

**Meeting:** IAASB Consultative Advisory Group  
**Meeting Location:** Virtual Meeting  
**Meeting Date:** March 7–8, 2023

## Agenda Item

### A

**Draft Minutes of the Public Session of the Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)  
CONSULTATIVE ADVISORY GROUP (CAG)**

**Held on September 7–8, 2022 via Video Conference**

#### PRESENT

##### Representatives

|                           |  |
|---------------------------|--|
| Mr. Jim Dalkin            | Chair  |
| Mr. Akihito Ishiwata      | International Organization of Securities Commissions (IOSCO)           |
| Ms. Valerie Altbaum       | Basel Committee on Banking Supervision (Basel Committee)               |
| Mr. Mauro Bini            | International Valuation Standards Council (IVSC)                       |
| Ms. Hilde Blomme          | Accountancy Europe (AE)  |
| Dr. Hysen Cela            | European Federation of Accountants and Auditors for SMEs (EFAA)        |
| Dr. Bello Lawal Danbatta  | Islamic Financial Services Board (IFSB)                                |
| Mr. Gaylen Hansen         | National Association of State Boards of Accountancy (NASBA)            |
| Ms. Natasha Landell-Mills | International Corporate Governance Network (ICGN)                      |
| Ms. Conchita Manabat      | International Association of Financial Executives Institutes (IAFEI)   |
| Ms. Wei Meng              | World Federation of Exchanges (WFE)                                    |
| Ms. Asha Mubarak          | Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) |
| Dr. Claes Norberg         | Business Europe (BE)   |
| Dr. Christian Orth        | AE   |
| Mr. Daniel Pavas          | Interamerican Accounting Association (IAAA)                            |
| Ms. Sandy Peters          | CFA Institute (CFA)  |

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|--------------------------------|--|
| Mr. Henry Rees                 | International Accounting Standards Board (IASB)                    |
| Ms. Jeanne Riggs               | IOSCO  |
| Mr. Gregg Ruthman              | International Organization of Supreme Audit Institutions (INTOSAI) |
| Mr. Sanders Shaffer            | International Association of Insurance Supervisors (IAIS)          |
| Mr. Paul Sobel                 | Institute for Internal Auditors (IIA)                              |
| Mr. Peter Stokhof <sup>1</sup> | Organization for Economic Cooperation and Development (OECD)       |
| Mr. Paul Thompson              | EFAA   |
| Ms. Tara Wolf                  | International Actuarial Association (IAA)                          |
| Mr. Kazuhiro Yoshii            | Japan Securities Dealers Association (JSDA)                        |
| Mr. Hüseyin Yurdakul           | IOSCO  |

**Observers**

|                    |  |
|--------------------|--|
| Mr. George Kabwe   | International Monetary Fund (IMF)  |
| Ms. Dawn McGeachy  | International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Advisory Group |
| Ms. Barbara Vanich | United States Public Company Accounting Oversight Board (PCAOB)                                |

**IAASB**

|  |                                      |
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| Mr. Tom Seidenstein (presenter – <b>Agenda Item E</b> )      | IAASB Chair                          |
| Mr. Len Jui  | IAASB Deputy Chair                   |
| Ms. Sue Almond (presenter – <b>Agenda Item C</b> )           | IAASB Member and Task Force Chair    |
| Mr. Kai Morton Hagen (presenter – <b>Agenda Item B</b> )     | IAASB Member and Task Force Chair    |
| Ms. Josephine Jackson (presenter – <b>Agenda Item D</b> )    | IAASB Member and Task Force Chair    |
| Ms. Lyn Provost (presenter – <b>Agenda Items G &amp; H</b> ) | IAASB Member and Task Force Chair    |
| Mr. Willie Botha   | IAASB Program and Technical Director |
| Ms. Sally Ann Bailey   | IAASB Director                       |
| Ms. Natalie Klonaridis                                       | IAASB Director                       |
| Ms. Amy Fairchild  | IAASB Principal                      |
| Ms. Claire Grayston  | IAASB Principal                      |
| Ms. Kalina Shukarova Savovska                                | IAASB Principal                      |

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<sup>1</sup> Mr. Stokhof was attending the meeting as the temporary Representative of the OECD.

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| Mr. Jasper van den Hout                       | IAASB Principal      |
| Mr. Phil Minnaar                              | IAASB Senior Manager |
| Ms. Danielle Davies                           | Staff Fellow         |
| Ms. Kazuko Yoshimura                          | Secondee             |
| Mr. Dan Montgomery                            | Senior Advisor       |
| <b>Public Interest Oversight Board (PIOB)</b> | Mr. Dave Sullivan    |

## **APOLOGIES**

### **Representatives**

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|---|--|
| Ms. Jazmin Gamboa                             | Financial Executives International (FEI) |
| Mr. Juan Carlos Serrano Machorro <sup>2</sup> | World Bank                               |

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<sup>2</sup> Mr. Serrano Machorro was appointed as a temporary Representative of the WB.

## Welcome – Agenda Item A

### OPENING REMARKS

Mr. Dalkin welcomed the Representatives to the meeting, the IAASB Chair, Mr. Seidenstein, and the International Ethics Standards Board for Accountants' (IESBA) CAG Chair, Mr. Hansen. Mr. Dalkin also welcomed Mr. Sullivan from the PIOB, IAASB Members, IAASB Staff and public observers who were observing the meeting via the IAASB's YouTube channel.

### MINUTES OF THE PREVIOUS MEETING

The minutes of the previous IAASB CAG meeting held on June 7, 2022 were approved.

## Less Complex Entities (LCE) (Agenda Item B)

- To *REPORT BACK* on the September 2021 Meeting
- To *RECEIVE* an update on the project after public consultation
- To *OBTAIN* Representatives views on certain aspects of International Standard on Auditing (ISA) for LCE project

Mr. Hagen introduced the topic, explaining the progression of the project since the September 2021 CAG Meeting, including key themes 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). He also summarized the outreach performed during and after the exposure period, and the number of responses received from the ED-ISA for LCE and related IFAC & IAASB survey. Lastly, Mr. Hagen described certain proposed revisions to the draft standard.

Representatives commented as follows:

### GENERAL COMMENTS

- Mr. Ishiwata questioned whether the IAASB should continue with this project given the limited number of resources and because of other projects that may be of a higher priority. Mr. Hansen agreed. Mr. Ishiwata suggested that the work performed to date could be released as guidance.
- Mr. Thompson supported the ISA for LCE project. He noted that in addition to the strong support for the proposed standard from stakeholders in Europe, there was significant support expressed during the May 2022 LCE Paris Conference from participants representing donor agencies including the World Bank. He noted such participants supported the project as it would greatly improve the quality of financial reporting in emerging and transitional markets.
- Mr. Sobel commended the work performed on the project and noted no specific concerns on its direction.

