

**Minutes of the 128th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on October 19–20, 2021 via Video Conferences¹**

	Voting Members	Technical Advisors (TA)
Present:	Tom Seidenstein (Chair)	Sara Ashton (Ms. Almond)
	Len Jui (Deputy Chair)	Vivienne Bauer (Mr. Monroy)
	Sue Almond	Wolf Böhm (Prof. Marten)
	Chun Wee Chiew	Fabien Cerutti (Ms. Tracq-Sengeissen)
	Julie Corden	Antonis Diolas (Mr. Chiew)
	Kai Morten Hagen	Johanna Field (Mr. Turner)
	Josephine Jackson	Rene Herman (Prof. Simnett)
	Sachiko Kai	Susan Jones (Mr. Jui)
	Edo Kienhuis	Thokozani Nkosi (Ms. Jackson)
	Diane Larsen	Tania Sergott (Ms. Corden)
	Prof. Kai-Uwe Marten	Jamie Shannon (Mr. Kienhuis)
	Lyn Provost	Sylvia Van Dyk (Mrs. Provost)
	Fernando Ruiz Monroy (October 19)	Denise Weber (Ms. Larsen)
	Prof. Roger Simnett	Kohei Yoshimura (Ms. Kai)
	Wendy Stevens	
	Isabelle Tracq-Sengeissen	
	Eric Turner	
	Imran Vanker ²	
Apology		Helene Agélii (Mr. Hagen)

Non-Voting Observers

Present:	Jim Dalkin (IAASB Consultative Advisory Group (CAG) Chair) (October 20), Yosh'inao Matsumoto (Japanese Financial Services Authority)
Apology:	Juan Maria Arteagoitia (European Commission)

¹ The IAASB held two video conference sessions on October 19–20. The matters discussed during these video conferences are captured within these minutes.

² Mr. Vanker was supported by Mr. Ian Mtegha at the October 19–20 videoconferences.

Public Interest Oversight Board (PIOB) Observer

Present: Karen Stothers

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards) (October 19), Willie Botha (Technical Director), Beverley Bahlmann, Amy Fairchild, Brett James, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska, Hanken Jane Talatala, Dan Montgomery (Senior Advisor – Technical Projects).

Apology: Jasper van den Hout

IAASB agenda materials referred to in these minutes can be accessed on the IAASB's Website for the sessions held on [October 19–20](#). These minutes are a summary of the decisions made at the October 2021 IAASB video conferences, considering 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

Mr. Seidenstein welcomed all participants to the October 19–20, 2021 IAASB videoconferences. Mr. Seidenstein also welcomed Ian Mtegha who will be supporting Mr. Vanker for the remainder of 2021. He also welcomed the public observers who were observing the meeting via the IAASB's YouTube channel.

Mr. Seidenstein then welcomed Dr. Stavros Thomadakis (International Ethics Standards Board for Accountant (IESBA) Chair), Mike Ashley (IESBA Member) and IESBA Staff (Mr. Ken Siong and Mr. Geoff Kwan) that joined the session on October 19 to update the IAASB on the progress of the IESBA's Definitions of Listed Entity and Public Interest Entity (PIE) Project.

2. Implications for the IAASB Standards³ of the IESBA Project on the Definitions of Listed Entity and Public Interest Entity

Ms. Jackson and Mr. Ashley provided an overview of the developments on IESBA's project on listed entity and PIE. Ms. Jackson also presented the proposals of the IAASB PIE Working Group regarding aspects that would be addressed in a project proposal for the IAASB to undertake a narrow scope maintenance of standards project related to listed entity and PIE (the IAASB's project).

"PUBLICLY TRADED ENTITY" DEFINITION

The Board supported the matters outlined by the IAASB PIE Working Group in paragraph 26 of **Agenda Item 1** that need to be considered as part of the IAASB's project in determining whether to replace "listed entity" with "publicly traded entity."

³ IAASB Standards refers to International Standards on Auditing (ISAs) and International Standards on Quality Management (ISQMs).

The Board emphasized the importance of aligning terms with the IESBA Code.⁴ The Board noted the risk of adding complexity to the IAASB Standards if too many terms are used to describe different types of entities, or if differential requirements in the IAASB Standards apply to varying types of entities.

