

**Minutes of the 100<sup>th</sup> Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)  
Held on December 10–14, 2018 in New York, United States of America**

**Voting Members**

Present: Prof. Arnold Schilder (Chairman)  
Megan Zietsman (Deputy Chair)  
Abhijit Bandyopadhyay  
Fiona Campbell  
Chun Wee Chiew  
Robert Dohrer (Except December 12)  
Karin French  
Marek Grabowski  
Len Jui  
Prof. Kai-Uwe Marten (via teleconference  
December 14)  
Chuck Landes  
Lyn Provost  
Fernando Ruiz Monroy  
Ron Salole  
Rich Sharko  
Isabelle Tracq-Sengeissen  
Imran Vanker

**Technical Advisors (TA)**

Sara Ashton (Ms. French)  
Vivienne Bauer (Mr. Monroy)  
Nicolette Bester (Mr. Vanker)  
Wolf Böhm (Prof. Marten)  
Melissa Bonsall (Ms. Zietsman)  
Andrew Gambier (Mr. Chiew)  
Ahava Goldman (Mr. Dohrer)  
Hiram Hasty (Mr. Landes)  
Josephine Jackson (Mr. Grabowski)  
Susan Jones (Mr. Jui)  
Sachiko Kai (Ms. Tracq-Sengeissen)  
Jamie Shannon (Mr. Sharko)  
Eric Turner (Mr. Salole)  
Sylvia Van Dyk (Ms. Provost)  
Denise Weber (Ms. Campbell)  
Sanjay Vasudeva (Mr. Bandyopadhyay)

Apology: *None*

**Non-Voting Observers**

Present: Jim Dalkin (IAASB Consultative Advisory Group (CAG) Chair), Yoshiharo Kawada (Japanese Financial Services Authority) (Except December 14)

Apology: Juan Maria Arteagoitia (European Commission)

**Public Interest Oversight Board (PIOB) Observer**

Present: Ms. Karen Stothers

## IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards), Dan Montgomery (Interim Technical Director), Beverley Bahlmann, James Grosvenor, Brett James, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Hanken Jane Talatala, Joy Thurgood, Jasper van den Hout.

IAASB agenda materials referred to in these minutes can be accessed at <http://www.iaasb.org/meetings/new-york-usa-21>. These minutes are a summary of the decisions made at the December 2018 IAASB meeting, in light of the issues and recommendations in the agenda material put forth by the Task Forces (TF), Working Groups, Drafting Teams and Staff supporting the individual projects. These 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 of Previous Minutes

Prof. Schilder welcomed all participants to the meeting held in New York, USA, including IAASB Members, Technical Advisors, Staff and Observers. He further thanked task forces and staff for their preparation for the meeting on the discussion on the Quality Management standards and noted that the process of getting comments to the Task Forces by Board Members beforehand had significantly improved the process.

### 2. Quality Control at the Firm Level – Proposed ISQM 1<sup>1</sup>

Ms. French provided an overview of the proposed changes to ISQM 1 ED as presented in **Agenda Item 2-A**. In addition to editorial changes suggested by Board members, the following sets out the more substantive discussions in finalizing the ISQM 1 ED.

#### INTRODUCTORY PARAGRAPHS

Revisions were made to further clarify the matters summarized and ensure consistency with the content of the standard, including to highlight that firms may have components that are different from those set out in the standard.

#### DEFINITIONS

The Board agreed to amend the definition of “deficiencies” such that the threshold of matters that may qualify as a deficiency is appropriate.

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<sup>1</sup> International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance Engagements or Related Services Engagements*

## GOVERNANCE AND LEADERSHIP

The Board confirmed their view that the reference to “financial and operational priorities” is the most appropriate term to use to describe firms’ commercial considerations, therefore no further changes were made.

