan. The Board asked the ISA 600 Task Force to consider:

- In paragraph 17A, clarifying that the group auditor needs to update the overall group audit strategy and group audit plan as necessary, as required by ISA 300.⁹
- Streamlining the application material related to paragraph 17A. The Board noted several paragraphs that could be enhanced or moved to other sub-sections within the section on the overall group audit strategy and group audit plan.
- Deleting or clarifying paragraph 18. The Board noted that the intent of the paragraph is unclear, including the reference to "the determination in paragraph 12" since paragraph 12 does not require a determination.
- Clarifying the example in the last two sentences of paragraph A39. The Board noted that the example is not clear and should be included in another section as it seems to relate to the resources needed to perform the group audit engagement. The Board also indicated that it is important to keep the example as it addresses concerns from regulators and other oversight authorities.
- Clarifying the last sentence of paragraph A23A. The Board noted that it is unclear how communications should "reflect the component auditor's involvement in various phases of the group audit."

UNDERSTANDING THE GROUP AND ITS ENVIRONMENT, THE APPLICABLE FINANCIAL REPORTING FRAMEWORK AND THE GROUP'S SYSTEM OF INTERNAL CONTROL

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 4-C** but had several suggestions on how to enhance the section on the understanding of the group and its environment, the applicable financial reporting framework, and the group's system of internal control. The Board asked the ISA 600 Task Force to consider:

- Removing the references to 'timely' in paragraphs 26 and 26A as all communications between the group auditor and component auditors should be timely and these references may give the impression that other communications do not need to be timely.
- Including a requirement in paragraph 26 similar to paragraph 26A(a). In that regard, the Board noted that paragraph 26A(a) requires component auditors to communicate to the group auditor matters related to the financial information of the component that may be relevant to the identification and assessment of the risks of material misstatement of the group financial statements. The Board suggested adding a similar requirement to paragraph 26 for the group auditor to communicate to the component auditor matters that are relevant to the component auditor's design or performance of risk assessment procedures for purposes of the group audit.
- Clarifying in the application material to paragraph 26A that matters, other than the matters included in paragraph 26A, may need to be communicated to the group auditor in the course of the component auditor's procedures.

⁹ ISA 300, *Planning an Audit of Financial Statements*

IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 4-C** but had several suggestions on how to enhance the section on the identification and assessment of the risks of material misstatement. The Board asked the ISA 600 Task Force to consider:

- Changing "evaluate" in paragraph 26C to "take into account." The Board noted that paragraph 26C seems to require the group auditor to evaluate the component auditors' evaluation about whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of risks of material misstatement. The Board noted that the reference to two evaluations may be confusing.
- Aligning paragraph A72D closer to ISA 315 (Revised 2019).¹⁰

RESPONDING TO THE ASSESSED RISKS OF MATERIAL MISSTATEMENT

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 4-C** but had several suggestions on how to enhance the section on responding to the assessed risks of material misstatements. The Board asked the ISA 600 Task Force to consider:

- Enhancing the application material in the sub-section on numerous individual components that are not individually financially significant. In paragraph A89, the Board suggested clarifying why automated tools and techniques may be helpful and suggested adding an example to paragraph A89A.
- Clarifying whether performing further audit procedures on the entire financial information of a component is the same as performing a full scope audit of the financial information of a component.
- Enhancing paragraph 34(b) as the evaluation about whether any fraud risk factors, or indicators of possible management bias exists is normally performed as part of the risk assessment and not as part of responding to the assessed risks of material misstatement.

COMMUNICATIONS WITH COMPONENT AUDITORS

The Board was supportive of the ISA 600 Task Force's changes as included in Agenda Item 4-C, noting that the changes were responsive to the key themes identified in the comments received on ED-600, including comments from Monitoring Group members. Notwithstanding the support received, a concern was raised about the requirement in paragraph 45A of proposed ISA 600 (Revised) for the group auditor to determine "... whether, and the extent to which, it is necessary to review parts of the component auditor's audit documentation." The concern was that the conditional nature of the requirement, and the reference to "extent", may provide a loophole for the group auditor not to review component auditor audit documentation when such review would otherwise be warranted under the circumstances.

SUBSEQUENT EVENTS

The Board broadly supported the ISA 600 Task Force's changes to the subsequent events section as included in **Agenda Item 4-C**. Notwithstanding the support, the Board suggested to delete ' , including, as appropriate, requesting component auditors to perform procedures, ' given that 'shall take responsibility' already indicates that component auditors can be involved.

¹⁰ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

COMMUNICATION WITH GROUP MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE OF THE GROUP

The Board broadly supported the ISA 600 Task Force's changes to the section on communication with group management and those charged with governance of the group section as included in **Agenda Item 4-C**. Notwithstanding the support, the Board suggested to focus paragraph 53A on the work to be performed at components, consistent with the requirement for communication with those charged with governance of the group in paragraph 56(a).

DOCUMENTATION

The Board was broadly supportive of the revisions proposed by the Task Force as included in **Agenda Item 4-C**, noting that the changes were responsive to the key themes identified in the comments received on ED-600, including comments from Monitoring Group members. Notwithstanding the support received, the Board asked the ISA 600 Task Force to consider:

- Clarifying the references in paragraph A124 to documentation "residing" in the group auditor or component auditor files.
- Deleting the reference to 'ease of accessibility' in paragraph A127. The Board also suggested including guidance in paragraph A127 explaining how the factors included in paragraph A113 may affect the nature, timing and extent of the review of audit documentation of component auditors.

OTHER COMMENTS

The Board broadly supported the ISA 600 Task Force's proposed way forward with respect to audits performed for another purpose as set out in paragraphs 62–65 in **Agenda Item 4**. The Board also asked the ISA 600 Task Force to continue its liaison with other IAASB task forces and working groups and the IESBA Engagement Team – Group Audits Independence Task Force.

IAASB CAG CHAIR REMARKS

Mr. Dalkin thanked the ISA 600 Task Force and Staff for its work and looked forward to discussing the updated draft of proposed ISA 600 (Revised) with the CAG in September 2021.

PIOB OBSERVER REMARKS

Mr. Hafeman complimented the ISA 600 Task Force on its progress and focus on public interest issues and responding to stakeholders. He noted that it is important to find the right balance between adding requirements or application material to address comments received. When in doubt, he suggested including requirements as practitioners likely give more attention to requirements than application material. Mr. Hafeman noted that, while wording can always be refined, it is important for the IAASB to consider whether further work on wording may have the effect of reducing clarity.

WAY FORWARD

Based on the Board's comments, the ISA 600 Task Force will further develop the draft of proposed ISA 600 (Revised) and will present an updated draft in September 2021.

5. IAASB CAG Chair's Closing Remarks

Mr. Dalkin noted that he is looking forward to sharing the ED-ISA for LCE with the CAG and that he is very interested in their feedback because the CAG has been very vocal on this particular standard.

6. Closing

The minutes of the March 2021 IAASB quarterly meeting and mid-quarter videoconferences for April 21–22 and May 10–11, 2021, were approved as presented.

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.

7. Next Meeting

There is one mid-quarter Board videoconference scheduled for the third quarter of 2021, which will be held on July 20–21. The next IAASB meeting will be held via several video conferences between September 13–17, 2021.