

**Minutes of the 146th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on September 16-20, 2024, in New York, United States of America¹**

Voting Members

Present: Tom Seidenstein (Chair)
Josephine Jackson (Vice-Chair)
Sue Almond
Sami Alshorafa
Hernan Casinelli
Julie Corden
Vishal Doshi
William Edge
Kai Morten Hagen
Sachiko Kai
Edo Kienhuis
Robert Koethner
Prof. Warren Maroun
Neil Morris
Chrystelle Richard
Greg Schollum
Wendy Stevens
Eric Turner

Technical Advisors (TA)

Helene Agélii (Mr. Hagen)
Antoine Boitard (Ms. Richard)
Wolf Böhm (Mr. Koethner)
Johanna Field (Mr. Turner)
Amy Groves (Ms. Corden)
Rene Herman (Mr. Edge)
Susan Jones (Mr. Morris)
Yvette Lange (Prof. Maroun)
Thokozani Nkosi (Ms. Jackson)
Misha Pieters (Mr. Schollum)
Claire Revenig (Ms. Almond)
Jamie Shannon (Mr. Kienhuis)
Brian Wilson (Ms. Stevens)
Fernando Zanet (Mr. Casinelli)

Public Interest Oversight Board (PIOB) Observer

Present: Mr. Dave Sullivan

¹ The September 2024 IAASB meeting was held in-person in New York, New York, United States of America. Dial-in was made available for all sessions and the meeting was live broadcast on the IAASB YouTube channel.

IAASB Technical Staff

Present: Willie Botha (Program and Technical Director), Nathalie Baumgaertner Dutang, Taylor Carter-Jones, Ida Diu, Ana Espinal-Rae, Angelo Giardina, Claire Grayston, Michelle Harrison, Megan Hartman, Megan Leicht, Fadi Mansour, Isabelle Raiche, Kevin Reinhardt, Kalina Shukarova Savovska, Hankenson Jane Talatala, Jasper van den Hout, Kazuko Yoshimura and Dan Montgomery (Senior Advisor – Technical Projects)

Welcome and Introduction

- The IAASB Chair welcomed members, technical advisors (TAs), official observers and public observers via YouTube to the September 2024 IAASB meeting.

Meeting Topics

- [Approval of Minutes \(Agenda Item 1\)](#)
- [Sustainability Assurance \(Agenda Item 2\)](#)
- [Going Concern \(Agenda Item 3\)](#)
- [Technology Position \(Agenda Item 4\)](#)
- [Technology \(Initial gap/ opportunity analysis\) \(Agenda Item 5\)](#)
- [Audit Evidence and Risk Response \(Agenda Item 6\)](#)
- [Listed Entity & PIE \(Agenda Item 7\)](#)
- [Fraud \(Agenda Item 8\)](#)
- [Auditor's Report - Effect of Going Concern and Fraud proposals \(Agenda Item 9\)](#)

Approval of Minutes (Agenda Item 1)

Decision

1. The Board approved the minutes of the June and July 2024 IAASB meetings unanimously.

Sustainability Assurance (Agenda Item 2)

Decisions

Approval of ISSA 5000²

2. The Board approved ISSA 5000 as a final standard with 18 affirmative votes out of 18 Board members in attendance.
3. The Board agreed with the Sustainability Task Force's (SATF) conclusion, as presented in **Agenda Item 2**, that the changes made to ISSA 5000 since the exposure draft did not require re-exposure and unanimously voted against re-exposure.
4. The revisions made in finalizing ISSA 5000, which addressed Board members' comments, are

² International Standard on Sustainability Assurance™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

reflected in the approved agenda items:

- [Agenda Item 2-B.1 APPROVED](#) Proposed ISSA 5000 Requirements
- [Agenda Item 2-B.2 APPROVED](#) Proposed ISSA 5000 Application Material
- [Agenda Item 2-D.1 APPROVED](#) Proposed ISSA 5000 Conforming and Consequential Amendments

Adoption and Implementation Matters

5. The Board agreed with the SATF's suggestion for ISSA 5000 to be effective for assurance engagements on sustainability information reported:

- For periods beginning on or after December 15, 2026; or
- As at a specific date on or after December 15, 2026.