Mr. Hagen thanked representatives for their comments and described the support for the project from a wide range of jurisdictions, including emerging markets.

#### THE AUTHORITY OF THE STANDARD

- Mr. Thompson, Mses. Manabat and Blomme, supported the proposed revisions to the Authority of the proposed standard. Mr. Thompson particularly supported the incorporation of quantitative thresholds and the removal of the prohibition for audits of group financial statements (group audits). Ms. Blomme particularly supported the removal of the limitation for group audits, noting this change was significant due to the common occurrence of less-complex groups in Europe.
- Ms. McGeachy and Dr. Norberg supported the proposal to remove the prohibition for group audits and to update qualitative characteristics to describe what is “less-complex” rather than “more-complex”. Dr. Norberg also expressed support for the inclusion of quantitative thresholds, noting they may be needed in order to make the standard operational.
- Dr. Cela agreed with the proposal to remove the limitation for group audits noting less-complex groups are relevant to the SMP market.
- Mr. Yoshii did not support the increase of the scope of the standard to group audits, and to certain financial services entities not otherwise excluded through proposed prohibitions or qualitative characteristics.
- Mr. Thompson provided some minor comments on the drafting and noted some concern with the inclusion of quantitative indicators, in particular the number of members involved in financial reporting roles.
- Ms. Manabat noted that further limitations or additional clarity through essential explanatory material may be needed.

Mr. Hagen thanked representatives for their comments and acknowledged the range of views, particularly with regard if group audits should be included in the scope of the proposed standard. He noted that groups may be structured as a group due to business or regulatory reasons only and might otherwise be less-complex. Mr. Hagen reminded representatives that the proposed standard is intended to be an optional alternative to using the ISAs and a jurisdiction will have the choice if they wish to adopt it and have the ability to set their own limitations for use (which might include the prohibition of group audits).

Mr. Hagen also noted that the specific suggestions provided by representatives are helpful to improve the Authority and move the proposed standard forward.

#### AUDITS OF GROUP FINANCIAL STATEMENTS

- Mses. Blomme and Mubarak, and Messrs. Yurdakul and Sarmiento Pavas were of the view that requirements for component auditors should be included in the scope of the proposed standard. Ms. Blomme noted that groups may often be geographically dispersed and so the use of component auditors may be common. Mr. Yurdakul and Ms. Mubarak noted that, in order to be consistent with ISA 600 (Revised),<sup>3</sup> requirements for component auditors should be included in the proposed standard. Mr. Sarmiento Pavas noted requirements for component auditors should be included as it is common for them to be used in audits in his jurisdiction.
- Mr. Yurdakul noted that the sentence structure and language in the proposed Part 10 could be further simplified.

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<sup>3</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Mr. Hagen acknowledged representatives' views on the inclusion of component auditors in the proposed standard, noting that there were some mixed views in the LCE Task Force on this matter, and that direction would be sought from IAASB Board Members in the upcoming meeting.

#### OTHER COMMENTS

- Ms. Blomme suggested to simplify the requirements relating to risk identification and assessment and documentation in the proposed standard.

#### PIOB COMMENTS

Mr. Sullivan reiterated the PIOB's strong support for this project, noting it will drive consistent execution of audits in a large segment of populations and jurisdictions. He noted there may be a need to address the perception that this is a lesser form of assurance.

Mr. Sullivan noted that the scope of the standard is particularly important as there may be a tendency to apply this standard to a broader set of audits than what the IAASB envisions. With regard to group audits, Mr. Sullivan acknowledged that simple group structures are common in some jurisdictions but noted that the potential inclusion of group audits should not be seen as a way of opening the scope to larger, more complex entities. He also reiterated that complexity is based on characteristics of entity rather than the capabilities of management or the auditor. Finally, he noted that the LCE Task Force might consider situations where an entity is 'not auditable', for example because there are insufficient books and records.

#### WAY FORWARD

The LCE Task Force will discuss certain proposed revisions and other targeted matters with the IAASB in September 2022. The LCE Task Force will also continue to analyze the remaining responses to the ED-ISA for LCE and continue revisions to the proposed standard. It is expected that the requirements for group audits will be presented for public exposure during 2023.

#### **Audit Evidence (Agenda Item C)**

- To *REPORT BACK* on the March 2022 meeting
- To *OBTAIN* Representatives' views on the IAASB's draft Exposure Draft ISA 500 (Revised)<sup>4</sup> (ED-500)

Ms. Almond, Chair of the Audit Evidence Task Force, introduced the topic by updating the IAASB CAG on the Audit Evidence Task Force's activities since the March 2022 meeting, noting that the Exposure Draft of proposed ISA 500 (Revised), as set out in **Agenda Item C.2**, is targeted for approval by the Board at its September meeting.

Representatives commented as follows:

#### OVERARCHING COMMENTS

- Dr. Orth, Messrs. Ishiwata, Hansen and Ruthman, Mses. Meng, Manabat and Mubarak supported the overall direction of the proposals of draft proposed ISA 500 (Revised).

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<sup>4</sup> Proposed ISA 500 (Revised), *Audit Evidence*

- Mr. Ishiwata supported the Audit Evidence Task Force coordination activities (such as coordination with IESBA and the IAASB’s Technology Consultation Group), and encouraged the Task Force to continue with such activities.

#### SOURCES OF INFORMATION

- Mr. Ishiwata noted his support for the guidance included in paragraph A49 of **Agenda Item C.2** relating to circumstances where the source of the information (including external sources) may be subject to the influence of management. As a further enhancement, Mr. Ishiwata recommended to include guidance to explicitly explain that such information is subject to “risks of manipulation by management.”
- Given the notion that audit evidence is an output of audit procedures, Mr. Yurdakul asked the Audit Evidence Task Force to reconsider the relocation of application material in extant ISA 500<sup>5</sup>, relating to types of audit procedures, to the Appendix in proposed ISA 500 (Revised). Ms. Almond noted that the Board has supported the relocation of the relevant application material; however, the Audit Evidence Task Force will consider the feedback on the Exposure Draft of proposed ISA 500 (Revised).
- Mr. Hansen supported the proposed clarification that “management’s unwillingness to respond to a query” may be a scope limitation. In addition, Mr. Hansen asked the Task Force to consider whether such scope limitation may affect:
  - The IESBA’s *Code of Ethics for Professional Accountants (including International Independence Standards)* regarding responding to non-compliance with laws and regulations.
  - The provisions of ISA 250.<sup>6</sup>

#### PROFESSIONAL SKEPTICISM

- Ms. Meng noted her support for the proposals to reinforce the auditor’s exercise of professional skepticism and professional judgement in proposed ED–500, including the linkage to ISA 200.<sup>7</sup>
- Ms. Mubarak noted her support for the proposal to address auditor bias in the requirements of proposed ISA 500 (Revised), as opposed to only in the application material. In particular, Ms. Mubarak expressed the view that the requirement to obtain audit evidence in an unbiased manner may positively affect auditor behavior, such as obtaining audit evidence from multiple sources and therefore enhancing auditor judgments about whether sufficient appropriate audit evidence has been obtained.
- Dr. Orth noted the proposals of the Audit Evidence Task Force to strengthen the link between the auditor’s consideration of fraud in proposed ISA 500 (Revised) and ISA 240.<sup>8</sup> However, he asked the Task Force to consider additional guidance about the auditor’s work effort in relation to publicly available information about the entity. In particular, in circumstances where such information may be

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

<sup>6</sup> ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

<sup>7</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Audit*

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

indicative of fraud, it may not be clear at what point the auditor has undertaken sufficient work to fulfill their responsibilities regarding the reliability of such information.

