Minutes of the 137th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on March 20–23, 2023 in New York, United States of America

Voting Members

Present: 2

Tom Seidenstein (Chair)  Helene Agélii (Mr. Hagen)
Josephine Jackson (Vice Chair)  Sara Ashton (Ms. Almond)
Sue Almond  Viviene Bauer (Mr. Monroy)
Chun Wee Chiew  Wolf Böhm (Prof. Marten)
Julie Corden  Fabien Cerutti (Ms. Tracq-Sengeissen)
William Edge  Antonis Diolas (Mr. Chiew)
Kai Morten Hagen  Johanna Field (Mr. Turner)
Sachiko Kai  Diane Hardesty (Ms. Larsen)
Edo Kienhuis  Rene Herman (Mr. Edge)
Diane Larsen  Susan Jones (Mr. Morris)
Prof. Warren Maroun  Yvette Lange (Prof. Maroun)
Prof. Kai-Uwe Marten  Thokozani Nkosi (Ms. Jackson)
Neil Morris  Tania Sergott (Ms. Corden)
Fernando Ruiz Monroy  Jamie Shannon (Mr. Kienhuis)
Greg Schollum  Sylvia Van Dyk (Mr. Schollum)
Wendy Stevens  Brian Wilson (Ms. Stevens)
Isabelle Tracq-Sengeissen  Kazuko Yoshimura (Ms. Kai)
Eric Turner

Non-Voting Observers

Present: 2

Jim Dalkin (IAASB Consultative Advisory Group (CAG) Chair), Koichiro Kuramochi (Japanese Financial Services Agency), Rogier Wezenbeek (European Commission) (March 20 and 21), Andrew Mintzer (IESBA Member) (March 23).

Public Interest Oversight Board (PIOB) Observer

Present:  

Ms. Janine van Diggelen

---

1 The December 2022 IAASB meeting was held in-person in New York USA, with videoconference dial-in available.

2 Participants were present in person, except for those marked with “V”, who joined via videoconference using Zoom. Rogier Wezenbeek attended certain parts of the Sustainability Assurance discussion (Agenda Item 4), and Andrew Mintzer attended the Listed Entity and PIE – Track 1 discussion (Agenda Item 7).

3 International Ethics Standards Board of Accountants.
IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards) (March 20-22), Willie Botha (Program and Technical Director), Sally Ann Bailey, Ida Diu, Jan Thijs Drupsteen, Amy Fairchild, Claire Grayston, Armand Kotze, Fadi Mansour, Kalina Shukarova Savovska, Hanken Jane Talatala, Jasper van den Hout (March 21-23), Adriana Chircusi (Staff Fellow), Danielle Davies (Staff Fellow), Dan Montgomery (Senior Advisor – Technical Projects).

Welcome and Introduction

- The IAASB Chair welcomed members, technical advisors and official observers, and public observers via YouTube, to the March 2023 IAASB meeting. He also acknowledged the new Board members, Mr. Schollum and Mr. Morris, attending their first in-person IAASB meeting.
- The IAASB Chair also welcomed representatives from the US Securities Exchange Commission and the European Commission that will be observing the meeting or parts of the meeting.
- The IAASB Chair updated the Board on the outreach performed since the December 2022 meeting, highlighting the extent of the IAASB’s interactions with its key stakeholders across various projects.

Meeting Topics

- Approval of Minutes (Agenda Item 1)
- Going Concern (Agenda Item 2)
- Disruptive Technology (Agenda Item 3)
- Sustainability Assurance (Agenda Item 4)
- Sustainability Reporting Update (Agenda Item 5)
- ISA for LCE (Agenda Item 6)
- Listed Entity and Public Interest Entity (PIE) (Agenda Item 7)

Approval of Minutes (Agenda Item 1)

Decision

1. The Board will approve the minutes of the December 2022 IAASB quarterly meeting and the February 7, 2023 mid-quarter Board call at the April 19, 2023 mid-quarter Board call.

Going Concern (Agenda Item 2)

Decisions

Approval of the Exposure Draft for Proposed ISA 570 (Revised 202X), Going Concern

2. After presenting an updated version of the Exposure Draft (ED) for Proposed International Standard on Auditing (ISA) 570 (Revised 202X), Going Concern (ED-570) and the conforming and consequential amendments to other ISAs, the Board approved ED-570 for public exposure with 17 affirmative votes out of 18 Board members in attendance. One member abstained from voting.

3. The revisions made in finalizing ED-570, which addressed Board members’ comments, indicated in markup, are collectively highlighted in:

   - **Agenda Item 2-C.2**: Proposed ISA 570 (Revised 202X) – Final Approved Version; and
4. The Board agreed with the proposed consultation period of 120 days.