## THE FIRM’S RISK ASSESSMENT PROCESS

The Board in general agreed that the threshold of a “reasonable possibility of occurring” remains appropriate, given that it is consistent with the approach in the ISA 315 (Revised)<sup>2</sup> ED. However, it was recommended that this be monitored as the revision to ISA 315 (Revised) is finalized.

The Board agreed to revise the requirements and application material for:

- The firm to establish additional quality objectives beyond those required by the standard, to provide further clarity on the expectation of the firm and ensure the requirement is appropriately robust.
- The identification and assessment of quality risks, in particular to clarify the use of the term “quality risks” in this component and throughout the standard (i.e., whether it is the whole population of risks or only those identified and assessed for which responses are needed).

## RELEVANT ETHICAL REQUIREMENTS

The Board discussed the feedback from the International Ethics Standards Board for Accountants (IESBA) representatives regarding network independence and:

- Supported the suggestion to include some application material to highlight the communication between the firm and the network regarding independence, however cautioned that the description needs to appropriately reflect who in the network independence provisions may apply to.
- Noted the suggestion raised during the IESBA Board meeting to develop guidance that would indicate how to apply the ISQM 1 ED in dealing with independence when the firm belongs to a network.

## RESOURCES

The Board agreed that a general requirement is needed in this component for the firm to design and implement responses, albeit that no specific responses are prescribed in the standard for resources. The Board also supported placing emphasis on having appropriate technological resources to support the performance of engagements.

## INFORMATION AND COMMUNICATION

The Board agreed to further simplification of the requirement addressing communication with external parties and, in general, supported the explicit reference to transparency reports in the requirement because of the need to draw attention to it.

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<sup>2</sup> Proposed ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

## MONITORING AND REMEDIATION

In addition to various revisions to improve the requirements, the Board discussed:

- Explicitly requiring firms to undertake a root cause analysis on positive findings. In general, the Board did not support this suggestion, however agreed that the standard improve its emphasis on positive findings and how they may affect the system of quality management.
- The cyclical inspection of engagement partners and whether it would be appropriate for in-process reviews to form part of the cycle. In general, the Board did not support this proposal, however agreed that the application material clarify how in-process reviews may affect the nature, timing and extent of the cyclical inspection of completed engagements.

## NETWORKS

The Board agreed to revise the requirement to clearly reflect the expectations of the firm regarding the network requirements or network services, in particular to be clear that the firm would not be expected to separately evaluate the network requirements or network services.

## SERVICE PROVIDERS

The Board highlighted the need to be clear about the scope of resources provided by service providers that would be expected to be considered by the firm. In this regard, the Board agreed that the standard cannot be prescriptive, however it would be dependent on the nature of the resource and the quality risks associated with the use of that resource.

## EXPLANATORY MEMORANDUM AND OUTREACH DURING EXPOSURE PERIOD

The Board supported the outline of the matters to be addressed in the explanatory memorandum, including the proposed questions, and suggested the addition of the following matters:

- Clarifying that all firms are required to comply with the requirements, but may organize the system differently with different components.
- Exploring whether the expectations set out in paragraph 23 regarding firm leadership's understanding of the standard are appropriate, since a concern was raised that leadership would need to have an understanding of the full text of the standard in order to understand what is relevant to them.
- Whether the threshold for the identification of quality risks is appropriate (i.e., a "reasonable possibility of occurring"), particularly in light of the feedback on the ISA 315 (Revised) ED.
- An explicit question regarding how firms deal with positive findings and how this may contribute to their monitoring and remediation.
- Educational material to explain networks to address some of the misunderstandings of how networks operate, in particular that networks do not perform engagements or sign opinions, and that the objective of the standard is focused on supporting the performance of quality engagements.

The Board supported including additional questions from IESBA for the explanatory memorandum, although suggested that they are too granular and need to be more conceptual.

