IAASB Meeting Highlights and Decisions
June 2020

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This summary of decisions of the International Auditing and Assurance Standards Board (IAASB) has been prepared for information purposes only. Except for approval of documents for public exposure and issuance of final Standards, decisions reported are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IAASB.

Due to the ongoing effects of the COVID-19 pandemic, the IAASB hosted the June 2020 IAASB meeting virtually by videoconference. The meeting agenda was thus split in a number of videoconference sessions during the week of June 15–19, 2020.

For more detailed information about IAASB projects, please refer to the project summaries under Current Projects.

IAASB COVID-19 Response Update

The IAASB Chair and Technical Director highlighted the measures undertaken to assist, adapt and collaborate with the IAASB’s key stakeholders in the current evolving environment.

Board members were generally supportive of the efforts to date and were pleased with the flexible way that the IAASB had quickly responded to the more immediate needs of its stakeholders (see IAASB COVID-19 webpage). Board members on balance supported the changes in the timelines of certain projects or workstreams, as well as the current periods for consultations and effective dates of standards that have been finalized or are in the process of being finalized. It was also agreed that the environment would continue to be monitored for any further changes that may be needed.

It was noted that senior Staff would continue to monitor the environment for indicators that more support may be needed in the immediate future, for example, through the development of Staff Audit Practice Alerts.

Technology

The Technology Working Group (TWG) shared an update of progress on the Technology Workstream plan. The Board provided certain suggestions, but generally supported the TWG’s approach going forward, including the addition of explanatory text at the front of each non-authoritative support material publication that provides overall context for addressing, in such materials, the use of automated tools and techniques in applying the International Standards on Auditing (ISAs).

Audits of Less Complex Entities

The Board discussed the LCE Working Group’s recommendations for developing a separate standard for Audits of Less Complex Entities (LCEs) on the basis of overarching principles outlining how the separate standard could be developed.
Notwithstanding the support for some of the overarching principles outlined, the Board requested the LCE Working Group to further consider how the separate standard could be developed so that it is standalone, while also clarifying the linkage back to the ISAs as appropriate. In doing so, the Board also encouraged further consideration of materials to help apply the separate standard, either within the standard (as application material) or outside as support materials.

The Board highlighted the importance of the description of an LCE to help in developing the content of the separate standard. The Board encouraged a more prescriptive definition for the application of the standard, although the Board recognized there would always be a level of judgment in making this determination. On this basis, the Board supported that the LCE Working Group commence development of the separate standard as well as prepare a project proposal for approval at the December 2020 IAASB meeting.

**Quality Management Projects**

The Board discussed the coordination between the quality management task forces, the implementation support activities planned for the quality management standards, and the effective date of the standards. The Board agreed with the recommendation that the effective date of the quality management standards be December 15, 2022.

**Quality Management at the Firm Level**

The Board discussed revisions to certain areas of proposed ISQM 1,¹ including the firm’s risk assessment process, resources, relevant ethical requirements, monitoring and remediation, and the evaluation of the system of quality management. The Board also discussed external communications, in particular the firm’s communication with those charged with governance when performing an audit of financial statements of a listed entity.

The Board supported the proposals, and encouraged the ISQM 1 Task Force to further simplify the approach to human resources, in particular the application material explaining the firm and engagement team responsibilities in addressing the competence and capabilities of individuals assigned to the engagement team. The Board also provided varying comments on external communications, although was generally supportive of the direction proposed by the ISQM 1 Task Force.

The ISQM 1 Task Force will present a full draft of proposed ISQM 1 for IAASB approval via videoconference in September 2020.

**Engagement Quality Reviews**

The ISQM 2 Task Force updated the Board about the IESBA Engagement Quality Reviewer (EQR) Task Force’s proposed revisions to the IESBA Code² addressing the objectivity of EQRs. The Board agreed that the proposed revisions to the IESBA Code addressing the objectivity of appropriate

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¹ Proposed 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*

² International Ethics Standards Board for Accountants (IESBA), *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)
reviewers align with the provisions relating to the objectivity of EQRs in proposed ISQM 2.³

The ISQM 2 Task Force will present a full draft of proposed ISQM 2 for IAASB approval via videoconference in September 2020.

Quality Management at the Engagement Level
The Board discussed amendments to proposed ISA 220 (Revised)⁴ to clarify how to treat component auditors that are not directly engaged by the firm.

The ISA 220 Task Force will present a full draft of proposed ISA 220 (Revised) for IAASB approval via videoconference in September 2020.

Audit Evidence
The Board discussed the outcome of the Audit Evidence Working Group’s information gathering and targeted outreach activities. Based on the feedback, the Board agreed with the Audit Evidence Working Group’s conclusion that the listing of audit evidence related issues, as presented, is appropriate. The Board supported the Audit Evidence Working Group’s recommendation to develop a project proposal to revise ISA 500,⁵ including conforming and consequential amendments to other standards, for approval at the December 2020 IAASB meeting, and to continue in the interim to evolve its approach, as presented, to progress the revision of ISA 500 (and conforming and consequential amendments to other standards). The Board also recommended that the Working Group publish a project update to inform stakeholders about the activities undertaken to date.

Next Meeting
Video conferences have been scheduled for July 22 and August 11, 2020. The next IAASB meeting is scheduled for September 14-23, 2020 and will be held virtually via videoconference. Details of this meeting will be released on the IAASB Meetings webpage in due course.

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³ Proposed ISQM 2, Engagement Quality Reviews
⁴ ISA 220 (Revised), Quality Management for an Audit of Financial Statements
⁵ ISA 500, Audit Evidence