5. The Board supported the proposed content of the Explanatory Memorandum accompanying ED-570 as presented in Agenda Item 2. Once prepared, the Explanatory Memorandum will be circulated electronically to the Board for a final ‘fatal flaw’ review before ED-570 is issued.

**Directions**

**Updates to ED-570**

6. The following are the substantive comments received and addressed in finalizing ED-570:

   **Scope**
   - Clarifications were made to explain that for audits of financial statements of listed entities, the auditor is also required to disclose, in the Going Concern section of the auditor’s report, how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern if events and conditions have been identified.

   **Requirements**
   - To improve the flow of the paragraphs in ED-570, the requirement to request management to make its assessment when such an assessment has not yet been performed was moved as the first paragraph in the section “Evaluating Management’s Assessment.”
   - In response to comments that the connection with ISA 560 was not clear, the requirements for when information becomes available after management made its assessment were revised to refer to additional information that has become available after the date of the auditor’s report, and before the financial statements were issued. Alignment changes were also made to the related application material.
   - The stand-back requirement for the auditor to determine the implications to the auditor’s opinion in accordance with ISA 705 (Revised) when sufficient appropriate audit evidence has not been obtained was removed. Instead, application material was added to recognize that when the auditor is unable to obtain sufficient appropriate audit evidence regarding the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements, the auditor is required to consider the implications for the audit in accordance with ISA 705 (Revised).

   **Application Material**
   - The non-exhaustive examples of identified events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and the scalability examples for evaluating management’s assessment were enhanced to provide relevant guidance in light of recent events and uncertainties in the banking sector.

---

4 ISA 560, Subsequent Events
5 ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor’s Report
- Certain paragraphs related to the significant judgments made by management were reordered to improve the logical sequencing of the application material.

- New application material was added to:
  - Emphasize that, when events or conditions are identified that may cast significant doubt on the entity’s ability to continue as a going concern, the auditor’s conclusion as to whether a material uncertainty exists is dependent on the auditor’s evaluation of management’s plans for future actions.
  - Include factors that may be relevant when considering the amount of detail to be provided in the auditor’s report when describing how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern.

Conforming and Consequential Amendments to Other ISAs

- In response to suggestions that the going concern basis of accounting may not be relevant in the preparation of a statement of cash and disbursements or an element, account or item of a financial statement (such as an accounts receivable schedule), illustrative auditor’s reports 2 and 3 of ISA 805 (Revised) were amended accordingly.

Other Substantial Matters

Due Process Considerations

7. The IAASB Technical Director confirmed that the significant matters identified by the Going Concern Task Force as a result of its discussions since the beginning of the project have been presented in the issues papers presented to the IAASB for deliberation, and that there are no significant matters that have not been brought to the attention of the Board. In addition, he noted that in the Going Concern Task Force’s view no further consultation (such as roundtables or further consultation with particular stakeholder groups) or field testing is needed at this stage of the project.

Reasons for Abstaining

8. Prof. Marten thanked the Board and the Going Concern Task Force, noting that ED-570 represents a significant improvement to extant. He explained that he abstained from voting because of the following two concerns:

- The proposed change in the commencement date of the period of management’s assessment to at least twelve months from the date of approval of the financial statements which is used as the basis for the auditor’s evaluation goes beyond the requirements of many financial reporting frameworks and may be perceived as the IAASB inappropriately extending beyond its standard setting remit.

- Requiring auditors to make explicit statements in the auditor’s report implies that auditors have a greater responsibility than management in relation to the:
  - Use of the going concern basis of accounting in the preparation of the financial statements; and
Draft March 2023 Meeting Minutes (Public Session)
IAASB Main Agenda (June 2023)

Agenda Item 1

o Identification of a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

In addition, such statements “turn” implicit management assertions into explicit assertions, because they do not distinguish between those circumstances when management has made its own statements in the financial statements about going concern (or other official documents) and when management has not done so.

IAASB CAG Chair Remarks

9. Mr. Dalkin thanked the Board, noting the ongoing interest and support from CAG Representatives in the project, as well as the substantive CAG discussions to date on the topic of going concern. He also noted his support for exposing ED-570 for public comment.

PIOB Observers Remarks

10. Ms. van Diggelen congratulated the Board on the approval of ED-570, noting the importance of the project from the public interest perspective and the expectation that it would contribute to bridging the expectation gap. She highlighted that ED-570 provided strengthened requirements for the performance of more robust procedures by the auditor when evaluating management’s assessment of going concern, particularly by addressing issues previously raised by the PIOB (i.e., by requiring the auditor to determine whether there are going concern risks that management had not previously identified or disclosed and the auditor’s follow-up procedures in those circumstances).

11. Ms. van Diggelen noted that the proposal to include explicit statements in the auditor’s report about the appropriateness of the use of the going concern basis of accounting and whether a material uncertainty exists enhances transparency to users about the auditor’s work and responsibility related to going concern. She also noted the PIOB’s interest in the anticipated feedback from respondents, solicited through the ED-570 consultation, regarding the caution included in the application material against providing original information in the auditor’s report and whether this may limit the usefulness of the disclosures provided with respect to going concern.

