

**Minutes of the 117th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held during September 2020 via Video Conferences¹**

	Voting Members	Technical Advisors (TA)
Present:	Tom Seidenstein (Chair) Fiona Campbell (Deputy Chair) Sue Almond Chun Wee Chiew Julie Corden Robert Dohrer Kai Morten Hagen Josephine Jackson ² Len Jui Sachiko Kai Prof. Kai-Uwe Marten Lyn Provost Fernando Ruiz Monroy Rich Sharko Roger Simnett Isabelle Tracq-Sengeissen Eric Turner Imran Vanker ²	Helene Agélii (Mr. Hagen) Sara Ashton (Ms. Almond) Viviene Bauer (Mr. Monroy) Wolf Böhm (Prof. Marten) Fabien Cerutti (Ms. Tracq-Sengeissen) Antonis Diolas (Mr. Chiew) Johanna Field (Mr. Turner) Hiram Hasty (Mr. Dohrer) Rene Herman (Mr. Simnett) Susan Jones (Mr. Jui) Tania Sergott (Ms. Corden) Jamie Shannon (Mr. Sharko) Sylvia Van Dyk (Ms. Provost) Denise Weber (Ms. Campbell) Kohei Yoshimura (Ms. Kai)
Apology:	<i>None</i>	

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)

¹ Due to the COVID-19 pandemic, the IAASB decided to hold the September 2020 IAASB meeting via a number of video conference sessions during the weeks of September 14 and 21, 2020. The discussions held during these video conferences are captured within these minutes.

² It is noted that Ms. Jackson was not supported by a TA during the September 2020 IAASB video conferences and Mr. Vanker was supported by Mr. Yussuf Choonara.

Public Interest Oversight Board (PIOB) Observer

Present: Mr. Markus Grund (September 14-18), Ms. Karen Stothers (September 21-23)

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards) (September 14-16, 21 and 23), Willie Botha (Technical Director), Beverley Bahlmann, Yvonne Chan, Brett James, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska, Hanken Jane Talatala, Joy Thurgood, Jasper van den Hout, Angela Donnelly (IAASB Staff Fellow), Dan Montgomery (Senior Advisor – Technical Projects)

IAASB agenda materials referred to in these minutes can be accessed on the IAASB's Website for the sessions held [September 14–23](#). These minutes are a summary of the decisions made at the September 2020¹ IAASB meeting, in light of the issues and recommendations in the agenda material put forth by the Task Forces, Working Groups, Drafting Teams 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 and Approval

Mr. Seidenstein welcomed all participants to the September 2020 IAASB virtual meeting. Mr. Seidenstein also welcomed the public observers who were observing the meeting via the IAASB's YouTube channel. Mr. Seidenstein further updated the Board on the outreach performed during the third quarter of 2020, highlighting the extent of the IAASB's interactions with its key stakeholders for various projects.

2. Quality Management at the Firm Level – ISQM 1³

Ms. Corden introduced the topic, noting that ISQM 1 had been updated in response to the comments made by the Board in its March and June 2020 meetings.

In finalizing ISQM 1, in addition to various editorial and other less significant comments, the Board agreed to make the following changes:

- Clarify that the objective of the standard is paragraph 14.
- Clarify the explanations in the application material with respect to “individuals” and “personnel”.
- With regard to the monitoring and remediation component:
 - Clarify paragraph A144 related to the firm's monitoring of the monitoring and remediation activities to address perceived circularity in the description.
 - Clarify the example in paragraph A153 addressing how a firm may apply a cyclical basis in selecting engagement partners for inspection of completed engagements.

³ International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control (ISQC) 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

- Clarify that the individual(s) assigned ultimate responsibility and accountability for the system of quality management performs their responsibilities on behalf of the firm.

The Board requested that the basis for conclusions include an explanation of why the firm monitors the monitoring and remediation process.

The Board emphasized the need for implementation support materials relating to:

- The various human resources involved in the system of quality management and performance of engagements;
- The firm's communication with external parties about the firm's system of quality management, in particular to draw attention to the firm's judgment in this regard;
- The first evaluation of the system of quality management; and
- The firm's risk assessment process.

EFFECTIVE DATE

The Board agreed that the effective date of ISQM 1 is December 15, 2022, i.e., that systems of quality management in compliance with ISQM 1 are required to be designed and implemented by December 15, 2022, and the evaluation of the system of quality management required by paragraphs 53–54 of ISQM 1 are required to be performed within one year following December 15, 2022.