The Board agreed with ISSA 5000 explicitly stating that early application of ISSA 5000 is permitted but asked for this to be explained in the Basis for Conclusions. The Board also asked that further explanation be provided for circumstances in which the sustainability information includes information for both the period and an "as at" date.

Directions

Updates to Draft ISSA 5000

6. The following changes were made in finalizing ISSA 5000 in response to substantive comments from the Board:

Definition of component

- The references to group component and value chain component were deleted as essential application material to the definition of a component in paragraph 18 and the related application material in paragraph A18 was revised to delete the notion of operational control. Paragraph A18 was further revised to indicate that, for purposes of the ISSAs, components that include entities or business units that are required to be included in the reporting entity's group financial statements are referred to as group components. Components that include entities that are part of the reporting entity's upstream and downstream value chain are referred to as value chain components. With these changes, the definition is aligned with the definition of component in IESBA's³ proposed International Ethics Standards for Sustainability Assurance.

Substantive procedures

- The Board agreed that the requirement in paragraph 138 would be disproportionate for limited assurance engagements and could result in unnecessary work effort. Accordingly, the requirement, along with the related application material (A436-A436A), was revised to apply only to reasonable assurance engagements.

Involvement in the work of a firm other than the practitioner's firm

³ International Ethics Standards Board for Accountants

- The application material in paragraph A105 was revised to clarify that the practitioner may become aware that such a separate engagement on sustainability information for a group component has been performed by another office of the practitioner's firm or a network firm. In the circumstances described in paragraph A105, the requirements in paragraphs 50-55 would apply to obtaining evidence from using the work performed for such separate engagement.

Value chain

- Various application material paragraphs (in particular, paragraphs A255, A256, A292, and A553) were revised to address Board comments about conflating management's difficulties in obtaining value chain information with scope limitations, and emphasizing that, regardless of such limitations, the practitioner is required to obtain sufficient appropriate evidence.

Inherent limitations

- The requirement in paragraph 187(g) and related application material was revised to explain that the Inherent Limitations section of the assurance report can include inherent limitations relating to forward-looking information.

Other Substantial Matters

Due Process Considerations

7. The IAASB Program and Technical Director confirmed that the SATF had followed the due process effectively and with proper regard for the public interest in the development of ISSA 5000. The IAASB agreed that significant matters identified by the Sustainability Assurance Task Force (SATF) as a result of its discussions since the beginning of the project have been presented in the issues papers for the IAASB's deliberation, and that there are no significant matters that have not been brought to the attention of the Board. The IAASB Program and Technical Director advised the IAASB that it had adhered to its stated due process in finalizing the standard.

PIOB Observer Remarks

8. Mr. Sullivan acknowledged the work done by the SATF in finalizing ISSA 5000 and that it has been responsive to the public interest.
9. Mr. Sullivan noted the complexities of concepts such as component practitioner, another practitioner, and management expert. He suggested that the SATF consider introducing a visual aid or a decision tree to help practitioners differentiate between the different roles.
10. Mr. Sullivan supported the requirements and application material included in ISSA 5000 around the communication between the sustainability assurance practitioner and the auditor of the entity's financial statements. He highlighted that two-way communication between practitioners and auditors is very important. Mr. Sullivan also noted that the PIOB is interested in the IAASB addressing in the future the inclusion of Key Audit Matters in sustainability assurance reports.
11. Mr. Sullivan underlined the importance of continuous communication with IESBA and encouraged the IAASB to continue monitoring IESBA's projects on sustainability through their approval in December to avoid any unintended consequences.

Next Steps

12. The Board will formally release ISSA 5000 after certification of due process by the PIOB, which is expected by December 2024. The SATF will continue developing the ISSA 5000 Implementation Guidance and other support materials, targeting a release date in January 2025 to coincide with the formal launch of the IAASB's and IESBA's Sustainability Standards.

