Meeting: IAASB Consultative Advisory Group
Meeting Location: IFAC Building, New York
Meeting Date: September 12-13, 2023

Agenda Item
A.1

Approved Minutes of the Public Session of the Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
CONSULTATIVE ADVISORY GROUP (CAG)
Held on June 15, 2023 via Video Conference.

PRESENT

Representatives
Mr. Jim Dalkin Chair
Ms. Valérie Altbaum Basel Committee on Banking Supervision (Basel Committee)
Ms. Hilde Blomme Accountancy Europe (AE)
Dr. Hysen Cela European Federation of Accountants and Auditors for SMEs (EFAA)
Mr. Michael W. Fritz National Association of State Boards of Accountancy (NASBA)
Mr. Akihito Ishiwata International Organization of Securities Commissions (IOSCO)
Ms. Wei Meng World Federation of Exchanges (WFE)
Ms. Asha Mubarak Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)
Mr. Daniel Sarmiento Pavas Interamerican Accounting Association (IAAA)
Ms. Sandy Peters CFA Institute (CFA)
Ms. Jeanne Riggs IOSCO
Mr. Gregg Ruthman International Organization of Supreme Audit Institutions (INTOSAI)
Mr. Paul Sobel Institute for Internal Auditors (IIA)
Mr. Toshimitsu Suzuki Japan Securities Dealers Association (JSDA)
Mr. Paul Thompson EFAA
Ms. Tara Wolf International Actuarial Association (IAA)
Mr. Hüseyin Yurdakul IOSCO
Public Interest Oversight Board (PIOB)

Ms. Sandy Peters

IAASB

Mr. Tom Seidenstein  IAASB Chair
Ms. Josephine Jackson  IAASB Deputy Chair and Task Force Chair (presenter- Agenda item B)
Mr. Willie Botha  IAASB Program and Technical Director
Mr. Jasper van den Hout  IAASB Director
Mr. Angelo Giardina  IAASB Principal
Ms. Claire Grayston  IAASB Principal
Ms. Kalina Shukarova Savovska  IAASB Principal
Ms. Ida Diu  IAASB Senior Manager
Mr. Fadi Mansour  IAASB Senior Manager
Ms. Isabelle Raiche  IAASB Senior Manager
Ms. Hanken Talatala  IAASB Senior Manager
Mr. Armand Kotze  IAASB Manager
Ms. Michelle Harrison  IAASB Associate
Ms. Megan Leicht  IAASB Associate
Ms. Adriana Chircusi  Staff Fellow
Mr. Thokozani Nkosi  Secondee

APOLOGIES

Representatives

Ms. Annie Giraudou  Organization For Economic Cooperation and Development (OECD)
Mr. Sanders Shaffer  International Association of Insurance Supervisors (IAIS)
Mr. Mauro Bini  International Valuation Standards Council (IVSC)
Ms. Jazmin Gambo  Financial Executives International (FEI)
Ms. Natasha Landell-Mills  
International Corporate Governance Network (ICGN)

Dr. Bello Lawal Danbatta  
Islamic Financial Services Board (IFSB)

Dr. Conchita Manabat  
International Association of Financial Executives Institutes (IAFEI)

Dr. Claes Norberg  
Business Europe (BE)

Dr. Christian Orth  
AE

Mr. Henry Rees  
International Accounting Standards Board (IASB)

Mr. Juan Carlos Serrano Machorro  
World Bank

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)

IESBA CAG Chair

Mr. Gaylen Hansen
Welcome – Agenda Item A

OPENING REMARKS

Mr. Dalkin welcomed the Representatives to the meeting and the IAASB Chair, Mr. Seidenstein. Mr. Dalkin also welcomed Mr. Peters from the PIOB, IAASB Members, IAASB Staff and public observers who were observing the meeting in person or via the IAASB’s YouTube channel.

MINUTES OF THE PREVIOUS MEETING

The minutes of the previous IAASB CAG meeting held on March 7-8, 2023 were approved.

Assurance on Sustainability Reporting (Agenda Item B)

- To REPORT BACK on the March 2023 meeting
- To OBTAIN Representatives’ views on the IAASB’s draft International Standard on Sustainability Assurance™ (ISSA) 5000

PROGRESS TO DATE

Ms. Jackson introduced the topic by updating the IAASB CAG on the progress since March 2023 by the Sustainability Assurance Task Force (SATF) on the draft International Standard on Sustainability Assurance (ISSA) 5000, with a focus on the introduction, illustrative reports and definitions. Ms. Jackson also presented the outreach plan, matters to be included in the Explanatory Memorandum (EM), and the proposed implementation period.

