

# IAASB Meeting Highlights and Decisions

June 2022

Contact: Willie Botha, IAASB Technical Director ([WillieBotha@iaasb.org](mailto:WillieBotha@iaasb.org))

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.

The IAASB hosted the June 2022 IAASB meeting in person in New York, USA, over the period of June 13–17, 2022. This was the first full in-person IAASB meeting following the COVID-19 pandemic (with videoconference dial-in available.).

For more detailed information about IAASB projects, please refer to the project summaries under [IAASB Current Projects](#).

## Listed Entity and Public Interest Entity (PIE)

The Board discussed and approved an Exposure Draft (ED) for track 1 of its project on listed entity and PIE. The ED proposes narrow scope amendments to ISA 700 (Revised)<sup>1</sup> and ISA 260 (Revised)<sup>2</sup> as a result of the revisions to the IESBA Code<sup>3</sup> that require a firm to publicly disclose when a firm has applied the independence requirements for PIEs. The Exposure Draft will be published in July 2022 for a 90-day public comment period.

In December 2022 the PIE Task Force intends to present to the Board proposals for track 2 of the project on listed entity and PIE, including:

- Whether the IAASB should adopt the IESBA definitions of “publicly traded entity” and PIE.
- The objective and guidelines for establishing differential requirements for certain entities in the ISQMs<sup>4</sup> and ISAs.
- Which entities the extant differential requirements for listed entities in the ISQMs and ISAs should apply to, using a case-by-case approach, and consequential considerations for the application and introductory material in these standards.

## Audit Evidence

The Board discussed and broadly supported a draft of proposed ISA 500 (Revised)<sup>5</sup> that reflected the changes made by the Audit Evidence Task Force based on the Board’s discussion in March 2022.

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<sup>1</sup> International Standards on Auditing (ISA) 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

<sup>2</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*

<sup>3</sup> The International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

<sup>4</sup> International Standards on Quality Management

<sup>5</sup> ISA 500, *Audit Evidence*

Such changes included a separate requirement to obtain audit evidence about the accuracy and completeness of information intended to be used as audit evidence when those attributes are applicable in the circumstances.

In progressing the draft standard, the Board suggested clarifications to emphasize that designing and performing audit procedures in an unbiased manner applies to both risk assessment procedures and further audit procedures. The Board also discussed clarifications in the application material to address the meaning of the term “information intended to be used as audit evidence,” given concerns about a disconnect with the wording used in the definition of audit evidence.

The Audit Evidence Task Force will present an updated draft of proposed ISA 500 (Revised) for approval for public exposure at the September 2022 IAASB meeting, along with proposed conforming and consequential amendments to other ISAs.

## Sustainability

The Board enthusiastically supported pursuing standard setting for assurance on sustainability reporting and encouraged the Sustainability Assurance Working Group to develop a project plan that will clearly guide the IAASB’s efforts. The Board on balance supported pursuing an overarching standard that:

- Stands alone from ISAE 3000 (Revised);<sup>6</sup>
- Addresses both limited and reasonable assurance; and
- Uses the requirements and principles of ISAE 3000 (Revised), as appropriate, enhanced and specified for assurance on sustainability reporting.

The Board supported focusing on the five priority challenges and providing more specificity on these challenges as part of the initial standard-setting activities, with a view to providing further specificity on other areas of sustainability assurance engagements as part of future efforts. The Board encouraged the Sustainability Assurance Working Group to also consider reporting as one of the initial priority challenges to be addressed.

## Going Concern

The Board discussed and broadly supported the Going Concern Task Force’s initial views and recommendations for selected key issues identified in the project proposal for the revision of ISA 570 (Revised).<sup>7</sup> This included proposals for the timeline over which the going concern assessment is made and for transparency about the auditor’s responsibilities and work related to going concern.

The Board supported the proposed change in the commencement date of the period of the auditor’s evaluation of management’s assessment of going concern to at least twelve months from the date of approval of the financial statements. There was also broad support for the proposed enhancements to strengthen the requirements for communication with those charged with governance and for inclusion of new requirements in proposed ISA 570 (Revised) for:

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<sup>6</sup> International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

<sup>7</sup> ISA 570 (Revised), *Going Concern*

- Communication with appropriate external parties.
- Describing in the auditor’s report of a listed entity how the auditor addressed identified events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in the audit.

The Board directed the Going Concern Task Force to continue exploring proposals and illustrative drafting with respect to providing explicit statements about going concern in the auditor’s report. In addition, the Board agreed to move forward with the issuance of the non-authoritative guidance that addresses frequently asked questions about reporting going concern matters in the auditor’s report.

In September 2022, the Going Concern Task Force intends to discuss with the Board certain other proposed actions in the project proposal such as risk identification and assessment, terminology, management’s assessment of going concern, and professional skepticism.

### **Audits of Financial Statements of Less Complex Entities (LCE)**

The Board discussed key matters identified from the feedback received on the Exposure Draft of the [Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities](#) (ED-ISA for LCE). The Board agreed that the project to develop a separate standard for audits of LCEs should continue, while acknowledging concerns from respondents that did not support the project.

The Board supported the LCE Task Force’s direction to better describe the scope of the draft standard and provided input on the description of a “typical LCE” and how that may be incorporated into the Authority (Part A) of the draft standard. The Board provided direction on how revisions could be made to address respondents’ concerns around further differentiating the ED-ISA for LCE from the ISAs (while still obtaining reasonable assurance) and the sufficiency of Essential Explanatory Material in the proposed standard. The Board also supported the inclusion of procedures for group audits in the scope of the draft standard and provided direction on the type of group audits that should be in scope and how such requirements may be presented.

The LCE Task Force will continue to analyze responses to the ED-ISA for LCE and commence developing revised drafting in priority areas. In September 2022, the LCE Task Force plans to bring to the Board for discussion the revised Authority of the draft standard, proposed content and requirements addressing group audits, along with other targeted topics.

### **Fraud**

The Board discussed and broadly supported the changes in proposed ISA 240 (Revised)<sup>8</sup> to emphasize the auditor’s responsibilities relating to fraud in an audit of financial statements and reduce the ambiguity between the inherent limitations of an audit and the auditor’s responsibilities for fraud.

While the Board supported revisions in proposed ISA 240 (Revised) to incorporate the recent changes in ISA 315 (Revised 2019),<sup>9</sup> there were mixed views on how this may be accomplished. The Board emphasized that the proposed enhancements in proposed ISA 240 (Revised) should clarify that the risk assessment procedures performed to identify and assess the risks of material misstatement due

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<sup>8</sup> Proposed ISA 240 (Revised), *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

<sup>9</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

to fraud are intended to expand upon, and should not be duplicative of, what is already required in ISA 315 (Revised 2019).

The Board supported the proposed changes for enhancing two-way communications with those charged with governance, including emphasizing the ongoing nature of these communications throughout the audit. Other areas that were discussed by the Board, and for which the Fraud Task Force received broad directional support, encompassed proposed changes to address specialized skills, the presumption of fraud risk in revenue recognition, and journal entries.

The Fraud Task Force will conduct outreach with users of financial statements in Q2/Q3 2022 relating to transparency in the auditor's report and report back to the Board in September 2022. In December 2022, the Fraud Task Force will bring other additional topics as outlined in the project proposal for the Board to deliberate, in addition to advancing the areas previously discussed by the Board.

### **Next Meeting**

The next IAASB meeting is scheduled for September 12–16, 2022. Details of this meeting will be published on the [IAASB Meetings webpage](#) in due course.