The Board emphasized the need for the explanatory memorandum to explain how the standard is scalable for firms. The Board reiterated the importance of the illustrative examples to accompany the ISQM 1 ED, in

particular to demonstrate the circumstance of a sole practitioner. The Board also suggested developing a roadmap for sole practitioners that outlines how the current system of quality control evolves into the new system of quality management.

The Board provided various suggestions for the outreach activities, including focusing on stakeholder groups who are less inclined to submit comment letters, the appropriate timing of webinars and encouraging field testing. Mr. Montgomery highlighted that Staff would develop an overall outreach plan with a targeted approach.

#### IAASB CAG CHAIR'S REMARKS

Mr. Dalkin noted the improvement of the requirements dealing with communication with external parties, in particular for the public sector.

#### PIOB OBSERVER REMARKS

Ms. Stothers highlighted the need for the standard to explicitly refer to commercial considerations and noted the importance of transparency reports as a public interest issue. Ms. Stothers encouraged the explanatory memorandum to include a thorough explanation and educational material regarding the Board's considerations about:

- Networks and why the Board concluded that it would not be possible to develop requirements for networks. She further suggested having a specific question in the explanatory memorandum on this issue.

#### DUE PROCESS MATTERS

The Board agreed with the ISQM 1 Task Force's recommendation that further consultation or field testing is not needed prior to approval of proposed ISQM 1 for public exposure, but that the Board should encourage respondents to field test the proposals to inform their comment letters. The Board also agreed that the outreach strategy for the exposure period may consider the use of roundtables or other direct outreach methods such as webinars during the exposure period.

#### APPROVAL

After agreeing on specific changes, the IAASB approved proposed ISQM 1 ED for exposure with 17 affirmative votes out of the 17 IAASB members present. The Board discussed the exposure period and conforming amendments under **Agenda Item 5**.

### 3. Quality Control at the Engagement Level – Proposed ISA 220 (Revised)<sup>3</sup>

Ms. Zietsman introduced the proposed changes for ISA 220 (Revised) as presented in **Agenda Item 3**, noting that the Board had provided input on the significant issues at the September 2018 IAASB meeting and, accordingly, few issues remained to be discussed.

The Board agreed to various changes to draft proposed ISA 220 (Revised) ED, including:

- Clarifying that establishing and communicating the expected behavior of engagement team members relates to creating the appropriate environment at the engagement team level;

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<sup>3</sup> Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

- Clarifying that the firm communicates the results of the monitoring and remediation process of the network or network firms to engagement teams, rather than the engagement team being required to seek out for such results; and
- Removing certain application material that was seen to be redundant or unnecessary from paragraphs A22, A28, and A38.

#### EXPLANATORY MEMORANDUM

The Board supported the outline of the matters to be addressed in the explanatory memorandum, but requested that certain other matters also be referenced in the explanatory memorandum, including:

- The appropriate responsibilities of the engagement partner vis-à-vis other members of the engagement team;
- The use of “determine” and “be satisfied” in certain requirements; and
- The requirements to follow the firms’ policies or procedures in certain respects.

#### IAASB CAG CHAIR’S REMARKS

Mr. Dalkin agreed with the removal of redundant or unnecessary application material, and noted that there may be more opportunities to remove other application material that also repeats requirements from the IESBA’s *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code).

#### PIOB OBSERVER REMARKS

Ms. Stothers sought responses regarding certain matters raised by PIOB members in the past, including whether the phrase “dating the auditor’s report” could instead refer to issuing the auditor’s report, and whether the results of the firm’s monitoring and remediation process is intended to include external sources of information. She also noted that there were not many references to important concepts from the IESBA Code, including cooling-off periods, long association, and objectivity. In response, Ms. Zietsman noted that approaches to issuing the auditor’s report differ around the world so the Board’s convention is to refer to dating the report. She also noted that the draft standard had been amended to make reference to external sources of information that may be included in the firm’s monitoring and remediation communications, and that the concepts from the IESBA standards were covered in ISQM 1 and 2, and therefore the ISA 220 Task Force did not want to duplicate this material.