- Ms. Meng highlighted, and noted her support for, the proposed requirement in paragraph 13(b) of **Agenda Item C.2**, with specific emphasis on the auditor’s consideration of all audit evidence obtained, regardless of whether it appears to corroborate or contradict the assertions in the financial statements. Ms. Meng expressed the view that the requirement will positively impact auditor behavior and enhance auditor judgments about whether sufficient appropriate audit evidence has been obtained.
- Mr. Dalkin asked for further clarification on the proposed stand-back requirement in paragraph 13 of **Agenda Item C.2**. Ms. Almond noted that the stand-back is intended to inform the auditor’s overall conclusion in ISA 330<sup>9</sup> about whether sufficient appropriate audit evidence has been obtained. Consequently, the proposed guidance in the application material of proposed ISA 500 (Revised) is based on, and refers to, the guidance in ISA 330.

#### TECHNOLOGY

- In addressing the evolution in technology, Dr. Orth and Messrs. Sobel and Ishiwata noted their support to retain a principles-based approach that would contribute to the standard being scalable to a wide variety of circumstances.
- Mr. Sobel noted his support for the proposed revisions in draft ED–500:
  - To achieve a more balanced approach when explaining the risks and expected benefits relating to the use of automated tools and techniques. I.e., In the March meeting it was noted that guidance on automation bias seemed unduly negative.
  - In addressing the need for auditors to assess the appropriateness of algorithms or other inputs when using automated tools and techniques.
- Dr. Orth, Mr. Ishiwata and Ms. Manabat emphasized the importance of the Audit Evidence Task Force’s proposal to develop a non-authoritative guidance publication that illustrates how the principles of proposed ISA 500 (Revised) may apply when using technology, and taking into account the continual developments in technology and changes in the business environment. Ms. Almond ~~confirmed~~reaffirmed the intention of the Audit Evidence Task Force to ~~develop~~consider non-authoritative guidance in conjunction with approval of the final standard.
- Mr. Hansen asked the Task Force to consider introducing guidance, either in the form of application material or as non-authoritative guidance, dealing with the auditor’s consideration of the ownership of digital assets.
- Ms. Mubarak asked the Task Force to consider the impact of the proposed revisions (to address technology) on ISA 501.<sup>10</sup>

#### PIOB REMARKS

Mr. Sullivan noted his support for the proposals to:

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<sup>9</sup> ISA 330, *The Auditor’s Responses to Assessed Risks*

<sup>10</sup> ISA 501, *Audit Evidence – Specific Considerations for Selected Items*

- Clarify the auditor’s responsibilities when evaluating the relevance and reliability of information intended to be used as audit evidence; and
- Reinforce the auditor’s exercise of professional skepticism and professional judgment when forming judgments about audit evidence.

Mr. Sullivan asked the IAASB to continue to consider how auditors may be encouraged, as appropriate, to seek external sources of audit evidence. In addition, although supportive of the proposed stand-back requirement, Mr. Sullivan noted the importance of the relevant application material in explaining and driving the desired auditor behavior.

Mr. Sullivan also noted that it would be beneficial to clarify the required level of audit evidence to be obtained from tests of controls versus substantive audit procedures, although he accepted that this topic may be out of scope of the Audit Evidence project proposal.

### Going Concern (Agenda Item D)

- To *REPORT BACK* on the March 2022 meeting
- To *OBTAIN* Representatives’ views on selected topics on going concern in an audit of financial statements

Ms. Jackson, Chair of the Going Concern Task Force provided Representatives an overview of the key proposals to date to address selected key issues on going concern in an audit of financial statements as outlined in the project proposal to revise ISA 570 (Revised)<sup>11</sup>. She highlighted the ongoing liaison and engagement with others on topics related to going concern, including with the IASB.

Representatives commented as follows:

#### OVERALL RESPONSES

- Mses. Vanich, Wei, Blomme, Dr. Cela, Messrs. Hansen, Yoshii and Thompson noted support for the key proposals to date to revise ISA 570 (Revised).

#### RISK IDENTIFICATION AND ASSESSMENT

- Dr. Cela supported the approach to align the structure of ISA 570 (Revised) with ISA 315 (Revised 2019).<sup>12</sup>

#### TERMINOLOGY

- Dr. Cela and Ms. McGeachy expressed their support for the proposed enhancements for terminology in proposed ISA 570 (Revised) and for providing a definition of material uncertainty (related to going concern).
- Mr. Ishiwata and Dr. Cela noted the importance for consistency and alignment of the terminology used in proposed ISA 570 (Revised) with the International Financial Reporting Standards in order

<sup>11</sup> ISA 570 (Revised), *Going Concern*

<sup>12</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

to avoid possible confusion should terminology differ. Mr. Ishiwata encouraged the continued dialogue and liaison between the IAASB and the IASB in this regard.

- Ms. Jackson noted the importance of alignment between terminology used in the financial reporting framework and the auditing standards and acknowledged that these matters will be considered through the continued liaison and engagement with IASB.

