IAASB Meeting Highlights and Decisions

September 2022

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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.

The IAASB hosted the September 2022 IAASB meeting in person in New York, USA, over the period of September 12–16, 2022.

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

Audit Evidence

After making amendments in response to the Board’s comments received during the meeting, the IAASB approved the Exposure Draft (ED) of proposed ISA 500 (Revised)¹ and the related conforming and consequential amendments for public exposure with 18 affirmative votes out of the 18 IAASB members present. The ED is expected to be issued later in October 2022 with a 180 days² comment period.

In finalizing the ED, the Board continued to discuss clarifications to the principles-based requirement to evaluate the relevance and reliability of information intended to be used as audit evidence, and the separate requirement to obtain audit evidence about the accuracy and completeness attributes if they are applicable in the circumstances. The Board agreed to explain in the application material that the accuracy and completeness attributes ordinarily will be applicable for information generated internally from the entity’s information system. The Board also discussed guidance in the application material regarding the use of technology, including clarifying that audit procedures can be performed manually or by using automated tools and techniques.

Disruptive Technologies

The Board received an update on the activities undertaken as part of the Disruptive Technologies initiative and discussed the audit and assurance technology landscape that was presented. Following the presentation, the Board discussed in break-out groups their views on the themes and proposed actions arising from the inaugural Digital Advisory Group meeting. Key takeaways from these break-out sessions will be used to prioritize future activities relating to this initiative.

1 International Standards on Auditing (ISA) 500, Audit Evidence
2 The exposure period is discussed in paragraphs 29–32 of the IAASB Audit Evidence Issues Paper.
Strategy 2024–2027

The Board discussed the draft Consultation Paper on the IAASB’s Strategy and Work Plan for 2024-2027. The Board generally supported the proposed Strategy for 2024–2027 but had several suggestions on how to further enhance the goal and strategic drivers.

On the Work Plan for 2024–2027, the Board discussed the timeliness of its standard-setting projects. The Board acknowledged that there needs to be a balance between setting standards timely and allowing for sufficient time to develop high-quality standards which follow due process and are informed by sufficient stakeholder input. It was suggested to explain this balance in the Work Plan. The Board also provided suggestions to make the questions for respondents in the Request for Comment section more engaging.

The Planning Committee will update the Consultation Paper for the input received from the Board and the IAASB Consultation Advisory Group, and present it to the IAASB for approval in December 2022.

Sustainability Assurance

The Board approved the project proposal for the development of an overarching standard for assurance on sustainability reporting, that is:

- Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;
- Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
- Implementable by all assurance practitioners.

The Board also discussed initial work already undertaken to develop the standard, including the proposed structure of the standard, the defined terms, and the approach to drafting the requirements. The Board broadly supported the proposed structure of the standard, which follows the flow of the engagement. The Board provided various recommendations for the definitions, particularly the definitions of “assertions,” “engagement partner” and “sustainability subject matter.” The Board also generally supported the approach to drafting the requirements for the new overarching standard, including the criteria that would be used to identify ISAs and material from the ISAs for consideration in developing the new standard. The Board also discussed the appropriate degree of specificity needed in developing the requirements, emphasizing the overarching nature of the standard.

The Sustainability Assurance Task Force plans to further develop the requirements and application material related to the six priority areas that will be presented to the Board in December 2022.

Audits of Financial Statements of Less Complex Entities (LCE)

The Board discussed the LCE Task Force’s proposals on four matters relevant to the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) — the Authority of the proposed standard, the approach to accounting estimates, the incorporation of audits of group financial statements (group audits) and the approach to drafting requirements proportionate to an LCE.

The Board generally supported the LCE Task Force’s proposed changes to the draft Authority of the proposed ISA for LCE including the use of language reflecting the expectation for legislative or
regulatory authorities or relevant local bodies with standard setting authority to determine quantitative thresholds for their jurisdiction. The Board also agreed to explain how quantitative indicators were considered during the development of the proposed standard.

The Board supported the LCE Task Force’s proposals regarding accounting estimates, the changes to the draft Authority to incorporate considerations relating to audits of group audits and the approach to the drafting of Part 10, Audits of Group Financial Statements. On balance, the Board also supported the direction of excluding group audits involving the use of component auditors from the scope of the proposed ISA for LCE.

With respect to the approach to developing proportionate requirements for audits of LCEs, the Board discussed and provided further directions to the LCE Task Force.

The LCE Task Force will continue to analyze responses to the Exposure Draft of the proposed ISA for LCE and continue developing revised drafting in priority areas. In December 2022, the LCE Task Force plans to bring to the Board for discussion a full draft of Part 10, Audits of Group Financial Statements.

**Fraud**

The Board discussed, and was supportive of, the Fraud Task Force’s drafting with respect to the sections in proposed ISA 240 (Revised) that refer to, or expand on, ISA 315 (Revised 2019). The Board also discussed the Task Force’s proposals in relation to transparency in the auditor’s report and provided feedback on the way forward. The Board generally agreed to have more transparency about fraud in the auditor’s report. The Board:

- Agreed that the auditor’s communications on fraud should be included in a separate section in the auditor’s report.
- Generally agreed that the auditor’s responsibilities as they relate to fraud in the audit of the financial statements should be enhanced in the auditor’s report.
- Had mixed views on whether the identified and assessed fraud risks and the auditor’s response to the assessed risks should be communicated in the auditor’s report. The Board asked the Fraud Task Force to explore a mechanism similar to key audit matters and including a ‘filter’ to only communicate the most significant fraud risks.
- Had mixed views on including the identified significant deficiencies in internal control that are relevant to the prevention and detection of fraud in the financial statements in the auditor’s report. The Board asked the Fraud Task Force to further explore this communication by taking into account the views of users of the financial statements and the concerns the Board raised.
- Agreed that the proposed changes to the auditor’s report should only apply to listed entities or Public Interest Entities.

In December 2022, the Fraud Task Force will bring drafting for various topics to the Board for further deliberation.

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3 Proposed ISA 240 (Revised), *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

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

The Board discussed 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). In addition, the Board broadly supported the changes considered and made to the drafting paragraphs of ISA 570 (Revised) in response to Board feedback for the topics that were deliberated at the June 2022 IAASB meeting.

The Board supported the proposed definition for material uncertainty (related to going concern) and the enhancements proposed to enable a more robust exercise of professional skepticism when performing procedures related to going concern. There was also support for the proposed enhancements to strengthen the requirements of proposed ISA 570 (Revised) to drive the auditor to obtain information that is relevant to timely identification of events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern and to require a more robust evaluation of management’s assessment of going concern.

Other matters that were discussed by the Board, and for which directional support was provided to the Going Concern Task Force, included the timeline over which the going concern assessment is made and transparency about going concern in the auditor’s report.

In December 2022, the Going Concern Task Force intends to discuss with the Board the remaining proposed actions in the project proposal and the conforming and consequential amendments to other relevant ISAs as a result of the proposed revisions to ISA 570 (Revised). In addition, the Board will be presented with a first full draft of proposed ISA 570 (Revised).

**Next Meeting**

The next IAASB meeting is scheduled for December 5–9, 2022. Details of this meeting will be published on the IAASB Meetings webpage in due course.

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5 ISA 570 (Revised), *Going Concern*