

**Minutes of the 140th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on July 26, 2023, via Video Conference**

| | Voting Members | Technical Advisors (TA) |
|----------|---|---------------------------------------|
| Present: | Tom Seidenstein (Chair) | Helene Agélii (Mr. Hagen) |
| | Josephine Jackson (Vice-Chair) | Viviene Bauer (Mr. Monroy) |
| | Sue Almond | Wolf Böhm (Prof. Marten) |
| | Chun Wee Chiew | Antonis Diolas (Mr. Chiew) |
| | Julie Corden | Diane Hardesty (Ms. Larsen) |
| | William Edge | Rene Herman (Mr. Edge) |
| | Kai Morten Hagen | Susan Jones (Mr. Morris) |
| | Sachiko Kai | Thokozani Nkosi (Ms. Jackson) |
| | Edo Kienhuis | Misha Pieters (Mr. Schollum) |
| | Diane Larsen | Claire Revenig (Ms. Almond) |
| | Prof. Warren Maroun | Tania Sergott (Ms. Corden) |
| | Prof. Kai-Uwe Marten | Jamie Shannon (Mr. Kienhuis) |
| | Neil Morris | Brian Wilson (Ms. Stevens) |
| | Fernando Ruiz Monroy | Kazuko Yoshimura (Ms. Kai) |
| | Greg Schollum | |
| | Wendy Stevens | |
| | Isabelle Tracq-Sengeissen | |
| | Eric Turner | |
| Apology: | | Fabien Cerutti (Ms. Tracq-Sengeissen) |
| | | Johanna Field (Mr. Turner) |
| | | Yvette Lange (Prof. Maroun) |
| | Non-Voting Observers | |
| Present: | Jim Dalkin (IAASB Consultative Advisory Group (CAG) Chair) | |
| | Yosh'inao Matsumoto (Japanese Financial Services Authority) | |
| Apology: | Rogier Wezenbeek (European Commission) | |
| | Public Interest Oversight Board (PIOB) Observer | |
| Present: | Mr. Michael Hafeman | |

IAASB Technical Staff

Present: Willie Botha (Program and Technical Director), Sally Ann Bailey, Amy Fairchild, Angelo Giardina, Armand Kotze, Fadi Mansour, Isabelle Raiche, Hanken Talatala, Jasper van den Hout and Dan Montgomery (Senior Advisor – Technical Projects).

Apology: James Gunn (Managing Director, Professional Standards), Ida Diu, Jan Thijs Drupsteen, Claire Grayston and Kalina Shukarova Savovska.

Welcome and Introduction

- The Chair welcomed members, technical advisors (TAs), official observers, and public observers via YouTube, to the July 26, 2023, IAASB mid-quarter Board call.

Meeting Topic

Audits of Less Complex Entities (LCE) (Agenda Item 1)

Decisions

Inclusion of Group Audits

1. The Board supported the proposed prohibition related to the use component auditors, with the exception of when the component auditor's involvement is limited to circumstances in which a physical presence is needed for a specific audit procedure for the group audit. The Board noted the mixed views from stakeholders and previous discussions on the authority of the ISA for LCE, and, after consideration, the Board agreed that the proposed approach is the best way forward.
2. On balance, the Board supported the changes made to the requirements and Essential Explanatory Material (EEM) of Part A, *Authority* and Part 10, *Audits of Group Financial Statements* (Part 10) of the proposed ISA for LCE.
3. The Board agreed with the addition of the definition of group auditor in the Glossary.

Directions

Part A – Authority

4. The Board recommended to clarify the examples of when physical presence of a component auditor is needed, specifically the reference to inspecting documents or records. The Board is of the view that stakeholders may interpret the meaning of “inspecting physical assets, documents or records” to be a broader scope than intended.
5. The Board acknowledged comments from respondents that numerical indicators included in the qualitative characteristics may be seen as defined rules, rather than example indicators. However, the Board noted that the additional text that was proposed to clarify this is not strictly correct and suggested some revisions to enhance the language.
6. The Board was of the view that the revisions proposed to the qualitative characteristic on the group structure and activities may lead to improper use of the standard and suggested to delete the reference to: “or where jurisdictions operate in a common economic zone”.
7. The Board provided various suggestions on how to enhance the qualitative characteristic on the

consolidation process, including moving up the bullet related to “Intercompany, or other consolidation adjustments are not complex. The Board had mixed views on whether “similar” should be added before “accounting policies applied to the group financial statements” but on balance supported the addition.

Part 10 – Audits of Group Financial Statements

8. The Board recommended the LCE Task Force to review the requirement regarding the understanding of the group and its environment, the applicable financial reporting framework and the group’s system of internal control as the wording may go beyond the requirements in the ISAs as it relates to IT systems.
9. The Board suggested to the LCE Task Force to delete one requirement related to communicating fraud or suspected fraud with those charged with governance, as it appeared to be duplicating a requirement in Part 1 of the ISA for LCE.

Other Substantial Matters

IAASB CAG Chair Remarks

10. Mr. Dalkin noted that the CAG had mixed views on whether to prohibit the use of component auditors and was of the view that the proposed way forward is a reasonable approach. He also reiterated the support from the IAASB CAG for the ISA for LCE project.

PIOB Observers Remarks

11. Mr. Hafeman noted the PIOB’s support for the project and thanked the Board for an excellent discussion. He asked the LCE Task Force to consider the location of further guidance on the Authority, noting that guidance could be included directly in the standard or in the supplemental guide. Mr. Hafeman noted that preference is to include guidance directly in the standard to ensure stakeholders are aware of such guidance.

Next Steps

12. In September 2023, the LCE Task Force will present to the Board for approval a full draft of the proposed ISA for LCE. In addition, the LCE Task Force will present the responses to the remaining questions included in the Explanatory Memorandum that have not been previously discussed with the Board, along with related recommendations including proposed activities to support adoption and implementation.

Closing

The Chair thanked the IAASB members, TAs and IAASB Staff for joining the call and then closed the public session.

Next Meeting

The next quarterly IAASB meeting will be held in New York from September 18–21, 2023. Details of the meeting will be communicated in due course.