#### TIMELINE OVER WHICH THE GOING CONCERN ASSESSMENT IS MADE

- Dr. Cela, Ms. Landell-Mills and Mr. Hansen expressed their support for the proposals for the timeline over which the going concern assessment is made. Ms. Landell-Mills emphasized the importance for the auditor to be able to challenge the reasonableness of the period used by management to make its assessment and to request management to prepare its assessment for a period longer than twelve months. She also noted the importance of management and the auditor engaging in discussions about events or conditions that may adversely affect the entity for periods longer than twelve months in the future, as for example engaging in discussions about climate risks. Mr. Hansen commented that because the date of approval of the financial statements is in most cases closer to the date of the issuance of the financial statements this may also be helpful to reduce the ability of management to manipulate the time periods to suit their own purposes.
- Dr. Norberg acknowledged that the proposed change in the commencement date would provide more up-to-date information about going concern and reinforce the period of reliance users have on the entity's ability to continue as a going concern. However, he questioned whether extending the commencement date of the assessment, would prolong the dating of the auditor's report. Dr. Norberg encouraged that further consideration is provided about this aspect so that the appropriate balance is achieved.
- Ms. McGeachy expressed concerns about the proposals for the timeline over which the going concern assessment is made, noting that there should be alignment between the auditor's and management's responsibilities in this regard. She questioned whether any proposals should be pursued by the IAASB for the timeline, given IASB's decision not to pursue a project on going concern in its work plan.
- ~~Messrs~~Mr. Ishiwata and ~~Yoshii~~ commented that the period over which management's assessment of going concern is performed should be extended in circumstances when the auditor considers that the period of management's assessment is not reasonable. Mr. Yoshii commented that it would be difficult to change the commencement date of the assessment to the date of approval of financial statements because management plans and strategies are made on a fiscal year basis. They #was noted that it may be difficult for the auditor to impose such extension on management in practice if not supported by the International Financial Reporting Standards.
- Ms. Blomme noted that there were mixed views among members of AE regarding the proposed change in the commencement date of the auditor's evaluation of management's assessment from the date of the financial statements to the date of approval of the financial statements. She explained that in some jurisdictions there is support for the proposed change, especially in those jurisdictions that have already adopted a different commencement date of the period of the auditor's evaluation in their national equivalent auditing standards or in law or regulation. Ms. Blomme noted that in other jurisdictions, where there is no legislative requirement, there was concern among members whether the proposals would be practical or enforceable given that management may be unwilling to extend

its assessment beyond the minimum twelve months period required by the ~~International Financial reporting Reporting financial Standards~~ (IFRS). Ms. Blomme noted that there were concerns expressed about the potential consequences if management did not extend the assessment period. She noted that members also had mixed views on whether the change in the commencement date should apply only to audits of listed entities or the approach should remain the same for audits of all entities.

- Ms. Blomme and Landell-Mills reflected on the relevance of ongoing uncertainties in the broader political and economic environment giving rise to events or conditions that may heighten going concern risks. Ms. Blomme highlighted rising concerns among practitioners in this regard given the increasing difficulty of using historical (and current) information to predict future events or conditions. Ms. Landell-Mills noted that given these uncertainties in the broader environment, the project on going concern is becoming very relevant and urgent.
- Ms. Jackson highlighted that the ~~international financial reporting standards~~ IFRSs establish a minimum (“at least, but not limited to”) twelve-month period for management’s assessment of going concern and therefore provide flexibility for management to extend its period of assessment when considered necessary. She emphasized that in those circumstances when management is unwilling to extend its assessment period when requested to do so by the auditor, the proposals include a new requirement to first discuss the matter with management, and when appropriate with those charged with governance before determining the implications for the audit or the auditor’s report.

#### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

- Mr. Yoshii supported the enhancements proposed for communication with those charged with governance and noted that it may be useful to also consider emphasizing the responsibility of those charged with governance for the establishment of the entity’s system of internal control over management’s assessment of the entity’s ability to continue as a going concern.

#### COMMUNICATION WITH APPROPRIATE EXTERNAL PARTIES

- Mr. Yoshii noted his SUPPORT for the new requirements to communicate with appropriate external parties about going concern but only as a last resort for auditors and in those circumstances when the auditor has a responsibility to report established by jurisdictional law or regulation.

#### TRANSPARENCY ABOUT GOING CONCERN IN THE AUDITOR’S REPORT

- Ms. Vanich commented that there is a spectrum of circumstances that may occur in practice when no material uncertainty exists that could range from when there is no “close call” to when a “close call” is present. She inquired whether there is an expectation for more information to be provided in the auditor’s report to enhance transparency about going concern in those circumstances when there is a “close call” versus those circumstances when events or conditions were identified but there has been no “close call.”
- Dr. Cela and Ms. Wei supported the proposals to enhance transparency about going concern in the auditor’s report. Ms. Wei emphasized the importance for providing entity specific information thereby avoiding providing boilerplate descriptions in the auditor’s report.
- Dr. Norberg noted that the information provided by the auditor in the auditor’s report should be mirrored in the disclosures provided by management in the financial statements. A key difficulty for

the auditor would be to provide new information to enhance transparency in the auditor's report that is not already disclosed in the financial statements. He noted that the information provided in the auditor's report could become boilerplate, even where there is good intent to be entity specific.

- Ms. Landell-Mills noted that from an investor's perspective, more information needs to be provided for listed entities in the auditor's report to enhance transparency about going concern. She explained that this should extend beyond the procedures performed by the auditor and should also include the auditor's key observations.
- Mr. Ishiwata commented that the proposed statement that the auditor has not identified any material uncertainties related to events or conditions should be reworded given it may be interpreted by users as the auditor providing absolute assurance, instead of reasonable assurance, over going concern in the auditor's report.
- Mr. Yoshii expressed support for the proposed requirements to enhance transparency in the auditor's report about going concern and noted that corresponding revisions should also be required by the [international financial reporting framework \(IFRSs\)](#) to enhance management's disclosures.
- Ms. McGeachy expressed concern for the proposals for enhanced transparency in the auditor's report as they may cause increased costs that may need to be passed on to audit clients (e.g., for obtaining legal advice in certain circumstances) as well as that the proposals may lead to widening the expectation gap.
- Ms. Jackson noted that application material is provided in the proposed standard that includes guidance to help avoid boilerplate in the descriptions provided as well as to emphasize the need to provide entity specific descriptions of how the auditor addressed the events or conditions in the audit.

#### INFORMATION FROM SOURCES EXTERNAL TO THE ENTITY

- Ms. Vanich and Landell-Mills and Mr. Hansen noted the importance for the auditor to consider information from sources external to the entity (external information) when evaluating management's assessment of going concern, given the inherent risk of management bias. Ms. Landell-Mills commented that because management is an interested party, there needs to be a presumption of management bias by the auditor when evaluating management's assessment of going concern. Consequently, the auditor needs to demonstrate a robust exercise of professional skepticism.
- Ms. Vanich commented that when the auditor is evaluating management's plan for future actions to address identified events or conditions that may cast significant doubt, and management has solely based the plans on information from sources internal to the entity (internal information), obtaining external information is especially important to counterbalance i.e., support or refute, the internal information used in management's plan.
- Mr. Hansen commented that further clarity would be helpful in the standard when it becomes necessary for the auditor to consider external information (e.g., would this be necessary in all cases or when a "close call" situation is present) and when it is appropriate for the auditor to develop its own expectation (e.g., a comparative to determine whether there is a "close call" situation).
- Ms. Jackson acknowledged these aspects noting that they would be further considered while developing proposals for the revision of ISA 570 (Revised).