The Board broadly noted their support for replacing “listed entity” with “publicly traded entity” in the IAASB Standards. The Board provided specific comments on IESBA’s proposed definition of “publicly traded entity”, including:

- Whether the reference to “listed entity” as an example within the definition is necessary and appropriate, because it could cause confusion and, in some cases, the financial instruments of listed entities are non-transferrable. It was also noted that replacing the term “example” with “category” may create further complexity, in particular as it may raise questions about what other “categories” exist.
- Replacing the term “stock exchange” with the term “an exchange,” to avoid implying that it only includes exchanges that are associated with stocks.
- Clarifying the intended meaning of a “public market mechanism,” given that in certain jurisdictions trading on second-tier markets or over-the-counter trading platforms may be limited to a small group.
- Providing guidance on the meaning of “financial instrument” in a first time implementation guide.

OVERARCHING OBJECTIVE FOR ESTABLISHING DIFFERENTIAL REQUIREMENTS

The Board continued to support using paragraph 400.8 of IESBA’s proposed revisions to the Code as a common overarching objective for use by both the IAASB and IESBA in establishing differential requirements in the Boards’ standards. The Board also recognized that tailoring may be required in the context of IAASB’s Standards in respect of proposed paragraphs 400.9 and 400.10 in the IESBA Code (i.e., factors relevant in evaluating the extent of public interest and the purpose of differential requirements).

The Board acknowledged that IESBA has undertaken its own due process in this regard and therefore broadly supported IESBA’s direction. However, the Board noted in relation to proposed paragraph 400.8 that factors other than the entity’s financial condition may drive the public interest of stakeholders, such as matters related to climate change.

Further specific suggestions from the Board included:

- Adding a title (i.e., a heading) in the IESBA Code to clarify the purpose of paragraph 400.8; and
- Considering whether the additional words intended to clarify the meaning of financial condition are helpful (i.e., the reference to “due to the potential impact of their financial well-being on stakeholders”).

PIE DEFINITION

In noting the due process of IESBA, the Board provided the following input as considerations for IESBA in finalizing the PIE definition:

- The Board broadly supported removing categories (d)⁵ and (e)⁶ from the PIE definition, however suggested including application material to support local bodies in determining whether entities in

⁴ The International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*

⁵ Category (d) in the PIE ED included: “An entity whose function is to provide post-employment benefits.”

⁶ Category (e) in the PIE ED included: “An entity whose function is to act as a collective investment vehicle and which issues redeemable financial instruments to the public.”

- categories (d) and (e) should be added to the definition of PIE at the local level.
- The inclusion of category (d)⁷ (i.e., category (f) in the PIE ED)⁸ may not be appropriate, given that the PIE definition should be self-contained and not refer to definitions elsewhere.
 - Some application material supporting the PIE definition in the proposed revisions to the IESBA Code appears to create implicit requirements.

REQUIREMENT TO PUBLICLY DISCLOSE THE APPLICATION OF THE INDEPENDENCE REQUIREMENTS FOR PIEs

The Board broadly continued its support for exploring transparency in the auditor's report and emphasized the need for the IAASB to follow its own due process in this regard (i.e., for the IAASB to determine whether the auditor's report is a suitable location for such disclosure and, if so, how this may be accomplished).

The Board provided the following observations on the requirement to publicly disclose the application of the independence requirements for PIEs in proposed paragraph R400.18 of IESBA's proposed revisions to the IESBA Code:

- It was noted that the manner in which paragraph R400.18 of the IESBA Code is worded is vague, and could be subject to interpretation that firms may provide a general statement publicly about which entities the firm applies the independence requirements for PIEs to.
- The Board noted that there are circumstances when the auditor's report may not be public, particularly if jurisdictions add additional categories of PIEs, which may give rise to practical challenges and risk of confidentiality breaches. The Board suggested that the proposed disclosure rather be linked to the financial statements of PIE entities being made public in order to achieve the transparency objective of the requirement in paragraph R400.18 of the IESBA Code.

PROJECT SCOPE, KEY PUBLIC INTEREST ISSUES, PROJECT OBJECTIVES AND PROJECT TIMELINE

The Board provided feedback on certain aspects that will be addressed in the IAASB's project proposal to undertake a narrow scope maintenance of standards project related to listed entity and PIE that will be discussed at the March 2022 IAASB meeting. The Board was broadly supportive of the IAASB PIE Working Group's efforts to incorporate elements of the Public Interest Framework for the Development of the International Audit-Related Standards (PIF)⁹ into the project proposal.