Going Concern (Agenda Item 3)

Decisions

13. The Board agreed with the Going Concern Task Force's (GC TF):
- Summary of respondents' feedback for the remaining questions⁴ of the Exposure Draft (ED-570): [Proposed ISA 570 \(Revised\), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs](#) presented in [Agenda Item 3](#), noting that there are no other significant issues raised by respondents, in addition to those summarized, that should also be discussed.
 - Proposals to address key themes identified from the responses for the questions analyzed, including:
 - Not pursuing a differential approach that would apply only to listed entities for the 'performance' requirements of the standard.
 - Emphasizing significant management's judgements in paragraph 17 when evaluating management's assessment of going concern.
 - Providing clarity for what is to be understood as a 'method' in the context of the standard.
 - Referring to significant assumptions in paragraph 19(b) and strengthening the requirements for evaluating the data in paragraph 19(c).
 - Aligning the requirement to evaluate management's plans in paragraph 26(a) with changes made to the definition of Material Uncertainty (Related to Going Concern).
 - Adding a new requirement in the section addressing management's plans for future actions to evaluate the significant assumptions and data, when applicable.
 - Clarifying the expectation for the auditor to obtain audit evidence about the ability and intent of third parties or related parties, including the entity's owner-manager, to provide financial support.
 - Providing application material with considerations to support proportionate application to entities operating in the public sector.
 - Including specific documentation requirements for the auditor's significant professional judgments relevant to going concern.
 - Not pursuing changes to the ISAs in the 800-series relevant to special purpose

⁴ The only exception is Question 17(b) regarding the effective date of the proposed revised standard, which will be presented to the Board in December 2024.

frameworks beyond those of a conforming and consequential amendments nature.

- Not pursuing revisions to the ISREs⁵ in accordance with the rationale presented in the Explanatory Memorandum that accompanied ED-570.
- Changes made to proposed ISA 570 (Revised 202X), *Going Concern* presented in [Agenda Item 3-B](#), including:
 - Not reinstating the essential material relating to disclosures to the definition of Material Uncertainty (Related to Going Concern) and aligning with language used in paragraphs 2 and 32(b) by inserting the phrase “*realize its assets and discharge its liabilities in the normal course of business.*”
 - Strengthening the work effort in paragraph 11 from a “consideration” to “determination” and aligning the requirement more closely with the original text in ED-570.
 - Elevating ‘rights’ in addition to responsibilities established by law or regulation to the requirement in paragraph 40.
 - Adding a subtitle to illustrations 1-2 in the Appendix to clearly signpost that no material uncertainty exists and to differentiate from when a material uncertainty exists. In addition, reordering of the explicit statements in illustrations 3-6.
 - Recognizing in paragraph A1 that a “close call” situation is by its nature a key audit matter (KAM) that is reported according to proposed ISA 570 (Revised 202X) and not in the KAM section in accordance with ISA 701.⁶

Directions

14. The Board provided directional input and suggestions for the matters outlined below to be considered by the GC TF when finalizing proposed ISA 570 (Revised 202X), *Going Concern* presented in [Agenda Item 3-B](#).

Management’s Assessment of Going Concern

- Provide a clearer link between paragraphs 19 and 11 and reconsider the phrase *assessed risks in relation to the entity’s ability to continue as a going concern*.
- Reinstate in paragraph 19(a)(ii) that the calculations are applied in accordance with the method given that this may be relevant, in addition to whether the calculations are mathematically accurate.
- Clarify in paragraph 20 that both management or the auditor may identify events or conditions beyond the period of management’s assessment. In addition, recognize that in such circumstances it is necessary to request management to extend its assessment.
- Consider the relationship and distinction between paragraphs 20 and 25.
- Clarify in paragraph 25 that the discussion with management intends to understand the effects

⁵ International Standards on Review Engagements

⁶ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

of the events or conditions not previously identified or disclosed to the auditor. In addition, consider whether the transition from subparagraphs 25(a) and 25(b) is appropriate.

- Clarify paragraph A36 (third bullet) not to imply that assumptions from the prior period audit are being reconsidered for their appropriateness.

Evaluating Management's Plans for Future Actions

- Reconsider whether removing the threshold of 'particularly significant' in paragraph A48 (bullet twelve) is appropriate.
- Enhance the example in paragraph A50 to refer to whether policies or procedures are in place that would prevent an external finance provider to provide a written confirmation, instead of referring to their rationale for not providing a written confirmation and whether such rationale is specific to the circumstances of the entity.
- Clarify the example in paragraph A53 (third bullet) to indicate that the inquiries of the auditor of the third party is in a group audit context.

Public Sector Considerations

- Revise the application material in paragraph A42C to apply more broadly as it may be relevant to entities other than public sector entities who rely on government funding.