#### SCALABILITY

- Mr. Ruthman noted that although the going concern basis of accounting is also applicable in the public sector context, the proposals for enhanced transparency in the auditor's report may not always be relevant for users of public sector auditor's reports. He explained that in the public sector there may be circumstances when the going concern risk is heightened, while in many other circumstances going concern matters may be straightforward and therefore the public sector perspectives should be more appropriately reflected in the proposed standard. Mr. Ruthman suggested that in the public sector context a possible approach may be to provide enhanced transparency about the auditor's responsibilities related to going concern in the auditor's report instead of providing explicit statements.
- Mr. Thompson expressed his appreciation for the inclusion of scalability considerations in the application material of proposed ISA 570 (Revised) to address both less and more complex circumstances, commensurate to the nature and circumstances of the entity.

#### OTHER MATTERS

- Ms. Blomme noted the importance of a holistic approach to address going concern matters which would involve liaison and coordination between the auditing and accounting international standard setting bodies. In this context, she noted her disappointment that the IASB had decided not to add to its work plan a project on going concern disclosures.
- Mr. Thompson expressed his support for applying the Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines while developing proposed ISA 570 (Revised) and encouraged they be consistently applied across IAASB projects.
- Ms. Jackson noted that the CUSP Working Group Chair is also a member of the Going Concern Task Force and acknowledged the member's contributions when drafting revisions to ISA 570 (Revised).

#### PIOB COMMENTS

Mr. Sullivan emphasized the importance of the project to revise ISA 570 (Revised) from the public interest perspective and noted that going concern is considered an IAASB priority project by the PIOB, along with fraud and assurance on sustainability. He noted that as the proposals are being developed it is important to consider strengthening the audit procedures in the proposed standard and to enhance transparency about the auditor's responsibilities and work related to going concern in order to reduce the expectation gap.

Mr. Sullivan noted support for comments made by the CAG Representatives to consider potentially contradictory or corroborative information from sources external to the entity when evaluating management's assessment of going concern. He also expressed support for extending the commencement date of the auditor's evaluation of management's assessment from the date of the financial statements to the date of approval of the financial statements. Mr. Sullivan acknowledged CAG Representatives' comments that a more effective approach to address going concern matters should also include actions from the IASB. He encouraged that further application material be provided in ISA 570 (Revised) to assist auditors to address circumstances when management may be unwilling to extend its assessment period when considered necessary, as well as providing examples to address the proposals for enhanced transparency in the auditor's report.

## WAY FORWARD

Ms. Jackson thanked the CAG Representatives for their feedback. In December 2022, the Going Concern Task Force intends to discuss and bring to the Board for input the remaining actions included in the scope of the project proposal on going concern and the conforming and consequential amendments to other relevant ISAs as a result of the revision of ISA 570 (Revised).

### Strategy and Work Plan for 2024–2027 (Agenda Item E)

- To *OBTAIN* Representatives' views on the draft Consultation Paper for the IAASB's Strategy and Work Plan 2024–2027

Messrs. Seidenstein, Botha and Van den Hout introduced the draft Consultation Paper for the IAASB's Strategy and Work Plan for 2024–2027 (the Strategy and Work Plan).

Representatives commented as follows:

- Ms. Manabat, Dr. Cela and Mr. Ishiwata supported the Strategy and Work Plan.
- Ms. Meng acknowledged the importance of all the projects underway from the public interest perspective but added that the IAASB's project on fraud should be prioritized. She noted that, since the start of the project, it may take 7 years for the standard to become effective and that this is too long as it is a key public interest topic.
- Dr. Cela noted the importance of obtaining stakeholder input on the Strategy and Work Plan. He encouraged the IAASB to reach out to stakeholders that normally do not respond to the IAASB's consultations (e.g., small and medium practitioners). He also questioned how the IAASB is planning to raise awareness about the Strategy and Work Plan.
- Messrs. Ishiwata and Sobel noted that the IAASB's project on assurance on sustainability reporting may be the most important project. Therefore, Mr. Ishiwata suggested to add more detailed questions regarding this project in the Strategy and Work Plan. In addition, he suggested to add a post-implementation review of the overarching standard for assurance on sustainability reporting.
- Ms. Manabat noted that the budgetary constraint should be properly addressed.
- Mr. Sobel supported the use of the Framework for Activities to select the IAASB's next project. He noted that it is important to have a structured process in place to select the IAASB's next project. He added that the IAASB should be nimble and agile in terms of determining the next project, especially when changes occur.
- Mr. Sobel noted the importance of getting the right talent to support the projects.
- Mr. Yoshii noted that in Japan and some other countries the effective dates for new or revised standards may be later than the IAASB's effective date. He asked the IAASB to take this into account when considering the timing of post-implementation reviews.

## PIOB COMMENTS

Mr. Sullivan supported the consultation process for the Strategy and Work Plan and is looking forward to the comments from the IAASB's stakeholders. He noted that the allocation of the IAASB's resources is key for the effective execution of the Work Plan. On a personal note, Mr. Sullivan noted the importance of finding

the right balance with respect to the speed in standard setting. He added a personnel comment that fast standard setting is worse than slow standard setting since it may have unintended consequences (e.g., the lack of due process and input from stakeholders).

#### WAY FORWARD

The IAASB will discuss the draft Consultation Paper on the Strategy and Work Plan at its September 2022 meeting. The consultation paper is expected to be approved by the IAASB in its December 2022 meeting and released in January 2023.

#### Fraud (Agenda Item G)

- To *REPORT BACK* on the March 2022 meeting
- To *OBTAIN* Representatives' views on selected topics on fraud in an audit of financial statements

Ms. Provost introduced the topic by highlighting the topics addressed by the Fraud Task Force since the March 2022 CAG meeting, and the Fraud Task Force's work on transparency in reporting on fraud and the introduction of proposed ISA 240 (Revised).<sup>13</sup>

#### TRANSPARENCY IN REPORTING ON FRAUD

Representatives commented as follows:

- Mses. Blomme and McGeachy and Mr. Stokhof noted that the responsibilities of management, those charged with governance and the auditor should be holistically addressed by the IAASB's projects on Fraud and Going Concern. Ms. Provost noted that the Fraud and Going Concern Task Forces will need to discuss how to address concerns raised that impacted both standard-setting projects.
- Ms. Blomme noted that not aligning the disclosure requirements for management and the auditor may place the auditor in a difficult position, especially with respect to reporting identified significant deficiencies in internal control that are relevant to the prevention and detection of fraud. Ms. Blomme also noted that in the Netherlands auditors are required to describe the identified and assessed fraud risks, and the auditor's response to the assessed fraud risks, and that this was difficult to implement as management doesn't have the same responsibilities. In this regard, Ms. McGeachy observed that the role of the auditor seemed to be elevated while management's responsibilities aren't.
- Mr. Sobel questioned whether the option on reporting identified significant deficiencies in internal control that are relevant to the prevention and detection of fraud is mutually exclusive from the other options presented to users of the financial statements. Ms. Provost explained that this option is not mutually exclusive from the other options and that many users of the financial statements preferred this option together with one of the other options presented. She furthermore noted that users of the financial statements were of the view that the auditor could report on identified significant deficiencies in internal control that are relevant to the prevention and detection of fraud even if management is not required to do so.