PIOB OBSERVER REMARKS

Mr. Grund noted that the addition of paragraph 15 in the standard is an acceptable compromise to the PIOB's concerns about the objective of the standard. Ms. Stothers thanked the Board for considering and effectively handling the public interest issues raised by the PIOB. She noted her support for the finalization of the standard.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin noted the support of the CAG for the public interest paragraph (paragraph 15). He also noted the support of the CAG for this project and expressed appreciation for the ISQM 1 Task Force's response to the CAG's comments and concerns.

DUE PROCESS CONSIDERATIONS

Ms. Corden confirmed that the ISQM 1 Task Force had raised all significant issues with the IAASB and noted that the ISQM1 Task Force had the view that no further consultation (such as roundtables or further consultation with particular stakeholder groups) or field testing was needed. The IAASB agreed that there were no issues raised by respondents to the ED of ISQM 1 that should have been discussed in addition to those summarized by the ISQM 1 Task Force. Mr. Botha advised the IAASB that it had adhered to its stated due process in finalizing the standard.

APPROVAL

After agreeing all necessary changes, the IAASB approved ISQM 1 with 17 affirmative votes out of the 18 Board members present. One member abstained from voting.

Prof. Marten thanked the Board and the ISQM 1 Task Force for their efforts to address the matters raised, acknowledging that helpful changes were made. However, he explained his reasons for abstaining from voting as follows:

- Prof. Marten noted that the number of quality objectives of the standard were too high and too granular for the purposes of identifying and assessing quality risks, and designing and implementing responses. He added that this prevents the ability of the standard to be applied in a scalable manner by smaller firms. He also noted that the monitoring and remediation component is over-engineered for smaller firms.
- Prof. Marten expressed concern regarding the impact of the change to the definition of engagement team on engagements other than audits, adding that he did not believe proper consideration was given to the effect of the changes on these other engagements. He emphasized that the change may result in practical issues.
- Prof. Marten indicated that the quality objective describing the relevant ethical requirements for others outside of the firm implies that individuals outside the firm are subject to the same relevant ethical requirements as the firm. He noted that this is not practicable given conflicts of laws across jurisdictions.
- Prof. Marten explained that the deletion of the term “assessed” before “quality risks” in the context of describing responses is inappropriate because it implies that all identified quality risks need to be responded to, including those that have been assessed at an acceptably low level. He added that this is not aligned to the approach in ISA 330,⁴ where the auditor responds to assessed risks.

CONSIDERATION OF THE NEED FOR RE-EXPOSURE

Ms. Corden presented the ISQM 1 Task Force's consideration of the need for re-exposure as presented in **Agenda Item 2-C**. The Board agreed with the ISQM 1 Task Force's conclusion that the changes made to the standard since the exposure draft did not require re-exposure.

The IAASB unanimously voted against re-exposure, with 18 Board members out of the 18 Board members present voting against re-exposure.

3. Engagement Quality Reviews – ISQM 2⁵

Mr. Vanker introduced the topic, noting that proposed ISQM 2 had been updated in response to the comments made by the Board in the April 1, 2020 videoconference.

In finalizing ISQM 2, in addition to various editorial and other less significant comments, the Board agreed to make the following changes:

- For review engagements, clarify that the engagement quality (EQ) reviewer reviews the financial statements or financial information and the practitioner's engagement report thereon.
- With regard to the application material:
 - Replace the term “individual in the firm” with “personnel,” when appropriate, to align with the change in the definition of the term “personnel” in proposed ISQM 1.

⁴ International Standards on Auditing (ISA) 330, *The Auditor's Response to Assessed Risks*

⁵ ISQM 2, *Engagement Quality Reviews*

- Clarify that the information obtained from the firm and the engagement team, and the discussions with the engagement team and review of selected engagement documentation, assists the EQ reviewer in evaluating the engagement team's basis for making the significant judgments, and noting other considerations that may be relevant to the EQ reviewer's evaluation.
- Clarify that the EQ reviewer's procedures may also be documented in different ways, including, for example, in the minutes of the engagement team's discussions where the EQ reviewer was present.

The Board agreed that the requirements and application material relating to the impairment of the EQ reviewer's eligibility capture those circumstances when the EQ reviewer may have concerns regarding the eligibility (e.g., sufficient time) and reaches out to the firm to determine appropriate actions that may be taken (e.g., use of assistants in the EQ review). The Board acknowledged that this matter can be further clarified in the Basis for Conclusions or implementation support material.

The Board also received an update on the approval of the proposed revisions to the IESBA Code⁶ addressing the objectivity of EQ reviewers and acknowledged the coordination efforts between the two Boards.