#### DUE PROCESS MATTERS

The Board agreed with the ISA 220 Task Force’s recommendation that further consultation or field testing is not needed prior to approval of proposed ISA 220 (Revised) ED for public exposure, but that the Board should encourage respondents to field test the proposals to inform their comment letters. The Board also agreed that the outreach strategy for the exposure period may consider the use of roundtables or other direct outreach methods such as webinars during the exposure period.

#### APPROVAL

After agreeing on specific changes, the IAASB approved proposed ISA 220 (Revised) ED for exposure, with 17 affirmative votes out of the 17 IAASB members present. The Board discussed the exposure period and conforming amendments under **Agenda Item 5**.

#### 4. Engagement Quality Reviews – Proposed ISQM 2<sup>4</sup>

Mr. Vanker provided an overview of the ISQM 2 ED presented in **Agenda Item 4-A**, as well as the extract of paragraph 40(e) of the ISQM 1 ED presented in **Agenda Item 4-D**.

In addition to editorial changes suggested by Board members, the following sets out the substantive discussions in finalizing the ISQM 2 ED.

#### ENTITIES SUBJECT TO ENGAGEMENT QUALITY REVIEW

Mr. Vanker provided an overview of paragraph 40(e) in **Agenda Item 4-D**, which addresses entities that are subject to an engagement quality review.

The Board confirmed its view that the term of “entities of significant public interest” was a more appropriate term to use in IAASB Standards rather than “public interest entities” as the term is already used in ISA 260 (Revised)<sup>5</sup> and ISA 700 (Revised).<sup>6</sup> The Board did not consider it necessary to make conforming changes to those ISAs because the terms are described in substantially the same way as in proposed ISQM 2.

The Board supported the clarification that the categories of entities for which engagements are subject to engagement quality reviews are not mutually exclusive,

The Board also agreed with the addition of “complexity” as a qualifier for entities of significant public interest in the public sector.

The changes noted above were included with the other responses to quality risks relating to engagement performance in proposed ISQM 1 and presented for approval with the ISQM 1 ED.

#### OBJECTIVE

Mr. Vanker highlighted the ISQM 2 Task Force's view that objectives in the IAASB's standards are intended to be outcome-oriented. The Board agreed that the proposed objective approved for exposure, as presented in **Agenda Item 4-A.1**, accomplishes that goal. The Board also agreed that it was not necessary to refer to elements of the definitions of “engagement quality review” and “engagement quality reviewer” in the objective because the description of an engagement quality review in the Introduction includes elements of those definitions and therefore helps to provide clarity of the objective.

#### DEFINITIONS

The Board agreed that the definition of:

- Engagement quality review should include that the review is performed by the engagement quality reviewer.

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<sup>4</sup> ISQM 2, *Engagement Quality Reviews*

<sup>5</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*

<sup>6</sup> ISA 700, *Forming an Opinion and Reporting on Financial Statements*

- Engagement quality reviewer need not refer to “suitably qualified” because this is implicit in the requirements for eligibility of the engagement quality reviewer.

#### APPOINTMENT AND ELIGIBILITY OF ENGAGEMENT QUALITY REVIEWERS

To better align with the objective of ISQM 2, the Board agreed to restructure the requirements addressing the appointment and eligibility of engagement quality reviewer. Further, the Board agreed that the requirements should refer to both the firm’s policies and procedures addressing appointment and eligibility, and to the specific requirements for the individuals appointing the reviewer, the engagement quality reviewer and individuals who assist the engagement quality reviewer.

The Board agreed with the requirement for the firm’s policies or procedures to include limitations on the eligibility of an individual to be appointed as engagement quality reviewer for an engagement on which the individual previously served as engagement partner. The Board further agreed with the application material supporting this requirement. However, a concern was expressed by a Board member about the reference to a specific cooling-off period included in the application material. The IAASB agreed to retain the application material as it is important to the public interest.