Documentation

- Considering whether the specific documentation requirements should be extended to also include other aspects, such as when management is unwilling to extend its assessment or relevant matters addressed by paragraphs 39(c) of ISA 540 (Revised)⁷ and paragraph 59 of ISA 600 (Revised).⁸

Other Matters

- Consider aligning paragraph 28 to mirror the wording more closely of paragraph 10 of ISA 560⁹.
- Clarify the example in paragraph A60A when concluding on whether a material uncertainty exists.
- Consider whether the phrase 'may cast significant doubt' should be a standalone definition, rather than encapsulated as a term within the definition.
- Reconsider the placement of the essential material discussing disclosures in paragraph 32(b).
- Consider whether the objectives of the standard should also include reference to the risk assessment procedures and related activities.
- Reconsider whether the 'auditor's professional judgement' should be included in paragraph 23.

⁷ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

⁸ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁹ ISA 560, *Subsequent Events*

- Consider broadening the written representation requirement in paragraph 37A(d) to address the adequacy of management's disclosures relevant to going concern more broadly, rather than just referring to the adequacy of disclosures about events or conditions.
 - Consider providing an example in paragraph A68 that the explicit statements may be supplemented to recognize when management has not provided corresponding statements in the financial statements.
 - Provide more specificity when referring from the KAM section of the auditor's report to the Going Concern section.
15. The Board also provided suggestions for matters where the GC TF could consider providing further explanations in the Basis for Conclusions, such as how the revisions to ISA 570 (Revised 202X) address scalability matters and the expectation for referring to the disclosures in the financial statements when significant judgments are made by management (i.e., in a "close call" situation).

Other Substantial Matters

PIOB Observer Remarks

16. Mr. Sullivan noted that the GC TF has fully addressed the Public Interest Issues for the project that the PIOB has raised to date. He highlighted the main areas where the revisions proposed will benefit users of financial information, such as the enhanced 'performance' requirements of the standard, the enhancements for providing transparency about going concern in the auditor's report, and the timeline over which the going concern assessment is made.

Next Steps

17. In December 2024, the GC TF will present to the Board an analysis of respondent's feedback for the effective date and the updates to the conforming and consequential amendments to other ISAs. In addition, the Board will be asked to approve the revised going concern standard. The GC TF will continue its outreach with key stakeholders in the financial reporting ecosystem.

Technology Position (Agenda Item 4)

Decisions

Clearance of the Technology Position

18. After presenting updated versions of the Technology Position in [Agenda Item 4-A](#) (i.e., refer to [Agenda Items 4-B and 4-D](#) for the updated versions), 17 out of 18 Board members in attendance cleared the Technology Position for adoption.

Directions

19. The following describes some of the more significant revisions made when finalizing the Technology Position in response to substantive comments received from Board members (i.e., some Board members submitted offline comments in advance of the meeting and some comments were provided during the Technology Position plenary session on September 17, 2024):

Component 1 – Technology Position Statement

- The revisions that were made to the Technology Position Statement were largely editorial and intended to add clarity and consistency to the document.
- Guiding Action #2 was revised to expand the scope of collaboration to other parties beyond audit and assurance oversight authorities to include, among others, regulators, national standard setters, firms, and professional accountancy organizations.
- Guiding Action #3 was revised to clarify that the Board retains the discretion on whether requirements will ultimately be introduced in the standards about the use of technology-enabled procedures (i.e., “...will explore and then introduce, as appropriate”) and that any such requirements will be “principles-based.”

Components 2 and 3

- The revisions that were made to the Technology Position Statement were largely editorial and intended to add clarity and consistency to the document.

Other Substantial Matters

PIOB Observer Remarks

20. Mr. Sullivan acknowledged the importance of the work done by the IAASB with respect to the Technology Position and encouraged the IAASB when working on current and future projects, to consider where technology might be effective in implementing the standards, and to provide specific examples to assist auditors in identifying opportunities to use technology to execute engagements more effectively.

Next Steps

21. The Board agreed to publish a final version of the Technology Position on its website after revisions proposed by Board members during the plenary session on September 20, 2024, were made and approved by the Chair of the Board and the Program and Technical Director.