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<sup>13</sup> Proposed ISA 240 (Revised), *Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements*

- Ms. McGeachy and Mr. Yoshi noted their preference for emphasizing the use of the existing requirements for the communication of key audit matters for listed entities where there is a fraud risk. Mr. Yoshi added that the IAASB must respect the views of users of the financial statements. Given the importance of this topic, Dr. Cela noted his preference for describing the identified and assessed fraud risks, the auditor's response to the assessed fraud risks, and the auditor's findings/observations when responding to the assessed fraud risks. Mr. Dalkin supported the Fraud Task Force's proposal for the auditor to report identified significant deficiencies in internal control that are relevant to the prevention and detection of fraud but questioned how the auditor will determine whether a significant deficiency in internal control relates to fraud or error. Ms. Provost explained that the Fraud Task Force will need to make this clear when developing proposed ISA 240 (Revised).
- Ms. McGeachy questioned whether changes to local laws and regulations are needed given that the auditor may be disclosing confidential information. Ms. Provost explained that the auditor may not be allowed to report certain matters if laws and regulations prohibit such disclosures. She furthermore noted that the Fraud Task Force had decided, as part of their initial recommendations to the Board, not to require the auditor to report findings or observations.
- Ms. McGeachy questioned whether the Fraud Task Force considered requiring the enhanced reporting requirements for non-for-profit audits. Ms. Provost explained that the Fraud Task Force had mixed views on whether the enhanced reporting requirements should be applied to listed entities only or all entities and that the Fraud Task Force is open to the CAGs views.
- Ms. Blomme questioned whether the Fraud Task Force's proposal to enhance transparency in the auditor's report on fraud (by reporting the identified and assessed fraud risks) should only be for significant fraud risks as the Fraud Task Force also proposes the auditor to report significant deficiencies in internal control. Ms. Provost explained that fraud risks are by definition significant risks.
- Ms. Vanich noted that users of the financial statements are looking for entity specific fraud risks but that auditors often identify similar types of fraud risks such as fraud risks related to revenue recognition and the misappropriation of assets. She also noted that the misappropriation of assets is rarely determined to be a key audit matter. Ms. Provost noted that the Fraud Task Force reviewed fraud disclosures in auditor's reports in the United Kingdom and the Netherlands and that there is a wide variety in how auditor's report on fraud.
- Ms. Vanich asked the Fraud Task Force to consider how the auditor will report on significant deficiencies in internal control that are relevant to the prevention and detection of fraud when the auditor applies a substantive approach.
- Mr. Yurdakul noted that the identification of fraud has a huge impact on financial markets and investors. Therefore, preparers would not like the auditor reporting on fraud in the auditor's report which may create tensions between the auditor and management. He suggested that the Fraud Task Force take this into account when determining a way forward on this topic.
- Ms. Provost thanked the Representatives for their views on the way forward and noted that the IAASB will need to balance the views of its various stakeholders in finding a way forward.

## INTRODUCTION

- Mr. Ishiwata noted that the auditor needs to apply judgment when assessing whether fraud is material or not, and that the auditor should take into account qualitative factors when making this determination. He encouraged the Fraud Task Force to develop appropriate audit procedures for non-material fraud and include those procedures in proposed ISA 240 (Revised).
- Mr. Hansen questioned whether the assessment of the materiality of fraud is based on quantitative or qualitative characteristics. Mr. Dalkin noted that in a large organization quantitative materiality may be very high and that frauds that are below the quantitative materiality level may have a very big impact. Ms. Provost explained that materiality is based on quantitative and qualitative factors.

## PIOB REMARKS

Mr. Sullivan noted that the project on fraud is a very important project from a public interest perspective and that transparency in reporting on fraud is one of the key public interest issues identified by the PIOB. He applauded that the Fraud Task Force's outreach with users of the financial statements as it is a group that is hard to connect with. On the outreach itself, Mr. Sullivan noted that while the outreach did not provide a clear steer, the Fraud Task Force is headed in the right direction. He also supported the Task Force changes to the Introduction.

Lastly, Mr. Sullivan noted that well-designed and implemented controls will help in the prevention of fraud and that the auditor should take that into account when assessing the risks of material misstatement due to fraud.

## WAY FORWARD

In September 2022, the Fraud Task Force will update the IAASB about its outreach activities with users of the financial statements on transparency in the auditor's report on fraud and the section in proposed ISA 240 (Revised) that builds of ISA 315 (Revised 2019).

## Assurance on Sustainability Reporting (Agenda Item H)

- To *REPORT BACK* on the March 2022 meeting
- To *RECEIVE* an update on the IAASB's work regarding Assurance on Sustainability Reporting
- To *OBTAIN* Representatives' views on the IAASB's draft project proposal for the Development of an Overarching Standard for Assurance on Sustainability Reporting

## PROGRESS TO DATE

Ms. Provost introduced the topic by updating the IAASB CAG on the Sustainability Assurance Working Group's activities since the March 2022 meeting. She provided an overview of the key elements addressed in the draft project proposal to develop of an overarching standard on sustainability assurance, proposed International Standard on Sustainability Assurance (ISSA) 5000, set out in **Agenda Item H.2** for approval at the September Board meeting.

## DRAFT PROJECT PROPOSAL TO DEVELOP AN OVERARCHING STANDARD ON SUSTAINABILITY ASSURANCE

Representatives commented as follows:

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- Mr. Dalkin noted the tremendous progress which has been made with the project and asked the CAG to consider whether the project is going in the right direction to support the public interest.
- Messrs. Cela, Ishiwata, Rees, Thompson and Yoshii, and Ms. Blomme and Altbaum strongly supported the project to develop a standard, noting its importance in serving the public interest. Messrs. Cela, Rees and Thompson and Ms. Blomme specifically supported the approach in the project proposal and the progress towards a challenging and ambitious timeline. Mr. Rees added that the project is a key part of getting sustainability disclosure reporting on a par with the financial reporting. Dr. Cela and Ms. Blomme specifically supported the project objectives. In particular, Dr. Cela supported that the standard will be standalone, based on ISAE 3000 (Revised),<sup>14</sup> and also the other materials, for example, ISAs and EER Guidance,<sup>15</sup> which he considered should result in a quality standard. Mr. Yoshii agreed with covering all sustainability topics, all reporting mechanisms and all reporting standards, in order to accommodate diverse sustainability information frameworks. He noted investor demand for high quality assurance on sustainability is increasing and considered that investors will be the main users of assurance information, but supported targeting a wider range of stakeholders. He noted that considering that all reporting standards are covered, he supports the inclusion of all assurance practitioners, as well as accountants. Ms. Provost acknowledged the overall support for the IAASB’s work, including the project plan.
- Mr. Rees commented on the IAASB’s timelines, noting the steps already taken to move at pace, which are reflected in the design of the project and encouraged the IAASB to continue to look for ways to maintain that momentum and pace, whilst respecting due process. He questioned whether there are things, such as additional meetings and leveraging off the consultative group’s intellectual property, that can be done to keep the pace going, noting it is important for this project. Ms. Provost noted that the main public interest issue is timeliness, so the Sustainability Assurance Working Group is continuing to progress the project at pace, whilst not over-burdening staff.
- Mr. Hansen questioned if the focus of the project will be firstly on reasonable assurance as opposed to limited assurance and Mr. Yoshii suggested that although proposed ISSA 5000 will cover both limited assurance and reasonable assurance, a more realistic response may be for the first priority to be given to the development of criteria for limited assurance. Ms. Altbaum and Mr. Hansen supported the standard covering both limited and reasonable assurance. Ms. Blomme noted that there can be a mixture of limited and reasonable assurance in the same engagement, but it is more common to see the progression from no assurance, to limited assurance and eventually the end goal of reasonable assurance engagements. She questioned whether a standard which deals with both limited and reasonable assurance in one standard, is the most practical approach. She suggested instead stakeholders are calling for a building block approach, or at least a clear sign posting within the standard, whether specific parts of it relate to limited assurance, reasonable assurance or are applicable to both. She suggested that unless that was clear, it could be quite confusing and not as practical. Ms. Provost explained that the standard will cover both limited and reasonable assurance due to the transition from limited to reasonable assurance and that the requirements for limited and reasonable assurance will be flagged, by using “L” or “R” preface for the different requirements respectively.

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<sup>14</sup> International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

<sup>15</sup> *Non-Authoritative guidance on Sustainability and Other Extended External Reporting Assurance Engagements* (EER Guidance)

- Ms. Blomme noted that the areas which stakeholders most struggle with are when the subject matter includes narrative and forward-looking information. She suggested that this would indicate that these should be priority areas and asked if the Sustainability Assurance Working Group is considering these areas. Ms. Peters highlighted that forward looking and qualitative information, arose in response to the International Sustainability Standards Board's (ISSB) exposure drafts S1<sup>16</sup> and S2<sup>17</sup>, which both asked questions with respect to whether the information was verifiable and enforceable. She recommended that the IAASB look at the Appendix to the CFA's response to S1, as it provided a listing of challenges related to verifiability. She noted that this document also included the difference and definitions of materiality within and outside the financial statements, using enterprise value and the difference between the forward-looking information and the qualitative nature of the information. Ms. Provost agreed that verifiability has been important for the project and the IAASB would continue interaction with the ISSB, in this regard. She further noted that narrative and forward-looking information will be inherent in the standard, even though they are not priority areas and that the EER Guidance provides a lot of relevant material.
- Ms. Blomme raised the issues arising from the preconditions needed to be able to provide assurance and the impact on assurance reports on sustainability reporting, if those preconditions are not met. She noted that there is an expectation that because sustainability reporting will be much less robust, this will lead to many more qualifications or disclaimers in the assurance reports than is usual in auditors report on financial reporting. She asked, as this will need specific attention, whether this will be part of the project or will be covered in the next phase. Ms. Altbaum considered that reporting needs to be covered as a significant element for users to have confidence in the reported information, to understand the work that has been done and what the opinion means. She explained that there may be reports with a mix of limited and reasonable assurance as well as modifications due to scope limitations. Ms. Altbaum supported that the standard would be suitable across all reporting frameworks, subject to the acceptability of the frameworks, as she is concerned that confidence would be undermined if assurance practitioners rushed to provide assurance when the reporting standard does not truly support reasonable assurance because the requirements are not well specified as a basis for assurance. She suggested that the standard needs to address the suitability of the framework and, in doing so, that the IAASB needs to continue to work closely with the ISSB to support development of auditable sustainability standards so that the IAASB can develop robust assurance standards. Mr. Yoshii suggested that, although all reporting standards will be covered, the ISSB standards should be given priority, considering the wide scope of their publication, the timing of development and the high level of investors' needs. Mr. Yoshii highlighted that assurance should not only cover whether the content of individual sustainability information is properly reported, but also whether the reporting is in accordance with the framework established by the standards. He provided the example, if reporting standards and the framework requires a disclosure of material information that will lead to increasing of medium to long term corporate value, then the company's materiality judgment also needs to be subject to assurance. He suggested that assurance should address that not only favorable, but also unfavorable material information is disclosed. Ms. Provost noted that preconditions and scope will be addressed as a priority area.

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<sup>16</sup> Exposure Draft Proposed ~~International Financial Reporting Standard~~ (IFRS) S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

<sup>17</sup> Exposure Draft Proposed IFRS S2 *Climate-related Disclosures*

- Mr. Ishiwata expects the Sustainability Assurance Working Group to continue to collaborate and engage widely with stakeholders, keeping in mind a balance between timeliness and due process. He raised the need to ensure that on-going outreach activities which are effective and efficient in the limited time. He noted that the coordination with other standard-setters and regulators, focusing on the priority areas, carried out at the right time is important. Additionally, he observed that non-accounting assurance providers also provide sustainability assurance and sometimes do not refer to ISAE 3000 (Revised), instead using other assurance standards, which means that outreach to the International Organization for Standardization and AccountAbility at an early stage is crucial. He suggested that diversity in both the Sustainability Assurance Working Group and Reference Groups is important, especially taking into account the jurisdictional differences, so it is crucial to have diverse members in terms of market development and geographic location. Ms. Altbaum noted that sustainability has quickly become a topic of global importance, and its reliability is a key issue for many stakeholders, including banks, which need reliable information from their customers in order to make informed lending and investment decisions, and the entity, to be able to measure and manage their own climate related financial risks. Mr. Rees drew attention to the dialogue and engagement highlighted in the project proposal, that's already going on between the IAASB and the ISSB. He noted that the ISSB appreciated the IAASB's comment letter on the initial exposure draft. He advised, on behalf of the IFRS Foundation, that the ISSB now is fully operating, with the Board considering the feedback on the two initial exposure drafts that were published in March. He stated that the ISSB is aiming to keep up the momentum and pace that they have been operating at and will discuss in public the major key issues that have been raised by stakeholders on those expose drafts by the end of this year. Ms. Provost noted that the IAASB is doing a lot of outreach, but that needs to be balanced with drafting the standard given limited resources. The standard needs to be able to be applied by other professionals from different professions and cover different jurisdictions. She also noted that the IAASB has a Reference Group for other assurance providers which come from diverse regions and professions and in addition, diversity in the Task Force members will be considered by the Board and staff in its current review of allocations of taskforce members.
- Ms. Altbaum raised the point that materiality is a key concept in sustainability-related financial information reporting because it drives management decisions what information needs to be presented and disclosed. She added that if there is a single materiality in the assurance standard then guidance will be needed due to needing to consider the value chain.
- Ms. Altbaum observed that the IAASB is not paying particular attention to the risk of greenwashing and drew attention to the need to address this risk. She noted her understanding that the IAASB draft revision of the standard on fraud in an audit of the financial statements, does not address this specific issue, although this risk is not very different from other sources of potential barriers in auditing. She suggested that greenwashing could be addressed in guidance, on risk assessment and work effort. Mr. Ishiwata noted the importance of greenwashing to wider stakeholders and so, he encouraged the IAASB to consider incorporating, even partially, the concepts and provisions of current ISA 240, noting that it is under revision. Ms. Provost explained that greenwashing has been adequately covered for the time being by the IESBA guidance.
- Ms. Peters noted that the ISSB exposure draft S1 allows the information to be located and cross referenced in multiple locations, which will make it very hard for investors to understand what comprises the complete set of sustainability standards, how the statement of compliance matches that information and whether the assurance report goes alongside it. She suggested that in