12. Ms. van Diggelen encouraged the IAASB to undertake a root-cause analysis of the recent going concern issues in the banking sector when more information becomes available and in doing so validate whether ED-570 would address the underlining root-causes when compared to the extant standard. She noted that given these recent developments in the banking sector, it may also be relevant and timely to engage again in further discussions on going concern matters with the International Accounting Standards Board.

13. Ms. van Diggelen welcomed the use of the qualitative standard-setting characteristics of the Public Interest Framework (PIF)\(^7\) in developing ED-570. In addition, she emphasized the PIOB’s interest to further engage with the standard-setting boards on how to apply the criteria in the PIF when assessing a standard’s responsiveness to the public interest.

14. Ms. van Diggelen noted that the PIOB is looking forward to further discussion by the IAASB as to whether the additional disclosures in the auditor’s report specific to an audit of financial statements of a listed entity in ED-570 should also apply to PIEs as part of IAASB’s Listed Entity and PIE project. She also welcomed the public exposure of ED-570 and indicated that it should solicit comments from a broad range of stakeholders.

\(^7\) See the Monitoring Group report *Strengthening the International Audit and Ethics Standard-Setting System.*
Next Steps

15. ED-570 will be exposed for public comment in early May 2023, with a 120-day consultation period.

Disruptive Technology (Agenda Item 3)

Other Substantial Matters

16. The Board received an update on the Disruptive Technologies initiative and the Forum of Firms technology adoption polling results that were presented in Agenda Item 3–A. The Board was broadly supportive of the work that had been undertaken, including the updates presented.

17. Suggestions were provided for certain specific matters to be further considered by IAASB Staff, including collating themes and outcomes from the thought experiments, exploring the use of technology by small and medium practitioners (SMPs), further research on the impact of technology on sustainability reporting and improving the visibility of the work that has been done on technology (including accessibility of available resources such as non-authoritative guidance and market scans). The Board also provided views as to how technology could be incorporated as part of current and future standard setting projects, including revisions to ISA 500, Audit Evidence and the development of a new standard for sustainability assurance.

18. With regard to the results of outreach presented, the Board suggested a follow-up question to the Forum of Firms representatives (and others in terms of future outreach) to find out how they measure the quality benefits of the use of technology.

IAASB CAG Chair Remarks

19. Mr. Dalkin recognized that there was a good discussion during the technology session at the CAG meeting, including regarding the potential for significant change as a result of new technologies such as artificial intelligence.

PIOB Observer Remarks

20. Ms. van Diggelen suggested comparing the findings related to audit quality benefits of technology from the Forum of Firms polling to regulatory inspection findings to consider if there were any similarities. She also noted that regulators have concerns about audit quality when firms are developing and using tools, including potential overreliance on the tools and on general information technology controls at their audit clients, and encouraged the IAASB to consider and discuss these concerns with regulators.

21. Ms. van Diggelen also questioned whether the Digital Advisory Group members were still the same. Mr. Seidenstein confirmed that they were but that the group composition would be reviewed and was expected to be fluid.

Next Steps

22. IAASB Staff will collate and consider the feedback received, which will be used to prioritize future activities and be incorporated as appropriate in future Board materials as the work on the disruptive technology initiative continues.
Proposed ISSA 5000

23. The Board noted their overall support for the draft of proposed ISSA 5000 presented in Agenda Item 4-B and Agenda Item 4-C, comprising the objectives, definitions, requirements and application material, respectively. The Board provided specific drafting comments and direction on certain matters, as further explained in the “Directions” section below.

24. The Board agreed to move the requirements in Part 5 paragraph 4A and its related application material to Part 3 – Acceptance and Continuance of the Assurance Engagement.

25. The Board agreed to use a bifurcated structure for materiality in Part 5 by:
   - Using the term “determine” with respect to materiality and performance materiality for quantitative sustainability information.
   - Using the term “consider” with respect to materiality for qualitative sustainability information and adding requirements for documentation of that consideration.

26. The Board agreed to not include the concept of Key Audit Matters (“Key Sustainability Assurance Matters” or similar) in proposed ISSA 5000. However, the Board agreed to include a discussion and related question on this matter in the Explanatory Memorandum accompanying the ED.

Directions

Objectives

27. The Board suggested that the Sustainability Assurance Task Force (SATF) consider replacing “as appropriate” with “as applicable” in paragraph 1(a) of the Objectives with respect to obtaining limited or reasonable assurance about whether the sustainability information is free from material misstatement.

