Minutes of the 118th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held during November 2020 via Video Conferences

Voting Members

Present: Tom Seidenstein (Chair)
Fiona Campbell (Deputy Chair)
Sue Almond
Chun Wee Chiew
Julie Corden
Robert Dohrer
Kai Morten Hagen
Josephine Jackson
Len Jui
Sachiko Kai
Prof. Kai-Uwe Marten
Lyn Provost
Fernando Ruiz Monroy
Rich Sharko
Roger Simnett
Isabelle Tracq-Sengeissen
Eric Turner
Imran Vanker

Technical Advisors (TA)

Helene Agélii (Mr. Hagen) (November 10)
Sara Ashton (Ms. Almond)
Viviene Bauer (Mr. Monroy)
Wolf Böhm (Prof. Marten)
Fabien Cerutti (Ms. Tracq-Sengeissen)
Antonis Diolas (Mr. Chiew)
Johanna Field (Mr. Turner)
Hiram Hasty (Mr. Dohrer)
Rene Herman (Prof. Simnett)
Susan Jones (Mr. Jui)
Tania Sergott (Ms. Corden)
Jamie Shannon (Mr. Sharko) (November 11)
Sylvia Van Dyk (Mrs. Provost)
Denise Weber (Ms. Campbell)
Kohei Yoshimura (Ms. Kai)

Apology: None

Non-Voting Observers

Present: Jim Dalkin (IAASB Consultative Advisory Group (CAG) Chair), Yosh’inao Matsumoto (Japanese Financial Services Authority)

Apology: Juan Maria Arteagoitia (European Commission)

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1 The IAASB held two video conference sessions for the fourth quarter over two days on November 10-11. The matters discussed during these video conferences are captured within these minutes.

2 It is noted that Ms. Jackson and Mr. Vanker were not supported by a TA during the November 2020 video conferences.
Public Interest Oversight Board (PIOB) Observer

Present: Ms. Karen Stothers

IAASB Technical Staff

Present: Willie Botha (Technical Director), Beverley Bahlmann, Yvonne Chan, Brett James, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska, Hanken Jane Talatala, Jasper van den Hout, Angela Donnelly (IAASB Staff Fellow), Dan Montgomery (Senior Advisor – Technical Projects)

International Ethics Standards Board for Accountants (IESBA) (November 10 only)

Present: Stavros Thomadakis (IESBA Chair), Richard Fleck (IESBA Deputy Chair), Michael Ashley (IESBA Member and Chair of the Public Interest Entity Task Force), Ken Siong (IESBA Technical Director), Geoff Kwan (IESBA Staff)

IAASB agenda materials referred to in these minutes can be accessed on the IAASB’s Website for the sessions held on November 10–11. These minutes are a summary of the decisions made at the November 2020 IAASB video conferences, in light of the issues and recommendations in the agenda material put forth by the Task Forces, Working Groups, Drafting Teams and Staff supporting the individual projects. Since the “Definitions of Listed Entity and Public Interest Entity” is an IESBA project, these recommendations are made through consideration of previous discussions of the IESBA and its CAG, feedback from stakeholders through outreach activities, and previous discussions of the IAASB on this topic. For the “Conforming Amendments to other ISAs due to the Quality Management Standards” the recommendations are made taking into account feedback from respondents to the IAASB’s public consultations, in particular Exposure Drafts (EDs) of the IAASB’s proposals, consideration of previous discussions of the Board and its CAG, and feedback from stakeholders through outreach activities.

1. Welcome and Approval

Mr. Seidenstein welcomed all participants to the November 10–11, 2020 IAASB video conferences. Mr. Seidenstein also welcomed the public observers who were observing the meeting via the IAASB’s YouTube channel. On the November 10 video conference, Mr. Seidenstein specifically welcomed Messrs. Thomadakis, Fleck, Ashley and IESBA Staff.

2. Definitions of Listed Entity and Public Interest Entity (PIE)

By way of introduction, Messrs. Seidenstein and Botha reminded the Board that there has been a significant level of coordination between the IAASB and IESBA for the Definitions of Listed Entity and PIE Project (the “PIE project”), including participation of IAASB correspondent members at the PIE Project Task Force meetings, staff-level coordination, as well as an IAASB working group to develop the material in Agenda Item 1-B.

Mr. Ashley and Ms. Jackson updated the Board on the work of the PIE Project Task Force since the July 2020 IAASB virtual session as presented in Agenda Items 1, 1-A, 1-B and 1-C.
OVERARCHING OBJECTIVE

The Board continued to support the proposed overarching objective, as presented in paragraphs 400.8 and 400.9 of Agenda Item 1-C, for use by both the IESBA and IAASB in establishing differential audit and independence requirements for certain entities.

With regards to proposed paragraph 400.8, the Board asked the PIE Project Task Force to consider:

• Whether the term “financial condition” in the lead-in sentence is too broad, which might inadvertently cause some users to look further than financial statement audits. The Task Force was also asked to consider other terms that better align with those used in other standards such as the Internatinal Financial Reporting Standards (e.g., “financial position” and “financial performance”).