OVERARCHING COMMENTS

All CAG representatives who commented expressed appreciation of the IAASB accomplishment and were supportive of the exposure draft of ISSA 5000, particularly timeliness, profession-agnostic approach, and overall quality of the standard, mentioning that there are no fatal flaws.

REPRESENTATIVES COMMENTS ON THE EXPOSURE DRAFT THAT WILL BE PRESENTED TO THE IAASB FOR APPROVAL AT THE JUNE 2023 MEETING

- Ms. Blomme and Mr. Thompson expressed their support for the timeline of ISSA 5000, which works for Europe as 2024 will be the first year of mandatory sustainability assurance (limited assurance engagements for the largest companies to be performed in 2025). Ms. Blomme also added that although some stakeholders might have high or very high expectations, this is the start of a journey and it would be good for this to be noted in the EM. Ms. Jackson agreed with Ms. Blomme’s comment and explained that the EM will recognize that there may be the need for more specificity in the future, which could be related to engagement performance, including topics such as materiality, or on specific sustainability matters.
- Mr. Ruthman suggested that IAASB should have space in the work plan to cover areas that would require a more in-depth treatment. Ms. Jackson added that, based on stakeholder input, IAASB may

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1 Proposed International Standard on Sustainability Assurance™ (ISSA) 5000, General Requirements for Sustainability Assurance Engagements
determine that such areas are best addressed through non-authoritative guidance or as part of a future series of ISSAs.

- Mr. Thompson emphasized that the final standard should be fit for purpose for all jurisdictions and also fit for purpose for many SMEs that stand to be affected in due course, especially through the effect of the impact materiality pushing down through the value chain.

- Mssrs. Ishiwata and Thompson expressed their support for an extensive outreach with a wide range of stakeholders covering all regions, all markets, including emerging and developing markets, SMEs and their assurance providers. Mr. Thompson further expressed his availability to help with outreach, particularly in Europe.

- Several areas were mentioned by the Representatives where further implementation guidance might be required, as the standard is meant to be profession-agnostic and some assurance providers will not be familiar with some concepts:
  - Materiality, and the possibility of multiple materialities (Mr. Ishiwata and Ms. Bloom).
  - Assurance over group sustainability information (Mr. Ishiwata, Ms. Bloom and Ms. Riggs). Ms. Riggs explained that this subject is important because large groups and large multinationals will be the first entities reporting on sustainability information. As this will set the stage for preparers and practitioners, an alignment with ISA 600 should be considered.
  - Fraud and greenwashing (Mssrs. Ishiwata, Yurdakul, and Suzuki and Ms. Riggs). Ms. Riggs further pointed to the IAASB’s fraud project and the objectives, mentioning that there could be more specific requirements to promote consistent behavior regarding the identification of the risk of misstatement due to fraud and enhancing the importance of exercising professional skepticism throughout the engagement in fraud-related assurance procedures.
  - Connectivity between the financial statements and sustainability information (Mr. Ishiwata). Mr. Yurdakul also commented on the relationship between the practitioner and the auditor or other practitioner, or the entity’s internal auditors.
  - Forward-looking information (Ms. Blomme and Ms. Riggs).
  - Sampling, considering that there will be a wide variation in practice (Ms. Riggs and Mr. Ruthman).
  - Comparative information and data reliability and relevance (Mr. Ruthman).

Ms. Jackson thanked the Representatives for the comments and further noted the following:

- There are several paragraphs in the standard and in the application material that provide guidance about fraud.
- The requirements relating to sampling were streamlined with some aspects added to application material, as ISSA 5000 is an overarching standard, but the comment will be considered in conjunction with the IAASB discussion in June 2023.
- The IAASB did not take the ISA 600 route in developing proposed ISSA 5000 as ISA 600 deals with audits of consolidated financial statements. She further mentioned that ISSA 5000 captures the key principles when performing an assurance engagement in a group situation (e.g. risk identification and assessment, responses to risk, etc.) and addresses the fact that in these situations it is important for the practitioner to understand the sources of evidence, and
whether there are any access issues and, if so, how to overcome that. ISSA 5000 also addresses the interaction with other practitioners, including whether the practitioner will be able to direct, supervise and review the work of the other practitioners. The standard also recognizes these points are important not just for group sustainability information, but also when the entity is reporting information about other entities along its value chain.