Definitions

28. The Board provided the following suggestions regarding the definitions in proposed ISSA 5000:
   - Adding definitions for the following terms:
     - Fair presentation framework and compliance framework.
     - Engagement Quality Reviewer.
     - Substantive procedures.
   - Providing a description of “sustainability information” to clarify what it encompasses and clarifying that the information within the scope of the engagement may not be the entirety of the sustainability information expected to be reported. In addition, continue collaborating with the IESBA to align the definitions and descriptions of sustainability information.
   - Clarifying the definitions of “other information” and “performance materiality.”
• Replacing the term “disclosures” with “sustainability disclosure(s)” in the Definitions paragraph 1(g) and providing additional guidance regarding topics and aspects of topics.

Part 1: Conduct of an Assurance Engagement in Accordance with this ISSA

29. The Board asked the SATF to consider whether paragraph 1 could be deleted as it seems redundant with paragraph 2.

Part 2: Fundamental Concepts, General Principles and Overarching Requirements

30. The Board provided the suggestions below for the SATF to consider in revising the draft of proposed ISSA 5000:
   • Providing further guidance on the term “at least as demanding” in connection with the “Relevant Ethical Requirements” and “System of Quality Management” and providing sufficient application material regarding how the practitioner assesses that.
   • Providing further guidance on obtaining sufficient appropriate evidence when the entity is using service organizations to collect sustainability information.
   • Considering the placement of the respective responsibilities of the practitioner and engagement leader.
   • Reviewing the consistency in the use of “assurance skills and techniques” between the definitions and Part 2 paragraph 10.
   • Providing more guidance on paragraph 28(c) about whether the other practitioner applies a system of quality management” and consider replacing the term “determine” with “evaluate.”
   • Including additional guidance on consolidated sustainability information and elimination of sustainability information representing activities or events between the entities of the group.
   • Adding requirements on consultations and differences of opinion.
   • Clarifying paragraph 28 regarding what the practitioner needs to do to use work already performed by another practitioner and whether the concept of “direction, supervision and review” has been appropriately addressed.
   • Considering deleting Part 2 paragraph 20 on using the resources assigned or made available.

31. The Board supported the diagram presented as Appendix 3 to Agenda Item 4 regarding “individuals involved in the engagement,” but suggested that the thought process behind the diagram could be more fully explained in the application material to Part 2 and further suggested that it be included in implementation guidance.

Part 3: Acceptance and Continuance of the Assurance Engagement

32. The Board asked the SATF to consider simplifying the structure of the requirements with respect to the evaluation of appropriateness of the scope of the sustainability information expected to be reported and the scope of the assurance engagement.

33. The Board also requested the SATF to clarify further how the exclusion of information will result in better comparability of sustainability information between different reporting periods as described in Part 3, paragraph A36(f)(iii).
34. The Board suggested considering inclusion of specific documentation requirements for acceptance and continuance in Part 3.

**Part 4: Evidence and Documentation**

35. The Board suggested that the SATF:

- Consider whether general documentation requirements would be better addressed in Part 2 – Fundamental Concepts, General Principles and Overarching Requirements.
- Clarify further the difference in the requirements for “sufficient appropriate evidence” between limited assurance and reasonable assurance engagements, noting that the principles for obtaining and evaluating evidence apply equally for limited and reasonable assurance engagements.
- Consider a reference to authority bias in Part 4 paragraph A3, given the expected extent of use of experts in sustainability assurance engagements.

**Part 5: Planning**

36. The Board requested that the SATF consider providing further guidance on the double materiality concept and highlighted that multiple materialities may be needed for different subject matters or disclosures.

37. The Board requested a definition of materiality. However, it was explained that there is no definition of materiality currently in the IAASB standards as the assurance practitioner’s primary reference is materiality as described in the reporting framework.

38. The Board suggested that consideration be given to whether the application material on materiality is sufficient or if further explanation would aid practitioners’ understanding of how to apply the requirements when planning and performing the assurance engagement, including when obtaining and evaluating evidence and evaluating identified misstatements.

39. The Board suggested that specific documentation requirements may be useful in Part 5.

**Part 6: Risks of Material Misstatement**

40. The Board requested that the SATF:

- Consider opportunities for further differentiation of the work effort between limited and reasonable assurance. Check that proper signposting has been done (i.e., use of “L” for limited assurance and “R” for reasonable assurance), particularly in the application material.
- Further clarify the conditional requirement in paragraphs 12L and 12AL, and related application material, regarding testing the operating effectiveness of controls in a limited assurance engagement.
- Consider whether the reference to “risks of material misstatement” is appropriate in paragraph 12L and whether there are other instances of such references for limited assurance in the draft standard.
- Consider whether there should be a requirement, similar to paragraph 13R, for limited assurance for the practitioner to understand the monitoring process if electing to test the operating effectiveness of controls.
• Clarify the requirement in paragraph 14L for when one or more control deficiencies are identified in a limited assurance engagement and the practitioner’s response (including the differentiation from a reasonable assurance engagement in paragraph 14R).