Technology Preliminary Gap Analysis (Agenda Item 5)

Decisions

In-Scope Standards

22. The Board directed Staff to expand the standards initially reviewed in the gap analysis (ISQM 1, ISA 200, ISA 220 (Revised), ISA 330, and ISA 500) to include ISA 315 (Revised 2019) and ISA 520. Board members felt that ISA 315 (Revised 2019) should be included because the standard is relevant to the work being carried out by the Audit Evidence and Risk Response project team and ISA 520 should be included because this standard is also subject to revision as part of the Audit Evidence and Risk Response project.

Directions

Directions Regarding the Process Taken in the Preliminary Gap Analysis

23. The Board directed Staff to increase the level of detail and specificity when outlining the steps taken to prepare the preliminary gap analysis in the next iteration of the gap analysis. The Board proposed that the gap analysis include a more granular breakdown of the methodologies and criteria used in the analysis, ensuring transparency and clarity in the process.
24. The Board provided directional input and suggestions to incorporate the following considerations in preparing the next iteration of the gap analysis:
- Provide preliminary proposals of actions to address the identified gaps (e.g., standard setting activities, non-authoritative guidance, no current action needed, etc.), as well develop a process to consider these proposed actions and develop a preliminary prioritization.
 - Provide more description and specificity on how the gap analysis was informed by the Technology Position Statement, including its eight guiding actions.
 - Expand the research and outreach activities that informed the gap analysis by including, but not limited to, academic research, case studies, and outreach to a wide range of stakeholders.
 - Reconsider the presentation of identified gaps to be organized by standard for purposes of informing any current and future project teams using the gap analysis.

Directions Regarding the Identified Gaps

25. The Board provided directional input and suggestions to consider additional gaps within the in-scope standards relating to the following:
- Insufficient clarity in ISA 330 and ISA 520 around how certain technology-enabled procedures should be categorized (e.g., tests of details, substantive analytical procedures).
 - Insufficient clarity in how auditors should address outliers/exceptions that are the outputs of technology-enabled procedures (e.g., this may relate to work already undertaken for the Pre-Finalization Holding Package of Proposed ISA 500 (Revised) or ISA 530).
26. The Board directed Staff to focus on gaps in the standards related to the technology used in engagements and to limit the focus on gaps related to technology used in firms' systems of quality

management to the certification of technologies that are used in engagements.

27. The Board directed Staff to be more direct and specific in the identification and description of barriers that have been identified within the in-scope standards.

Other Substantial Matters

PIOB Observer Remarks

28. Mr. Sullivan acknowledged the importance of the IAASB's efforts to develop a Technology Position and to carry out a gap analysis. Mr. Sullivan also encouraged the IAASB when working on current and future projects, to consider where technology might be effective in implementing the standards, and to provide specific examples to assist auditors in identifying opportunities to use technology to execute engagements more effectively.

Next Steps

29. Staff will present an updated gap analysis to the Board for deliberation at the December 2024 IAASB meeting.

Audit Evidence and Risk Response (Agenda Item 6)

Decisions

The Board agreed that the revised risk response issues presented in [Agenda Item 6-B](#) are complete and appropriately reflect the issues that should be addressed in revising ISA 330¹⁰ and ISA 520¹¹ (subject to the further directions from the Board as addressed in the next section).

The Board agreed that the information-gathering activities performed to date provide a sufficient basis to support a project proposal on Audit Evidence and Risk Response without further public consultation (e.g., a public forum, roundtable or consultation paper).

The Board agreed that the scope of the project proposal includes the concurrent revision of ISA 500,¹² ISA 330, and ISA 520.

Directions

30. The Board provided direction to the project team on the following areas of the draft project proposal:

Subject, Introduction, and Project Objectives that Support the Public Interest

- Enhance the description of the relationship between the Technology Position and the intended scope of the project proposal, which describes a focus on technology.
- Consider refining objective B to clarify the intended meaning of the lead-in sentence, and to clarify the scope of the project with respect to internal controls.