• Clarifying bullet #4 by adding “not” in front of the phrase “easily replaceable.”

USE OF “LISTED ENTITIES” IN ISAS AND ISQMS

The Board considered the use of “listed entity” in the International Standards on Auditing (ISAs) and the International Standards on Quality Management (ISQMs), noting that it is currently the only class of entities that are subject to differential requirements with respect to the audits of their financial statements. The Board further noted that the key focus of the relevant provisions, with the exception of subparagraph 34(f) of ISQM 1, is on enhanced transparency.

The majority of the Board continued to support a case-by-case approach when determining whether differential requirements already established within the ISAs should be applied only to listed entities or more broadly to other categories of PIEs. It was noted that the IAASB needs to properly assess the impact of expanding the differential requirements to all PIEs, taking into account the rationale for applying these requirements to listed entities in its current standards.

In addition, Mr. Seidenstein noted that the IAASB may conclude that differential requirements relating to the audit may be appropriate for a subset of PIEs, such as listed entities, instead of all categories of PIEs. He added that the IAASB will take into consideration the need for alignment of terms used by the IAASB standards and the IESBA Code, including possible replacement of “listed entity” with another term such as “publicly traded entity”.

The Board broadly agreed to utilize the PIE Project’s ED process to seek views from stakeholders in order to inform its case-by-case approach of reviewing the use of “listed entity” in the IAASB’s standards. The Board recognized that this process, as a demonstration of the level of maturity in the Board’s coordination effort with IESBA, is an excellent opportunity to help inform the Board’s ongoing discussion on this topic (i.e., part of its information gathering and consideration of possible further actions). The Board also noted the importance of having the right form of communication and messaging to ensure stakeholders understand the issues from an IAASB perspective and respond accordingly.

TRANSPARENCY AND AUDITOR’S REPORT

The Board discussed the PIE Project Task Force’s proposed requirement for firms to disclose whether an audit client was treated as a PIE in the auditor’s report and considered three options:

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3 ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements

4 IESBA’s International Code of Ethics for Professional Accountants (including International Independence Standards)
- **Option 1** – No change be made to the auditor’s report

- **Option 2** – IAASB to pursue the possibility of enhanced transparency as part of its Auditor Reporting Post-Implementation Review

- **Option 3** – IAASB to explore potential revisions to ISA 700 (Revised), paragraph 28(c)\(^5\)

A majority of the Board members preferred option 2. With respect to option 3, the Board noted that, as part of the Auditor Reporting Post-Implementation Review (i.e., option 2), further analysis will allow the Board to properly consider option 3 including any potential impact and unintended consequences. The Board also broadly supported the approach of using the IESBA’s ED process to seek initial feedback from stakeholders with regards to the three options (i.e., as part of its information gathering).

**IAASB CAG Chair’s Remarks**

Mr. Dalkin noted that the CAG would like the terms used by the IAASB and IESBA (i.e., Entity of Significant Public Interest and PIE) to be aligned.

**PIOB Observer’s Remarks**

Ms. Stothers emphasized the importance of the PIE project from a public interest perspective and noted that the PIOB is hopeful that the project will achieve greater alignment of the terms used by the two Boards. Ms. Stothers also reinforced the PIOB’s view that it is in public interest to enhance transparency and expressed support for the approach of seeking stakeholders’ feedback through IESBA’s ED process.

**Way Forward**

The PIE Project Task Force will present a second read of the proposed text to the IESBA at its November-December 2020 meeting, with a view to approve the changes for exposure.

3. **Conforming Amendments to Other IAASB Standards Resulting from the Quality Management Standards\(^6\)**

Mr. James introduced the topic, noting that Staff had developed the proposed conforming amendments to the IAASB’s pronouncements, other than the ISAs. He noted that the planned timetable ensured that the final conforming amendments would have the same effective date as the quality management standards.

**Project Proposal**

The IAASB approved the project proposal with 18 affirmative votes out of the 18 Board members present.

**Issues**

Mr. James noted that some written comments had been received prior to the meeting and that Staff did not have sufficient time to consider the comments fully. Accordingly, the planned approval of the ED was deferred to January 2021.

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\(^5\) ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

\(^6\) The quality management standards comprise ISQM 1, ISQM 2, *Engagement Quality Reviews* and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*. 
After discussing how best to deal with ISRE 2410, the IAASB noted that there is a need to update the standard but that capacity to do so would likely not be available in the next few years.

**WAY FORWARD**

An ED will be presented to the IAASB for approval in January 2021.

4. **Closing Remarks**

Mr. Seidenstein thanked the IAASB Members, TAs, IESBA Members and Staff and closed the meeting.

5. **Next Meeting**

The next IAASB meeting will be held via video conference between December 7–11, 2020.

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7 International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*