- Mr. Sobel mentioned that the Institute of Internal Auditors (IIA) is currently going through a revision of its professional practice standard and as a result various definitions will be updated. Ms. Jackson acknowledged the point for any future alignment between IIA and IAASB definitions of internal audit function.

- Mr. Sobel supported the ISSA 5000 definitions of sustainability matters sustainability information. Messrs. Sobel and Yurdakul added that the IAASB should make sure that the definition aligns with those used by others, such as ISSB2 and IESBA,3 in order to avoid any confusion. Ms. Blomme added that the definition of sustainability matters will not be so critical as practitioners in Europe will be clear on what they need to report on. Ms. Jackson explained that in arriving at the definitions in ISSA 5000 the IAASB considered definitions of other standard setters but also noted that the standard is intended to be framework neutral.

- Ms. Altbaum raised a question on what approach should be taken by the assurance provider in the context of the definition of “fair presentation criteria,” which states that management has to deviate from the requirement of the framework in order to achieve a fair presentation of sustainability information. Ms. Jackson noted that if additional disclosures are necessary to achieve fair presentation, it is management’s responsibility to ensure such disclosures are included in the sustainability report. Ms. Jackson further explained that if the practitioner identifies the need for additional sustainability disclosures, they would need to have a conversation with management about the matter, just as would be done in a financial statement audit.

- Mr. Yurdakul mentioned that the use of long sentences will create issues during translations and suggested that IAASB should consider making them much simpler. Ms. Jackson mentioned that there is a CUSP review in progress and understandability issues will be addressed.

- Mr. Yurdakul suggested that the documentation paragraphs should be brought together and also to clarify that when verbs such as “to consider,” “to assess” or “to evaluate are used the practitioners should document those actions.

- Mr. Ishiwata expressed concern regarding the requirements related to ISQM 1 but was supportive of paragraph A3 that allows room for jurisdictions to determine what is “at least as demanding.” Although he considers that a quality management system is important in order to ensure a high quality assurance engagement, he added that certain transition relief should be considered in order to make ISSA 5000 work as a truly profession-agnostic standard. Mr. Ishiwata considers this to be a pragmatic response to rapidly increasing demands on practice. Ms. Jackson explained that currently the IAASB assurance standards are based on the premises of ISQM 1. Furthermore, she mentioned that the regulatory community and other IAASB stakeholders have clearly noted that ISSA 5000 should be underpinned by a quality management system. Ms. Jackson reiterated that ISSA 5000 does not

2 International Sustainability Standards Board
3 International Ethics Standards Board for Accountants
mandate the use of ISQM 1, but instead ISQM 1 or any other system of quality management that is "at least as demanding."

- Mr. Ishiwata added that additional revisions may be needed to ISAE 3410 given the requirement in paragraph 9 of ISSA 5000 that when a GHG statement is the only sustainability information, ISAE 3410 is applied.

- Ms. Blomme drew attention to the fact that there might be comments on the differentiation between limited and reasonable assurance in areas where people consider that there should not be any difference (e.g., risk assessment) or in other areas where people will expect differences and there are not.

- Ms. Blomme raised the concern that practitioners might not have sufficient requirements to support very difficult discussions regarding qualified assurance conclusions and potential reports with disclaimers. She envisages that those types of reports will be frequent in the first years of mandatory reporting in Europe. Mr. Thompson asked if this situation can be reflected in the assurance report examples.

- Ms. Blomme acknowledged that this is an overarching standard, principles-based and not rule-based, but pointed out that practitioners will want more, and that professional judgment should be applied. She further mentioned that IAASB should be prepared to get extensive comments during the exposure period. Ms. Jackson acknowledged that extensive comments will be received and reinforced that IAASB is encouraging stakeholders to provide their comments.

- Mr. Thompson raised a concern about scalability, but noted that he is pleased to see that this is mentioned in the issues paper and also in the standard. Further, he is pleased to hear that IAASB is making efforts to address scalability, such as the CUSP review and the assurance report examples that include non-listed or non-public interest entities, but asked if the IAASB can briefly explain how scalability has been considered in the draft standard. Ms. Jackson responded that this will be taken into consideration in developing the EM.

- Ms. Wei suggested the SATF consider including questions in the EM asking stakeholders to comment on the applicability of standards by all professionals who wish to provide assurance on sustainability information. She added that there may be a need for specific questions in certain areas requiring judgment, such as materiality and risk assessment. Ms. Wei also noted support for included materiality examples into the ED.