EFFECTIVE DATE

The Board agreed that ISQM 2 is effective for:

- Audits and reviews of financial statements for periods beginning on or after December 15, 2022; and
- Other assurance and related services engagements beginning on or after December 15, 2022.

PIOB OBSERVER REMARKS

Ms. Stothers noted the PIOB's support for the finalization of the standard.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin noted the support of the CAG for this project and expressed appreciation for the ISQM 2 Task Force's response to the CAG's comments and concerns.

DUE PROCESS CONSIDERATIONS

Mr. Vanker confirmed that the ISQM 2 Task Force had raised all significant issues with the IAASB and noted the ISQM 2 Task Force had the view that no further consultation (such as roundtables or further consultation with particular stakeholder groups) or field testing was needed. The IAASB agreed that there were no issues raised by respondents to the ED of ISQM 2 that should have been discussed in addition to those summarized by the ISQM 2 Task Force. Mr. Botha advised the IAASB that it had adhered to its stated due process in finalizing the standard.

⁶ International Ethics Standards Board for Accountants (IESBA), *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

APPROVAL

After agreeing all necessary changes, the IAASB unanimously approved ISQM 2 with 18 affirmative votes out of the 18 Board members present.

CONSIDERATION OF THE NEED FOR RE-EXPOSURE

Mr. Vanker presented the ISQM 2 Task Force's consideration of the need for re-exposure as presented in **Agenda Item 3-F**. The Board agreed with the ISQM 2 Task Force's conclusion that the changes made to the standard since the exposure draft did not require re-exposure.

The IAASB unanimously voted against re-exposure, with 18 Board members out of the 18 Board members present voting against re-exposure.

4. Quality Management at the Engagement Level – ISA 220 (Revised)⁷

Mrs. Provost introduced the topic, noting that proposed ISA 220 (Revised) had been updated in response to the comments made by the Board in the April 1, 2020 and June 2020 videoconference meetings.

In finalizing ISA 220 (Revised), in addition to various editorial and other less significant comments, the Board agreed to make the following changes:

- Return the paragraph on the public interest to its previous location in the introduction.
- Further explain when the engagement partner may need to obtain information from the firm or members of the engagement team. This resulted in deleting paragraph A71 as it duplicated the new explanatory material.
- Delete “engaged by the firm or a network firm” from the reference to external experts in the engagement team definition to avoid the possibility that external experts could be part of the engagement team.
- Clarify that the responsibilities of the engagement team with respect to non-compliance with laws and regulations are about non-compliance by the entity.
- Clarify that, in smaller firms, the firm's policies or procedures may designate an engagement partner, on behalf of the firm, to design many of the responses to the firm's quality risks, as doing so may be a more effective approach to designing and implementing responses as part of the firm's system of quality management.

EFFECTIVE DATE

The Board agreed that ISA 220 (Revised) will be effective for audits of financial statements for periods beginning on or after on December 15, 2022.

PIOB OBSERVER REMARKS

Ms. Stothers expressed support for the important revisions to the standard that will bring improved audit quality. She noted the Board members' active participation in expressing their views in the finalization of the standard and the voting process.

⁷ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin noted the support of the CAG for this project and expressed appreciation for the ISA 220 Task Force's responses to the CAG's comments and concerns.

DUE PROCESS CONSIDERATIONS

Mrs. Provost confirmed that the ISA 220 Task Force had raised all significant issues with the IAASB and noted that the ISA 220 Task Force had the view that no further consultation (such as roundtables or further consultation with particular stakeholder groups) or field testing was needed. The IAASB agreed that there were no issues raised by respondents to the ED of ISA 220 (Revised) that should have been discussed in addition to those summarized by the ISA 220 Task Force. Mr. Botha advised the IAASB that it had adhered to its stated due process in finalizing the standard.

APPROVAL

After agreeing all necessary changes, the IAASB approved ISA 220 (Revised) with 17 affirmative votes out of the 18 Board members present. One member voted against the standard.

Prof. Marten noted that the definition of engagement team (which includes component auditors) is not practicable, particularly in situations where component auditors are from another firm or network, also due to conflicts of law relating to ethical requirements. He noted that direction, supervision and review of employees and partners within a firm is fundamentally different than seeking to direct, supervise, and review component auditors from another firm or network, particularly when there is no contractual relationship between the group auditor and the component auditor. He also noted that the standard should have clarified that all of the impediments noted in the standard to professional skepticism relate to non-compliance with the fundamental principles of the IESBA Code and that therefore the standard missed an opportunity to strengthen the link between auditing standards and the IESBA Code generally.