Project Scope

The Board agreed with the various matters that need to be considered as part of the IAASB's project scope and supported that the project be limited to narrow scope amendments to ISQMs and ISAs. The Board also:

- Emphasized the need for the project to be narrow in scope in terms of proposed revisions to ISQMs and ISAs.
- Suggested placing more emphasis on the development of an objective and guidelines for establishing differential requirements in the IAASB Standards, given these would be used as a basis for determining whether differential requirements are appropriate, including in future IAASB projects.

⁷ Category (d) includes: "An entity specified as such by law, regulation or professional standards to meet the purpose set out in paragraph 400.10."

⁸ IESBA's Exposure Draft, [Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#) (PIE ED)

⁹ Published by the Monitoring Group in July 2020 as part of their report "[Strengthening the International Audit and Ethics Standard-Setting System](#)"

- Highlighted the importance of alignment with the IESBA Code, and upholding the original intent of the initiative to achieve convergence with IESBA to the greatest extent possible.
- Suggested undertaking outreach with stakeholders regarding expanding the application of the existing differential requirements for listed entities to PIEs, to understand the consequences of doing so, given varying definitions of PIEs across jurisdictions.
- Suggested clarifying the intention of the IAASB with respect to other Standards that deal with non-financial information.
- Recommended clarifying how the issue of publicly disclosing when the auditor has applied the independence requirements for PIEs will be resolved in the event that the Board concludes that the auditor’s report is not a suitable location for such disclosure (see proposed paragraph R400.18 of the IESBA Code).

Key Public Interest Issues and Project Objectives

The Board was broadly supportive of the key public interest issues and project objectives and provided the following suggestions:

- Being more decisive about the outcomes the Board intends to achieve, in particular avoiding the use of the word “explore,” which suggests a less specific objective and vague outcome.
- Replacing the word “supporting” in the project objective in paragraph 84(d) with a more actionable description.

The IAASB PIE Working Group was also encouraged to consider how the stakeholder interest from the PIF to “reinforce the professional accountant’s role and mindset and the auditor’s professional skepticism needed in gathering evidence, challenging assumptions, and developing conclusions” could be relevant to the key public interest issues identified.

Project Timeline

The Board discussed the IAASB PIE Working Group proposals regarding the approach and timing of the project, to achieve alignment with the effective date of the revisions to the IESBA Code. A majority of the Board members supported keeping the project as a single package, and bifurcating the project in two tracks, i.e., a faster moving track that prioritizes enhancing transparency about independence in the auditor’s report with an effective date that aligns with IESBA, and a slower moving track to address the remaining public interest issues with a later effective date. Notwithstanding the support for this approach and timing, there also was a view that it may be better if IESBA defers finalizing the requirement to publicly disclose the application of the independence requirements for PIEs until such time as the IAASB has completed its work to determine whether the auditor’s report is a suitable location for such disclosure.

The Board noted its preference to address the auditor’s statement in the auditor’s report in accordance with paragraph 28(c) of ISA 700 (Revised),¹⁰ together with the requirement in paragraph 17 of ISA 260 (Revised)¹¹ and the communication related thereto in paragraph 40(b) of ISA 700 (Revised).

PIOB OBSERVER REMARKS

Ms. Stothers emphasized the importance of the PIE project from a public interest perspective. She noted the PIOB’s concerns with respect to the PIE definition and that the matter would be further discussed with

¹⁰ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹¹ ISA 260 (Revised), *Communication with Those Charged with Governance*

the IESBA as the proposals are finalized. Ms. Stothers indicated the PIOB's preference for completing all aspects of the project simultaneously on the same timeline (i.e., Option 1 of **Agenda Item 1**), however recognized the need for a practical approach.

WAY FORWARD

The IAASB PIE Working Group will present a project proposal for discussion and approval at the March 2022 IAASB meeting. The IESBA intends approving its revisions to the IESBA Code to address listed entities and PIE in December 2021.

3. Conforming and Consequential Amendments to the IAASB's Other Standards

Mr. James introduced the topic of conforming and consequential amendments to the IAASB's other standards¹² due to the new and revised quality management standards.¹³ He highlighted some minor changes to correct some minor typographical errors and inconsistencies. He noted that the IAASB CAG had been provided with the opportunity to comment, and no comments were received.

DUE PROCESS

Mr. James confirmed that, in his view, all significant matters identified as a result of the work since the commencement of this project have been reflected in the agenda material presented to the IAASB and there are no additional significant matters in this project that should be brought to the IAASB's attention. Further, due to the limited nature of the conforming and consequential amendments, IAASB Staff does not believe that field testing, or a public forum, roundtable or consultation paper were warranted. Mr. Botha advised the IAASB that it had adhered to its stated due process in finalizing the conforming and consequential amendments to the IAASB's other standards due to the new and revised quality management standards.