- Mr. Ruthman expressed a concern about understandability as different existing standards were used in building ISSA 5000. He suggested a final comparison with existing standards, perhaps as part of the CUSP review (e.g., to look for similarities and differences with existing standards or existing concepts described in standards to ensure that any differences in wording are intentional). Ms. Jackson noted that this risk is mitigated due to the CUSP review and the fact that the SATF included several experts who understand the core concepts very well.

- Mr. Ruthman noted that there are no concerns with respect to the public sector other than paragraph A353R, which would apply to all forms of engagements, not just public sector entities. Ms. Jackson responded that the SATF will address this point.

- Mr. Suzuki expressed concern that paragraph 58 is too abstract and ISSA 5000 should prescribe procedures for fraud. Ms. Jackson noted that comments about fraud and greenwashing are also
expected during the consultation process, and the IAASB will consider those comments in order to identify what needs to be strengthened.

- Mr. Suzuki noted that the illustrative reports presented in Appendix 2 are very helpful, but appear to be very detailed templates, so only suitable for professional audit practitioners and may be difficult to be applied by non-audit firms. Considering that more than half of the practitioners are non-audit firms in Japan, as per the IFAC study, he considers that more flexibility should be allowed.

- Mr. Ishiwata added that in order to achieve greater transparency the assurance reports should contain additional areas such as the use of experts. Nevertheless, those points could be addressed in a question in the EM.

- Ms. Altbaum noted that the requirements related to materiality are very useful and relevant. She suggested a further addition similar to ISA 330, paragraph 18, which provides that, irrespective of the assessed risk of material misstatement, the auditor shall design and perform substantive procedures for each material class of transaction, account balance, and disclosure. Ms. Jackson noted that the point will be considered further by the SATF.

OTHER MATTERS THAT THE SATF SHOULD CONSIDER FOR THE EXPLANATORY MEMORANDUM

- Ms. Blomme added that the points that she noted previously should be addressed in the EM. She added that openness regarding further material, new standards or future revisions is something that will be well received by stakeholders.

- Ms. Jackson mentioned that all the points are very helpful in preparing the explanatory memorandum.

PIOB OBSERVER’S REMARKS

Ms. Peters acknowledged that there are several public interest issues that were discussed during this meeting. She also acknowledged the outreach activities that will be done by IAASB will be very important and that the outreach is going to require use of non-audit language and illustrations of what the concepts used mean in common terms, for example, what sustainability information means in comparison with the ESRSSs and the ISSB, what these reports will look like, what information they will cover, where they will be located. Further, Ms. Peters mentioned that the sustainability information will not be provided in only one format or through the same source, as the financial statements, and in this case, the linkage between the assurance report and the sustainability information will be important. As a result, she suggested that all of those things should be tailored in specific outreach to get a useful perspective from many constituencies.

Furthermore, Ms. Peters added that an important question will be regarding the applicability of the proposed standard, as due to extensive usage of the ISAs in developing the standard the terminology will be difficult to understand for non-professional accounts. She further re-acknowledged that the public interest issues were covered, but the practicalities of the outreach will be interesting to see as the feedback period unfolds.

OTHER MATTERS

Mr. Seidenstein thanked the Representatives for their participation on such short notice and for their robust input. He mentioned that there is a challenge to find the correct balance of an overarching standard and
that an important consideration should be that, for example, ISA 600 is a special considerations standard and is a stand-alone standard dealing only with group audits.

Furthermore, he reinforced that IAASB is fully committed to a profession-agnostic standard, trying to avoid undue jargon and making things as simple and accessible as possible. Nevertheless, Mr. Seidenstein added that the assurance has been well-developed over time and, considering that ISSA 5000 is by definition an assurance standard, it means that will look like an assurance standard. He added that the standard was never intended to be used by laypersons but by trained assurance professionals, whether from the accountancy industry or elsewhere. In conclusion, he mentioned that this is something that was discussed in a recent meeting with the Financial Stability Board meeting and that investors are going to ultimately look for something as robust as audits on the assurance side for sustainability reporting.

In closing, Mr. Seidenstein asked the CAG for support in identifying stakeholders that should be targeted for outreach during the exposure period and events that the IAASB should be involved with during this period.

**Closing Remarks**

Mr. Dalkin thanked Mr. Seidenstein, Ms. Jackson and all the SATF members for keeping the CAG up-to-date with the progress of the standard. He added that, from the CAG perspective, that is very helpful and they have been able to provide IAASB with input. He further thanked all the participants to the call and mentioned that the next CAG meeting will be in-person in New York on September 12 and 13, 2023.