CONSIDERATION OF THE NEED FOR RE-EXPOSURE

Mrs. Provost presented the ISA 220 Task Force's consideration of the need for re-exposure as presented in **Agenda Paper 4-D**. The Board agreed with the ISA 220 Task Force's conclusion that the changes made to the standard since the exposure draft did not require re-exposure.

The IAASB unanimously voted against re-exposure, with 18 Board members out of the 18 Board members present voting against re-exposure.

5. Quality Management Conforming Changes to the ISAs

Mr. James introduced the topic and explained the process used to prepare the conforming amendments. He noted that the conforming amendments would be updated throughout the week in response to changes to the quality management standards.

APPROVAL

After agreeing all necessary changes, the IAASB approved the conforming amendments with 18 affirmative votes out of the 18 Board members present.

6. Quality Management Conforming Changes to the IAASB's Review, Assurance, and Related Service Standards

Mr. James introduced the proposed approach to making conforming and consequential amendments to the IAASB's review, assurance and related service standards resulting from ISQM 1 and ISQM 2. He noted that wording in ISA 220 (Revised) related to the ISQM 1 and ISQM 2 may be helpful in drafting the proposed amendments to the review, assurance and related services standards. He added that the intention is not to replicate ISA 220 (Revised) in these other standards as parts of ISA 220 (Revised) are focused on matters primarily relevant to audits of financial statement.

WAY FORWARD

A project proposal and proposed ED will be presented for approval at a video conference call on November 11th, 2020.

7. Extended External Reporting (EER) Assurance

BACKGROUND

Mrs. Provost provided an overview of the responses to the Consultation Paper [Extended External Reporting \(EER\) Assurance](#), noting the generally positive feedback received on the draft EER guidance (the Guidance), and a recognition of its importance.

In response to comments received from respondents to the Consultation Paper and to the EER Task Force's initial proposals to address those comments, the Board provided input on a number of matters – see headings, below.

CONTENT OF THE EER NON-AUTHORITATIVE GUIDANCE

- Illustrating the differences between limited and reasonable assurance would be useful in terms of applying the Guidance in practice. However, the proposed additional illustrative material should not detract the Task Force's focus from the main deliverable, being the Guidance. There may also be a risk that such illustrative procedures might end up being used more broadly, e.g., for other types of assurance, including those related to financial statements. In proceeding, as limited assurance covers a broad spectrum, the Task Force may want to consider developing two examples – one to illustrate assurance that is 'just above clearly inconsequential' and another example that is 'just below' reasonable assurance.
- It was noted that it would be helpful to address the call for guidance on a 'stand back' by the practitioner before making the acceptance or continuance decision, which may be particularly important in the context of EER assurance engagements.
- It would be helpful to retain a diagram in Chapter 3 to illustrate the interrelationships between the preconditions for assurance. However, it was suggested that Diagram 5 should be deleted if it cannot be made more readily understandable, whether by simplifying or replacing it.

- The Guidance should not imply requirements that go beyond ISAE 3000 (Revised).⁸ Attention was drawn to aspects of the Guidance where there was a need to more carefully align the Guidance with ISAE 3000 (Revised).
- It was suggested that the Task Force revisit their view on controls in Chapter 5 that the testing of controls, IT or otherwise, is no different in principle for EER subject matter information compared to any other subject matter information. Matters to consider may include that controls for the former may be less developed and that the skills or expertise in testing some EER controls may be different to the skills or expertise needed in testing financial controls.
- It was noted that the guidance in Chapter 6 needs to be clear and consistent in its treatment of the practitioner's consideration of the process to develop the criteria and the practitioner's consideration of whether the resulting criteria are appropriately applied to identify reporting topics.
- It was noted that the (foundational) considerations related to evidence in an EER engagement are similar to those in a financial statement audit. As a project proposal to revise ISA 500⁹ is underway, keeping the guidance in this chapter at a relatively high level would avoid the need to revise it as a result of the ISA 500 project.
- It would be appropriate to clarify the distinction between including in the assurance report a description of an inherent limitation associated with the measurement or evaluation of the underlying subject matter, and using an emphasis of matter paragraph to draw attention to a matter relating to measurement uncertainty that is presented or disclosed in the subject matter information.