APPROVAL

After agreeing all necessary changes, the IAASB approved the conforming and consequential amendments, with 16 affirmative votes out of the 17 Board members present and one Board Member abstaining from the vote. The IAASB did not believe re-exposure was necessary, with 17 votes against re-exposure from the 17 Board members present.

Prof. Marten thanked the Board and the staff for their efforts on the conforming and consequential amendments but noted that the reason for his abstention is in line with his abstention on ISQM 1. He explained that he had expressed concern in the ISQM 1 discussion about 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 such as ISAE 3000¹⁴ engagements. Prof. Maarten noted that he chose to abstain rather than vote against the conforming and consequential amendments because the Staff, in his view, did a good job of appropriately reflecting the

¹² ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISQM 2, *Engagement Quality Reviews*; and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*. Collectively referred to as the new and revised QM standards.

¹³ The IAASB's Other Standards comprise the International Standards on Review Engagements (ISREs), the International Standards on Assurance Engagements (ISAEs), and the International Standards on Related Services (ISRSs).

¹⁴ ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

changes to ISQM 1 in the IAASB's other standards but that he could not vote in favor of the amendments due to the inclusion of the same definition of the engagement team as was in ISQM1.

4. Complexity, Understandability, Scalability, and Proportionality (CUSP) – Non-Authoritative Support Material on Documentation

Prof. Simnett introduced the topic and drew attention to **Agenda Item 3-A**. He noted that the draft support material on documentation was a response to comments raised in the Less Complex Entities (LCE) Discussion Paper¹⁵ about the application of the documentation requirements in the ISAs, particularly ISA 230.¹⁶ He noted that the support material was not intended to address broader questions about documentation matters as this would likely be beyond the scope of non-authoritative material.

The Board's responses are summarized as follows:

- Some members generally supported the material, noting that it addressed known challenges in applying the documentation requirements of the ISAs. Others supported the material, but believed that it should be expanded to be more practical or to include more examples or insights into audit documentation matters. Some members questioned the timing of the document in light of the LCE exposure draft and the impending finalization of the CUSP drafting principles and guidelines.
- There were mixed views on the usefulness of questions 1–4. Some found them helpful as they addressed certain interpretive errors made by some practitioners. Others believed that these questions only repeat material from ISA 230 and are not helpful. Another view was that questions 1–4 should be the only topic of the paper as these were the essential elements of the support material.
- In places, it was noted that the material appeared to be focussed on what did not need to be documented rather than what needed to be documented.
- It should be made clearer that the examples in question 7 are not exhaustive.

Prof. Simnett noted that **Agenda Item 3-A** was narrowly focused to respond to the concerns raised in the LCE Discussion Paper. Mr. Seidenstein added that the Board could revisit the topic later, but that resources are not available to substantively revise the document at the moment. He added that issuing this document does not preclude revisiting the topic at another time. Mr. James noted that the document was not intended to address all issues related to documentation and was narrowly focused on explaining the application of ISA 230, which was identified as an issue needing clarity by some stakeholders.

CAG CHAIR REMARKS

Mr. Dalkin noted that the IAASB's CAG Representatives had reflected on the Board's priorities and workloads and questioned whether this document should be prioritized if it needs to go through the full board process. He noted that, in his experience, documents with too many examples may become a de facto authority and overwhelm the standard itself.

¹⁵ [Audits of Less Complex Entities \(LCEs\): Exploring Possible Options to Address the Challenges in Applying the ISAs](#)

¹⁶ ISA 230, *Audit Documentation*

PIOB OBSERVER REMARKS

Ms. Stothers noted that the Board should reflect on the challenges with non-authoritative material that does not reinterpret the standard and the importance of timely responses to issues raised and determining when the document is adequate for the purpose.

WAY FORWARD

The CUSP Working Group will revise the document in light of the Board's comments. If the revisions are assessed as being too time-consuming, then the document may be deferred until more resources are available. Otherwise, the document will be provided to the board electronically for negative clearance.

5. Closing

Mr. Seidenstein thanked the IAASB Members, TAs, and Staff and closed the meeting.

6. Next Meeting

The next IAASB quarterly meeting will take place in a hybrid model, where some participants will join in person in New York, USA and others virtually via several video conference sessions between December 6–14, 2021.