**Part 7: Responding to Risks of Material Misstatement**

41. The Board suggested that the SATF:

• Clarify the following aspects of substantive procedures:
  
  o Calculating sample size.
  
  o Obtaining evidence on forward-looking information.

• Consider different wording to “reliance on controls” in paragraph 3 for both limited and reasonable assurance.

• Provide better linkage between paragraph 1R regarding the design and perform procedures in response to assessed risks, and the requirement in paragraph 9R to perform further procedures for risks assessed at the “upper end of the spectrum.”

• Provide further guidance on the overall responses in the context of evaluating the system of internal control in Part 7 paragraph 12R, and whether the overall responses relate only to the evaluation of the control environment or more broadly to the practitioner’s understanding of the components of internal control.

• Consider whether there is a clear differentiation regarding substantive procedures for limited and reasonable assurance, as paragraphs 9R and 10R only address reasonable assurance.

• Better align the requirements on estimates in Part 7 paragraphs 19L, 19R and 20R, with the concepts in ISA 540 (Revised).³

• Provide more guidance about what the practitioner needs to do with respect to forward-looking information.

**Part 8: Concluding**

42. The Board suggested further elaboration on the concept of “other information” by including practical examples and providing guidance on topics such as the timeliness of obtaining the other information, access to evidence, if needed, relating to other information, and connectivity between the assurance practitioner and the auditor of the financial statements.

43. The Board requested the SATF to consider the consistency between paragraph 10 of the requirements and paragraph A31R of the application material regarding subsequent events.

44. The Board suggested that paragraph 9 on evaluating the description of applicable criteria, may be better placed in Part 7 – Responding to Risks of Material Misstatements.

**Part 9: Reporting**

45. The Board suggested that the SATF clarify the responsibilities of the practitioner if comparative information is included in the sustainability information.

---

₃ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*
Other Substantial Matters

IAASB CAG Chair Remarks

46. Mr. Dalkin thanked the SATF Chair and members for the efforts in developing ISSA 5000 and the progress made to date. Mr. Dalkin highlighted that several CAG Representatives noted some matters that the SATF should take into consideration before the ED is released, mainly:

- Support for continuing to focus on differentiating the work effort between limited assurance and reasonable assurance, particularly as certain jurisdictions will initially require limited assurance engagements and gradually move toward reasonable assurance engagements.
- Important to consider “greenwashing.”
- Support for profession-agnostic standards.

47. Mr. Dalkin shared with the IAASB and the SATF his experience with “performance audits,” which are often based on qualitative measures and highlighted the challenges in determining materiality for such engagements. He noted that, for such engagements, the practitioner will need to have an open consideration of relevant factors rather than a calculation of a materiality amount.

48. Mr. Dalkin stressed the importance of simplifying the wording in ISSA 5000 because the standard is designed to be practitioner agnostic and will be used by practitioners who are not professional accountants that may not be familiar with the contents of the other IAASB standards.

PIOB Observer Remarks

49. Ms. van Diggelen thanked the SATF Chair and members for the efforts in developing ISSA 5000 and the progress made to date and asked the SATF to consider all comments raised by IAASB Board members to enhance the draft of ISSA 5000.

50. Ms. van Diggelen asked the SATF to consider further clarifying terms adopted from ISAE 3000 (Revised) since non-professional accountant practitioners might not be familiar with the terminology.

51. Ms. van Diggelen noted that from the regulators’ perspective, the use of “determine materiality” is preferred over “consider materiality”.

52. Ms. van Diggelen noted that the inclusion of the equivalent of “Key Audit Matters” (KAM) in the assurance report would be helpful, especially in the initial implementation period, as it would provide the practitioner the opportunity to highlight important areas addressed when performing a sustainability assurance engagement. She noted her support for this approach rather than not including KAM in the ED and providing an explanation in the Explanatory Memorandum accompanying the ED.

53. In her final remarks, Ms. van Diggelen noted the importance of addressing in the Explanatory Memorandum how the qualitative standard-setting characteristics in the PIF had informed the development of the proposals reflected in the ED of proposed ISSA 5000. Ms. van Diggelen highlighted that the PIOB is looking forward to the inclusion in the ED, of requirements that address the concepts of double materiality, group sustainability information, interconnectivity between the assurance practitioner and the auditor of the financial statements, and other information, in order to

---

10 International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information
ensure that the ED is aligned with stakeholder expectations. She asked the SATF to ensure that the ethical and quality management requirements are balanced in order not to constitute a barrier to adoption by practitioners from the non-accounting profession. Ms. van Diggelen requested the SATF to consider adding requirements or application material or non-authoritative guidance to address the first-time adoption and implementation of the sustainability assurance standard.