FORM AND STRUCTURE OF THE EER NON-AUTHORITATIVE GUIDANCE

- In relation to the ordering of the chapters, one Board member suggested that a more logical order for Chapters 5 to 7, would be 3, 4, 6, 7, 5 (noting that the Task Force had suggested 3, 6, 4, 5, 7). Another Board member noted that, although there had been calls to reorder Chapter 6, there were other respondents who had supported the current ordering of the chapters, suggesting that no change may be needed.
- In relation to publishing the Guidance in an enhanced digital format, it was noted that:
 - Doing so would not alleviate the need to reduce the length of the Guidance; and
 - It would be important to place Diagram 1 as the 'entrance gate' to a digitized document, rather than positioning it within a chapter or as an appendix so that the interrelationships between different parts of the Guidance, and the relationship to ISAE 3000 (Revised), could be clearly seen.

SUPPLEMENTS A AND B

- The Board broadly supported retaining both parts of Supplement A but noted that work on the Supplement should not impact the ability to publish the Guidance within the planned project timeline. If necessary, the Supplement (or parts thereof) could be issued at a later stage.

⁸ International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

⁹ ISA 500, Audit Evidence

- Mrs. Provost clarified that after the Issues Paper had been posted, and having had an opportunity to again go over the responses received, there are substantive comments relating to Supplement A which would require more attention than previously thought.
- One Board member noted that for many of the reasons mentioned in the Issues Paper, Supplement A should not be issued at this time; another was in favor of deleting Part II, but retaining Part I of Supplement A.
- The Board noted the positive feedback from respondents regarding Supplement B and supported the Task Force's view to retain Supplement B, including development of two further examples, subject to it not delaying finalization of the main deliverable, being the Guidance.
 - One Board member noted that by attempting to cover a range of different frameworks, there may be a risk that if a framework is not illustrated, it could suggest that it is not covered by the Guidance.

OTHER MATTERS

- It was noted that there is a high level of interest in this project, and a need to publish the Guidance as soon as possible, especially given recent developments, such as the Statement of Intent to Work Together Towards Comprehensive Corporate Reporting by CDP, the Climate Disclosure Standards Board, the Global Reporting Initiative, the International Integrated Reporting Council, and the Sustainability Accounting Standards Board. There was also the call from the International Federation of Accountants' for the establishment of an International Sustainability Standards Board. The Board expressed the view that these developments underline the importance of keeping to the project timeline to finalize the Guidance by March 2021. A suggestion was made that the materials could be released in phases, with the Guidance being first, followed by any additional materials such as supplements.
- It was also noted that because the focus of the Guidance is on the practitioner, further consideration may be needed going forward regarding a broader objective relating non-financial reporting and the IAASB's role in relation to other stakeholders (i.e., other than practitioners). In addition to the need to evolve EER support for practitioners, there is a need for wider consideration to promote the value of EER assurance engagements to preparers, investors and other stakeholders.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin noted that additional examples and appendices could impact both the volume of the Guidance and the timing of its publication. He recommended undertaking a separate project to develop illustrative material on the difference between limited and reasonable assurance. Mr. Dalkin also suggested deleting Diagram 5 as it is complex and difficult to understand.

PIOB OBSERVER REMARKS

Mr. Grund noted that if Diagram 5 could be improved, he would support retaining it. However, if a graphic is not clear, he suggested to delete it.

WAY FORWARD

Mrs. Provost thanked the Board for the feedback received and noted that the EER Task Force will consider the matters raised by Board members during the meeting and the detailed additional written comments received offline. Mrs. Provost noted that the Task Force will continue to engage with the project advisory

panel, and that some of the panel members had offered to assist with the additional examples for Supplement B.

The EER Task Force will prepare a revised draft of the Guidance for consideration by the Board at its December 2020 meeting, with a view to approve the publication in March 2021.

8. IAASB CAG Chair's Closing Remarks

Mr. Dalkin thanked the task forces and working groups for considering and addressing the IAASB CAG Representatives' perspectives and comments in the relevant discussions.

9. PIOB Observer Closing Remarks

Ms. Stothers congratulated the IAASB for the approval of the quality management standards, and further noted that the meetings were well structured and the discussions robust, with balanced input from all Board members.

10. Closing

The minutes of the June 2020 IAASB meeting were approved as presented.

Mr. Seidenstein thanked the IAASB for their participation and robust discussions. He also thanked the IAASB members, TAs and IAASB Staff for the efforts leading up to, and during, the Board meeting. He closed the public sessions of the meeting.

There was no executive session at the September 2020 IAASB meeting.

11. Next Meeting

It was noted that there are two planned Board teleconferences for the fourth quarter of 2020. These teleconferences will be held on November 10 and 11, 2020. The next IAASB meeting will be held via several video conferences between December 7–11, 2020.