¹⁰ International Standard on Auditing (ISA) 330, *The Auditor's Responses to Assessed Risks*

¹¹ ISA 520, *Analytical Procedures*

¹² ISA 500, *Audit Evidence*

Scope

- Consider refining the description of certain issues to clarify what needs to be resolved and to remove any perceived bias in how they are described.
- Consider further refining or streamlining the proposed actions to ensure they are drafted at the right level of detail, including considering whether they:
 - Are appropriately responsive to the issues described.
 - Clearly demonstrate how the project will consider scalability.
- Consider whether the use of the term “explore” is appropriate in each instance it was used, in describing a proposed action and clarify the intended meaning of using the term.
- Clarify certain proposed actions, avoiding the perception that the IAASB is writing methodology. This was particularly highlighted related to the actions that address the effective design and performance of tests of controls.
- Enhance the alignment of proposed actions relating to technology with the gaps identified in the Technology Position’s gap analysis.
- Consider whether certain issues may be better addressed through non-authoritative guidance rather than standard-setting actions.

Project Timeline, Project Priorities and Resources, and Project Output and Impact

- Consider whether there is a need to be explicit about the possibility that proposed ISA 500 (Revised)¹³ may not be fully re-exposed.

Other Substantial Matters

31. The Board asked the project team to consider including in its information-gathering activities:
- Regulatory inspection reports from jurisdictions outside of Europe and North America; and
 - Results of firms’ own internal inspections or peer-reviews.

PIOB Observer Remarks

32. Mr. Sullivan agreed with the direction of the project proposal. He highlighted the importance of bringing in the Technology Position into the project proposal because of the impact of technology on audit practice. He also noted the importance of the proposed actions related to the auditor’s work on internal controls. Mr. Sullivan cautioned the project team not to:
- Allow for the implicit acceptance of a weak control environment for smaller or less complex entities; or
 - Have a bias against the presence of ‘stand-back’ requirements within the ISAs.

¹³ Proposed ISA 500 (Revised), *Audit Evidence*

Next Steps

33. In December 2024, the project team will present to the Board a revised draft of the project proposal for approval.

Listed Entity and Public Interest Entity (PIE) – Track 2 (Agenda Item 7)

Decisions

34. After presenting two options for advancing the IAASB's PIE proposals, the Board decided to adopt "Option 1" as outlined in [Agenda Item 7](#). In essence, this means:
 - Adopting the definition of 'publicly traded entity' (PTE) in the ISQMs and ISAs, and
 - Only extending the extant differential requirements that apply to listed entities to PTEs (and not to PIEs).
 - Adopting the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework for when it may be appropriate to apply a differential requirement to an entity other than a PTE.
35. The Board's rationale for adopting "Option 1" can be summarized as follows:
 - The adoption of the PTE definition achieves convergence with the same concept used in the IESBA *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). It is a suitable term to replace "listed entity" in the ISQMs and ISAs in accordance with the rationale set out in the IAASB proposal and IESBA PIE revisions.
 - Option 1 appropriately promotes global consistency of the application of the ISQMs and ISAs and ensures that the ISQMs and ISAs remain clear and understandable.
 - The model that is inherent in "Option 2", given the further clarification of the IESBA PIE revisions and the possible divergence between the IAASB PIE proposals and the IESBA PIE revisions as discussed in **Agenda Item 7**:
 - Effectively raises the same concern that had in the past prevented the IAASB from extending differential requirements in the ISQMs and ISAs to apply to entities other than listed entities – the lack of a global baseline for PIEs that could consistently be applied across jurisdictions.
 - Gives rise to a precedent risk whereby the requirements in the ISQMs and ISAs would be subject to jurisdictional interpretation and variation across multiple classes of entities that are otherwise intended to be part of 'mandatory' categories within the PIE definition, including that certain classes of entities could be excluded within a jurisdiction, depending on jurisdictional circumstances.
36. The Board agreed to revisit the need for the adoption of the definition of 'public interest entity', aligned with the definition in the IESBA Code, when the global adoption and implementation of such definition has sufficiently matured (i.e., when more jurisdictions have adopted, appropriately refined for

jurisdictional circumstances and implemented the IESBA PIE definition locally, and the nature, extent and implications of variations are clearer).

37. The Board supported the PIE Task Force proposal to finalize the revisions to ISRE 2400 (Revised) about providing transparency in the review report about the relevant ethical requirement for independence applied for certain entities as proposed in the exposure draft.

Directions

38. The Board provided suggestions for revisions to the illustrative drafting in ISQM 1 (which will be mirrored in ISA 200) for the PTE definition and its application in determining which entities are PTEs to ensure consistency throughout the standards.