Next Steps

54. The SATF Chair placed on public record an overview of a discussion by the Board in executive session that focused on relevant considerations for the timeline to develop ISSA 5000, including arguments for advancing the exposure period to better enable the IAASB to meet widely held expectations of delivery of a final standard by the end of 2024. The SATF Chair specifically highlighted the Board’s consideration of the importance for, the major risks to, and mitigating actions regarding ongoing coordination with IESBA in relation to its project to develop ethics requirements, including independence standards, for sustainability reporting and assurance. It was noted that there was unanimous support from the Board to accelerate the Sustainability Assurance project, subject to discussions with the PIOB expected in early April 2023, in order to present an ED of proposed ISSA 5000 to the Board for approval in June 2023. The Board further agreed to allow a 120-day comment period, commencing late July 2023/ early August 2023. The IAASB Chair noted that this may enable finalization of the standard and approval in September 2024, but is subject to the nature and extent of comments received on exposure.

55. The SATF will present the draft Introduction section of the standard and draft illustrative assurance reports to the Board for discussion at the April 2023 mid-quarter Board call. This will allow for a second read of the entire standard in June 2023 to facilitate the accelerated project timeline and anticipated approval in June 2023. The SATF also intends to develop further sustainability-focused examples within the standard and to undertake a Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines review prior to the June 2023 meeting.

56. The SATF will continue key stakeholder outreach and liaison with the IESBA to align the outcomes of its related sustainability projects.

Sustainability Reporting Update (Agenda Item 5)

Other Substantial Matters

57. The Board received three presentations from sustainability reporting standard-setters and an update from the International Federation of Accountants (IFAC) on their State of Play in Sustainability Assurance initiative, as follows:

- Ms. Lloyd, Vice-Chair of the International Sustainability Standards Board (ISSB), provided an update on the ISSB’s development of standards S1 \(^{11}\) and S2 \(^{12}\) and the ISSB’s future plans.
- Mr. Buck, Chief of Standards at the Global Reporting Initiative (GRI), provided an update on GRI standard-setting activities and interconnections with other sustainability reporting standard setters.

---

\(^{11}\) Exposure Draft IFRS\textsuperscript{®} Sustainability Disclosure Standard [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

\(^{12}\) Exposure Draft IFRS\textsuperscript{®} Sustainability Disclosure Standard [Draft] IFRS S2 Climate-related Disclosures
- Mr. de Cambourg, Chair of the European Financial Reporting Advisory Group (EFRAG) Sustainability Reporting Board, provided an update on European Sustainability Reporting Standards (ESRS) and the Corporate Sustainability Reporting Directive (CSRD).
- Mr. Madon, Director Sustainability, Policy & Regulatory Affairs, IFAC, provided an update on the State of Play in Sustainability Assurance Reports.

**IAASB CAG Chair Remarks**

58. Mr. Dalkin noted that the results of the benchmarking undertaken by IFAC highlight that the consulting firms are delivering more reasonable assurance engagements than audit firms and commented that further insights on this matter would be useful.

**PIOB Observer Remarks**

59. Ms. van Diggelen noted that the ISSB’s draft standards allow for certain reliefs and requested clarifications from Ms. Lloyd on whether the final standards will include conditions or requirements for those companies that would opt for the relief. She also highlighted that some audit firms are acquiring consulting firms that provide sustainability assurance services and asked Mr. Madon whether the benchmarking initiative undertaken by IFAC has taken these acquisitions into consideration when determining the percentage of work done by auditors versus other consulting firms.

**Next Steps**

60. The SATF will continue to liaise with key sustainability standard-setters in developing proposed ISSA 5000.

**Audits of Less Complex Entities (LCE) (Agenda Item 6)**

**Decisions**

**Proposed Revisions to the ISA for LCE**

61. On balance, the Board supported the changes made to Parts 2–6,13 and the changes to the requirements and Essential Explanatory Material (EEM) relating to accounting estimates in Part 714 of the proposed ISA for Audits of Financial Statements of Less Complex Entities (ISA for LCE).

62. The Board decided to add back the requirement in Part 4 to record in an engagement letter, or other suitable form of written agreement, that the audit will be undertaken using the ISA for LCE. The Board was of the view that it is important to be transparent to management which auditing standards are

---

13 These include Part 2, Audit Evidence and Documentation, Part 3, Engagement Quality Management, Part 4, Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements, Part 5, Planning Activities and Part 6, Risk Identification and Assessment.

14 Part 7, Responding to the Assessed Risks of Material Misstatement
used and that this is aligned with what is disclosed in the auditor’s report.

ISA 800-Series

63. The Board supported the LCE Task Force’s proposal not to develop a separate part containing requirements for the ISA 800-series at this time.

Directions

Part 2 – Audit Evidence and Documentation

64. The Board suggested that the LCE Task Force revisits ISA 200\(^{16}\) and ISA 230\(^{17}\) in order to identify if any further content may be added to provide auditors necessary context to the requirements and EEM. The Board also suggested reviewing the ISAs for any content that may be added to guide auditors on what may not be required to be documented.