development of the standard the IAASB needs to consider the more detailed thinking that has been done on this issue, as it is a very important considerations for investors.

STRUCTURE AND DRAFTING APPROACH.

Ms. Provost described the progress with drafting so far and explained the issues and questions that will be considered by the IAASB Board in their September 2022 meeting with respect to the drafting approach, definitions and structure of the standards, illustrated in **Agenda Item H.3.6**.

Representatives commented as follows:

- Mr. Sobel supported the structure and Mr. Thompson welcomed adopting a flow in the proposed standard that is similar to that of the ISA for LCE.
- Mr. Thompson queried whether, and if so how, Small and medium-sized entities (SME) and LCE are being, or will be factored into this project, as it is critical that they be carefully considered from the outset. He asked whether the IAASB would be embracing the CUSP drafting principles right from the start, suggesting that a simple, scalable standard that embraces the CUSP principles is going to be in the interests of everybody. He highlighted the developments in the European Union, where it looks likely that in the foreseeable future, many SME, may end up having to report in order to fulfill value chain reporting obligations and many others will voluntarily choose to report. He proposed that in order for the standard to be fit for purpose for SME, it might require, for example, having a core set of requirements that are applicable to all entities. He suggested that there may be additional requirements that you would layer onto the core requirements for listed entities, public interest entities, banks, insurance companies, or others, or another LCE standard may be needed. He underlined that most importantly SME are not overlooked. Ms. Provost noted that LCEs and SMEs need to be addressed and that CUSP principles will be applied.
- Mr. Sobel questioned whether the use of others including internal auditors will be covered by the standard or if practitioners would need to refer to ISA 610.<sup>18</sup> Ms. Provost clarified that there will be a requirement on internal audit in the standard, but ISA 610 will not be explored further.
- Ms. Altbaum noted that the ISSB Standard provides a broad definition of fair value, which is the basis for estimates and which may be a source of uncertainty for assurance practitioners. Mr. Yoshii noted that ISA 540 (Revised)<sup>19</sup> is marked in **Agenda Item H-6** for no further consideration, although sustainability information includes a lot of estimates and future oriented information, and so he suggests it needs to be considered. Ms. Provost indicated that the Sustainability Assurance Working Group would reflect further on ISA 540 (Revised).
- Mr. Yoshii noted that ISAE 3000 (Revised) includes requirements for reading other information (see **Agenda Item H-5**), similar to ISA 720 (Revised),<sup>20</sup> but it is not included for consideration. He observed that entities may not be able to afford the financial burden of disclosure of sustainability information, which may include difficult information in the supply chain, and practitioners who provide assurance may also not have sufficient human resources to provide that assurance. He suggested that the consideration of material sustainability information as “other information”, may be a realistic alternative to assurance directly on the information. Ms. Provost indicated that the Sustainability Assurance Working Group would reflect further on ISA 720 (Revised).
- Mr. Dalkin reflected that the assurance work may need to be done almost exclusively by use of

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<sup>18</sup> ISA 610, *Using the Work of Internal Auditors*

<sup>19</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

<sup>20</sup> ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

specialists, so he asked whether the IAASB has identified any special consideration which would need to be incorporated. Ms. Provost noted that specialists are vital in conducting these engagements, as is the wider issue of the competence of the practitioner, which will be covered in the standard.

- Ms. Wolf noted that the risk assessment will be more challenging due to the interconnectivity of the information and reliance on reports of other entities. Ms. Provost explained that risk assessment will need to be integrated into the standard.
- Mr. Ruthman considered the structure of the standard as one document may be a barrier to obtaining feedback. He encouraged the Sustainability Assurance Working Group to keep thinking about how to approach due process in such a way that where the work is simply leveraging or applying a principle that already exists, that they don't draw attention to that material such that it distracts from the new guidance or requirements that are being put forward to support the profession and the nature of this work. He suggested that publication of complete standards that go from planning to reporting is not the right answer, as the standards are repetitive. Ms. Provost acknowledged that the size of the document will be an issue and so to the standard will be keeping with an over-arching level. She supported the suggestions as part of due process to flag those principles/words which are already exist in the new standard.
- Ms. Mr. Seidenstein noted how much has been accomplished so far and reassured that the pace will not let up. He noted significant engagement with the ISSB, upcoming meetings with the Global reporting Initiative, and the intention to engage with the International Organization for Standardization and AccountAbility. He noted that the IAASB can only consider a certain number of issues and need to use our existing material and limit green-fielding, given that time constraints are a public interest issue.

#### NEXT STEPS

Ms. Provost explained the next steps including project proposal approval will be sought in September 2022 and the drafting on the six priority areas will be presented at the December 2022 meeting.

#### PIOB OBSERVER'S REMARKS

Mr. Sullivan noted that sustainability is an incredibly important topic and expressed his appreciation for Ms. Provost doing a great job in presenting on the topic and for her service on the IAASB, noting her term would soon expire. He observed that the IAASB has made great progress on this topic. He noted that he only wanted to raise one point, which was that this requires a significant allocation of resources on the part of the staff, which will be a constraining item. He indicated that the PIOB was looking forward to seeing the progress in this area, and thanked the IAASB for everything it has done so far.

#### WAY FORWARD

Mr. Dalkin thanked the Board, staff and CAG for their work and input. Mr. Seidenstein and Ms. Provost thanked Representatives for their feedback and comments.

**Closing Remarks**

Mr. Dalkin thanked the IAASB CAG Representatives for their preparation and participation during the meeting. Mr. Dalkin also thanked IAASB Staff for the meeting arrangements and closed the meeting. The next IAASB CAG meeting is intended to be a face-to-face meeting on March 7–8, 2023.