Other Substantial Matters

39. The Board reflected on the short timelapse between the first IESBA discussion on the clarification of the IESBA PIE revisions in March 2024 and the closure of the IAASB public consultation in April 2024. The Board noted that, although only eight respondents raised the potential divergence between the IAASB's proposal and the IESBA PIE revisions, it is unclear whether other respondents were aware of the perceived divergence when providing their comment letters and whether more respondents would have raised the issue had they been aware of the clarification. However, as the significance of the possible divergence between the IAASB proposals and the IESBA PIE revisions had already been established, the PIE Task Force responded to the feedback from all respondents to Questions 1 and 2 in the Explanatory Memorandum, undertook further coordination with IESBA, and provided two options to the Board for deliberation.

PIOB Observer Remarks

40. Mr. Sullivan emphasized the need for clear indication on how the public interest objectives are being met by the project given the decision made by the Board to adopt "Option 1". Mr. Sullivan also expressed an interest for the project to remain on the IAASB's agenda going forward, to ensure that the Board retains the opportunity to discuss the appropriate time for the IAASB to adopt the definition of PIE into the ISQMs and ISAs.

Next Steps

41. In December 2024, the PIE Task Force will present to the Board for approval a full draft of the proposed narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised). In addition, the PIE Task Force will present the responses to the remaining questions included in the Explanatory Memorandum that have not been previously discussed with the Board.

Fraud (Agenda Item 8)

Decisions

42. The Board agreed with the Fraud Task Force's (Fraud TF):
 - Summary of respondents' feedback for certain questions of the Exposure Draft: [Proposed International Standard on Auditing 240 \(Revised\), The Auditor's Responsibilities Relating to](#)

[Fraud in an Audit of Financial Statements and Proposed Conforming and Consequential Amendments to Other ISAs](#) (ED-240) presented in [Agenda Item 8](#), including noting that there are no other significant issues raised by respondents, in addition to those summarized, that should also be discussed.

43. The Board supported the Fraud TF's proposals to
- Introduce a requirement for auditors to obtain an understanding of an entity's whistleblower program, when it exists, due to the effectiveness of whistleblower programs at detecting fraud.
 - Introduce a threshold in the fraud or suspected fraud requirements (i.e., paragraphs 55-59) that allows auditors to exclude instances of fraud or suspected fraud determined to be 'clearly inconsequential' based on the understanding obtained by applying paragraph 55.
 - Develop application material on how the auditor can leverage the understanding of the whistleblower program to determine whether allegations of fraud (i.e., which are treated as suspected fraud in ED-240) are clearly inconsequential.
 - Retain the requirements in ED-240 associated with key audit matters (KAMs) related to fraud instead of dealing with those requirements exclusively in ISA 701¹⁴.
 - Remove the requirement in paragraph 64 for the auditor to disclose when applicable that there are no KAMs related to fraud to communicate in the auditor's report.

Directions

Auditor's Responsibilities Relating to fraud in an Audit of Financial Statements

44. The Board provided directional input and suggestions on how the Fraud TF might add additional clarity in the application material on the auditor's responsibilities related to third-party fraud and the related work effort. The Board also provided direction on how to enhance the newly introduced application material relating to third-party fraud in paragraphs A21 and A21A.

Risk Identification and Assessment

45. The Board asked the Fraud TF to continue its efforts to clarify the requirement on the risks related to management override of controls. The Board highlighted the confusion in practice as it relates to whether significant risks of material misstatement due to fraud related to management override of controls should be assessed at the assertion level, financial statement level, or both.
46. The Board welcomed the efforts by the Fraud TF to clarify the relationship between fraud risk factors and inherent risks and control risks in paragraph A22. However, the Board noted that the confusion on the relationship of these concepts persists in practice and advised the Fraud TF to further clarify the relationship by reviewing the linkages with the concepts in ISA 315 (Revised 2019).¹⁵
47. The Board also provided directional input and suggestions for the substantial matters outlined below:

¹⁴ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹⁵ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

- Revisit the consistency of the examples of analytical procedures added in paragraph A54, including whether all the examples are actually accurately categorized as analytical procedures (i.e., and not, for example, tests of details).
- Further refine the examples in paragraph A111 to help auditors with their determination of circumstances where there are no risks of material misstatement due to fraud relating to revenue recognition.