Part 3 – Engagement Quality Management

65. The Board supported the introduction of separate sections for requirements relevant to when there is more than one member in the engagement team and suggested to use separate sections for when there is more than one member in the engagement team throughout the proposed ISA for LCE.

66. The Board suggested to add back some of the EEM that was removed as it provides useful information for the auditor of an LCE.

Part 5 – Planning Activities

67. The Board suggested enhancing the EEM that relates to the benchmark used to determine materiality for the financial statements as a whole, including as it relates to examples of benchmarks that may be appropriate and the percentage used. In that regard, the Board suggested to consider and align with the application material included in ISA 320\(^{18}\).

68. The Board asked the LCE Task Force to ensure that the specific documentation requirement previously included in paragraph 5.5.2., is addressed through the relevant requirements in other parts.

Part 6 – Risk Identification and Assessment

69. The Board noted that the requirement in paragraph 6.3.A. (f), on inquiries related to going concern, should always be applicable and asked the LCE Task Force to clarify or remove the wording “where applicable”.

---

\(^{15}\) The ISA 800-series includes: ISA 800 (Revised), Special Considerations – Audits of Financial Statements prepared in accordance with Special Purpose Frameworks; ISA 805 (Revised), and ISA 810 (Revised), Engagements to Report on Summary Financial Statements.

\(^{16}\) ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing

\(^{17}\) ISA 230, Audit Documentation

\(^{18}\) ISA 320, Materiality in Planning and Performing an Audit
70. The Board asked the LCE Task Force to reconsider the removal of paragraph 6.3.12B. (d) and (e) and further clarify the requirements when the entity uses the services of a service organization.

71. The Board provided suggestions on the wording of other individual paragraphs and EEM in Part 6 for the LCE Task Force to consider when drafting further revisions.

Accounting Estimates

72. The Board questioned why paragraph 7.4.16 was deleted as this paragraph serves as a reminder that the auditor is required to design and perform further audit procedures related to accounting estimates to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement. It was also noted that paragraph 7.4.18A may cause confusion when considered in the context of the approach options for further audit procedures in paragraph 7.4.18.

Other Substantial Matters

IAASB CAG Chair Remarks

73. Mr. Dalkin expressed support for the directional and other input provided by the IAASB, noting this aligns with CAG Representatives feedback. With respect to the requirement to record in an engagement letter that the audit will be undertaken using the ISA for LCE, Mr. Dalkin noted that CAG Representatives also were of the view that this requirement should be added back for the reasons noted.

PIOB Observers Remarks

74. Ms. van Diggelen commended the Board on the discussions held. She highlighted the importance of conveying the message that an LCE audit is of equal quality and level of assurance and that the standard is not diluting the value of the ISAs and audits in general. In addition, Ms. van Diggelen noted that the PIOB supports the ISA for LCE for the potential it has in addressing or preventing jurisdictional fragmentation.

75. With respect to the benchmark used to determine materiality for the financial statements as a whole, Ms. van Diggelen noted that it is important to take into account users’ perspective when determining what the benchmark should be. She suggested not to include a specific percentage, as the percentage used depends on the facts and circumstances of the entity being audited. In addition, Ms. van Diggelen supported the Board’s decision to add back the requirement to record in an engagement letter that the audit will be undertaken using the ISA for LCE as it enhances transparency.

Next Steps

76. The LCE Task Force will continue the drafting of updates in the remaining areas of the proposed ISA for LCE and plans to bring a full draft of the proposed standard, excluding Part 10,19 to the Board in June 2023. In June 2023, the LCE Task Force will also present to the Board for discussion, the responses to further of the outstanding questions included in the Explanatory Memorandum.

---

19 Part 10, Group Audits
Listed Entity and PIE (Agenda Item 7)

Decisions

77. The Board agreed with the PIE Task Force’s summary of respondents’ feedback to the ED: Proposed Narrow Scope Amendments to ISA 700 (Revised)\(^{20}\) and ISA 260 (Revised)\(^{21}\) as a Result of the Revisions to the IESBA Code\(^{22}\) that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for PIEs presented in Agenda Item 7, noting there are no other significant issues raised by respondents, in addition to those summarized, that should also be discussed.

78. The Board supported the PIE Task Force’s recommendations:

- That the auditor’s report is an appropriate mechanism for publicly disclosing when the auditor has applied the relevant ethical requirements for independence for certain entities specified in the relevant ethical requirements, including to operationalize the requirement in paragraph R400.20 of the IESBA Code.
- To continue to pursue a conditional approach for the revision to paragraph 28(c) of ISA 700 (Revised) that applies only when the relevant ethical requirements require public disclosure that differential independence requirements for audits of financial statements of certain entities were applied.
- To revise ISRE 2400 (Revised)\(^{23}\) as part of Track 2 of the project to address transparency about the relevant ethical requirements for independence applied for certain entities, such as for PIEs in the IESBA Code.