Fraud and Suspected Fraud Requirements

48. The Board provided directional input and suggestions for the substantial matters outlined below to be considered by the Fraud TF.

- Consider adding application material relating to the requirement in paragraph 55 for the auditor to leverage their understanding of the entity's process of determining which allegations of fraud are without merit to assist the auditor in determining which allegations of fraud are clearly inconsequential.
- Consider whether there is a need to add to the requirement in paragraph 55 for the auditor to formally determine which instances of fraud are clearly inconsequential. Some Board members felt that the requirement is implied and not therefore necessary.
- Consider whether there is a need to provide application material relating to paragraph 56 in the context of group audits to help auditors understand the work effort associated with allegations of fraud identified across group components.
- Consider whether there is a need to restore paragraph 67, which was split into two separate requirements, because the caveat that such communications are required unless the prohibited by law or regulation applies to both.
- Consider how to better align paragraph A185 with the revised paragraph 67.

Transparency on Fraud-Related Responsibilities and Procedures in the Auditor's Report

49. The Board provided suggestions for how the Fraud TF might provide further explanations in the Basis for Conclusions relating to how KAMs related to fraud are communicated in the auditor's report, including:

- How the requirement in paragraph 63 relating to the subheading helps to signpost that the KAM is related to fraud but that it doesn't mean that fraud has occurred. The auditor can be clear in the subheading used for the specific KAM on whether it related to fraud or suspected, or a risk of fraud. Also, the subheading contemplated by paragraph 63 only applies when a specific KAM is related to fraud or suspected fraud, or a risk of fraud.
- How ISA 701 and the related requirements in ED-240 can be applied voluntarily for entities other than listed entities.

Other Substantial Matters

PIOB Observer Remarks

50. Mr. Sullivan noted his appreciation for the IAASB's discussion on fraud and the efforts by the Board to enhance the performance requirements of this standard. While directionally supportive of the proposals made by the Fraud TF, he encouraged the Fraud TF to consider the following matters:
- Whether the added text in paragraph A12 may undermine the auditor's responsibilities relating to fraud in an audit of financial statements, particularly relating to judgmental areas of the audit like accounting estimates.
 - Adding an exchange of ideas about potential management bias involved in making accounting estimates as part of the engagement team discussions under paragraph 29(a) and additional application material to remind the auditor to conduct a robust discussion about fraud.
 - Whether the term "clearly inconsequential" in paragraphs 56 and 67 should be defined in the fraud standard.
 - Whether to extend the auditor's understanding of entity's process of investigation to include the results of the investigation process.
 - Whether requirement in paragraph 67A should specifically call out the need for the auditor to communicate with those charged with governance fraud or suspected fraud involving management.

Next Steps

51. In December 2024, the Fraud TF will present to the Board an analysis of respondents' feedback for the remaining questions to ED-240, along with the Fraud TF proposals to address the key themes from those responses. In addition, the Board will be presented with a first full draft of the revised fraud standard. The Fraud TF will continue to coordinate with IESBA and other IAASB Task Forces and Consultation Groups, and to undertake outreach, as appropriate.

Auditor's Report – Effect of Going Concern and Fraud Proposals (Agenda Item 9)

Decisions

52. The Board agreed that the illustrative auditor's report presented in [Agenda Item 9](#) appropriately reflects the proposed revisions for enhancing transparency in the auditor's report to intended users of financial statements contemplated under its projects on going concern and fraud. The Board also agreed that the changes proposed are coherent and understandable.

Directions

53. The Board commented that the references to the 'IFRS Accounting Standards' in the illustration should be updated. In addition, in discussing how the communication value of the auditor's report can be further enhanced, the Board suggested to consider engaging with communication specialists.

Other Substantial Matters

PIOB Observer Remarks

- (a) Mr. Sullivan noted his support for the enhanced transparency in the auditor's report to intended users of financial statements about going concern and fraud and commented that the PIOB has not identified any public interest issues related to the coherence or understandability of the proposed revisions that should be further considered. He emphasized that the auditor's report is the primary means to communicate with users of the financial statements and by enhancing transparency about going concern and fraud it now provides more useful information related to these matters.

Next Steps

54. The IAASB's projects on going concern and fraud will continue progressing proposals that include changes to the auditor's report to enhance transparency about going concern and fraud to users of the financial statements.