Directions

79. The Board provided directional input for the substantial matters outlined below to be considered by the PIE Task Force in finalizing the narrow scope amendments for Track 1 presented in Agenda Item 7-A.

- For the proposed narrow scope amendments to ISA 700 (Revised), to consider whether:
  - Paragraph 28(c) can be enhanced, given the removal of the ‘differential’ term from the requirement which previously clarified that the independence requirements apply only to certain entities.
  - The application material in paragraph A35A could be streamlined and simplified in relation to the variations of the use of the terms, “differential” or “additional.”
  - The inclusion of the application material in paragraph A35B is necessary, given that the auditor, management and those charged with governance (TCWG) would have

\(^{20}\) ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements

\(^{21}\) ISA 260 (Revised), Communication with Those Charged with Governance

\(^{22}\) The International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards)

\(^{23}\) International Standards on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements
previously discussed (and agreed) to apply the independence requirements for certain entities, such as PIEs. A suggestion was also made to consider whether it would be more appropriate to provide application material in ISA 260 (Revised) instead to mitigate against the risk that the entity is viewed as a PIE when it is not.

- To explore how the communication with TCWG can be strengthened as part of Track 1 of the project instead of deferring the amendment to Track 2.

### Other Substantial Matters

**Transparency About the Relevant Ethical Requirements for Independence for Certain Entities**

80. One Board member questioned the benefits of the proposed disclosure and whether disclosing that the independence requirements for certain entities are being followed would provide additional useful information to users from a public interest perspective.

**Consideration of Responses Supporting an Unconditional Approach**

81. Mr. Kuramochi suggested further outreach and direct communication with those stakeholders (e.g., Monitoring Group member respondents) who supported an unconditional requirement that would mandate the transparency disclosure in the auditor's report in all cases, provided that the relevant ethical requirements do not specifically prohibit such disclosure. Ms. van Diggelen inquired about how the PIE Task Force weighed up the various qualitative standard-setting characteristics of the PIF when determining whether a conditional or unconditional approach should be pursued.

82. The IAASB Chair and Technical Director acknowledged that, as part of its ongoing stakeholder engagement, further discussion is anticipated with those stakeholders who supported an unconditional approach, including discussions about the practical challenges associated with the unconditional requirement and the rationale for the proposed conditional approach. They emphasized that the qualitative standard-setting characteristics of the PIF have already been considered by the PIE Task Force when developing the initial views and recommendations in relation to stakeholder feedback. It was noted that, as the project is progressed for expected approval in June 2023, it is anticipated that the PIE Task Force will continue to weigh up the qualitative standard-setting characteristics as criteria to assess the responsiveness of the revisions to the public interest, including balancing the practical challenges related to implementability and complexity with the benefits of providing enhanced transparency and consistency.

**IAASB CAG Chair Remarks**

83. Mr. Dalkin thanked the Board, noting he had no further comments.

**PIOB Observer Remarks**

84. Ms. van Diggelen thanked the Board for the consideration of respondents' feedback, emphasizing that the proposals in the ED and particularly for the requirement to use the auditor's report as the mechanism to achieve the public disclosure required in the IESBA Code are in the public interest. She noted that an unconditional requirement could achieve greater consistency and transparency to users for the differential independence requirements applied for certain entities, particularly because the ethical requirements for PIEs vary across jurisdictions. However, Ms. van Diggelen also acknowledged that there could be practical issues with such an approach that should also be
considered. In this regard, she suggested follow-up discussions with those regulatory bodies who supported an unconditional requirement to explain those issues.

85. Ms. van Diggelen welcomed the PIE Task Force’s further consideration of including an explicit requirement in ISA 260 (Revised), paragraph 17, about communication with TCWG about the applied relevant ethical requirements regarding independence as part of Track 1 of the project and not to defer this matter to Track 2 given this would support their decision making about provision on any non-audit services. She also acknowledged the matters for IESBA’s further consideration from the feedback, i.e., to consider how the transparency requirement can be complied with by a firm if the auditor’s report is not made available to the public or has limited distribution.

**Next Steps**

86. In June 2023, the PIE Task Force intends to present to the Board for approval the final amendments for Track 1 of the narrow scope project on listed entity and PIE.

**Closing**

Mr. Seidenstein thanked the IAASB members, TAs and IAASB Staff for the efforts leading up to, and during, the March 20–24, 2023 Board meeting. He then closed the public session.

**Next Meeting**

The next meeting of the IAASB will be a videoconference on April 19, 2023. From June 20–23 and 28, 2023 the IAASB will hold its next quarterly meeting in New York. Details of the meetings will be communicated in due course.