#### PERFORMANCE OF AN ENGAGEMENT QUALITY REVIEW

The Board agreed to clarify:

- That the firm’s policies or procedures should also address circumstances when the nature and extent of engagement team discussions with the engagement quality reviewer about a significant judgment give rise to a threat to the engagement quality reviewer’s objectivity, and appropriate actions to take in such circumstances.
- The wording of the stand-back requirement for the engagement quality reviewer to determine whether the requirements in proposed ISQM 2 with respect to the performance of the engagement quality review have been fulfilled, and whether the engagement quality review is complete and, if so, to notify the engagement partner accordingly.

#### DOCUMENTATION

The Board agreed to revise the documentation requirements to clarify that the firm’s policies or procedures should require the engagement quality reviewer to take responsibility for the documentation of the engagement quality review. The Board also agreed to clarify that the engagement quality reviewer is responsible for determining the sufficiency of the documentation, and that the documentation of the engagement quality review includes certain matters, including with respect to the stand-back requirement and notifications required to be made to the engagement partner or other individual(s) in the firm.

#### IAASB CAG CHAIR’S REMARKS

Mr. Dalkin supported including the category of entities that are of significant public interest, but suggested that in the public sector, additional factors such as complexity would help prevent all public sector entities from being swept into the category due to their inherent public interest nature.

#### PIOB OBSERVER REMARKS

Ms. Stothers supported the expansion of the types of entities whose engagements are subject to engagement quality review, and addressing the cooling-off period, as being important to the public interest.



#### EXPLANATORY MEMORANDUM

The Board supported the outline of the matters to be addressed in the explanatory memorandum. In particular, the Board supported having a robust discussion of the cooling-off period, including additional question(s) on this matter that would be developed in coordination with IESBA.

The Board also requested that the explanatory memorandum explain how the exposure draft addresses the engagement quality reviewer's exercise of professional judgment, and that the engagement quality reviewer's evaluation of the engagement team's significant judgments includes evaluating the engagement teams' exercise of professional skepticism. In connection with this explanation, the Board also requested that the explanatory memorandum include a question about whether the exercise of professional skepticism by the engagement quality reviewer should be addressed.

#### DUE PROCESS MATTERS

The Board agreed with the ISQM 2 Task Force's recommendation that further consultation or field testing is not needed prior to approval of proposed ISQM 2 for public exposure, but that the Board should encourage respondents to field test the proposals to inform their comment letters. The Board also agreed that the outreach strategy for the exposure period may consider the use of roundtables or other direct outreach methods such as webinars during the exposure period.

#### APPROVAL

After agreeing all necessary changes to the standards, the IAASB approved the ISQM 2 ED for exposure, with 16 affirmative votes out of the 17 Board members present. One member voted against approval. The Board discussed the exposure period and conforming amendments under **Agenda Item 5**.

Ms. French indicated that the vote against the proposed standard represented her consistent, strong objection to addressing the cooling-off period for engagement quality reviewers in the IAASB's Standards. Ms. French acknowledged that the cooling-off period was addressed in application material in the proposed ISQM 2 ED. Nevertheless, she noted that the guidance was still likely to become a de facto requirement in IAASB standards that would be more appropriately addressed in the IESBA Code.

### 5. Quality Management Proposed Standards – Joint Matters

Ms. French introduced the topic, noting that due to the linkages between the projects on proposed ISQM 1, proposed ISQM 2, and proposed ISA 220 (Revised), it is better suited to have discussions of certain matters, such as the exposure period and the conforming amendments, be addressed together.

#### CONFORMING AMENDMENTS

After agreeing minor and editorial changes to the proposed conforming amendments set out in **Agenda Item 5-A** for proposed ISQM 1, proposed ISQM 2, and proposed ISA 220 (Revised), the IAASB approved the proposed conforming amendments for exposure, with 17 affirmative votes out of the 17 IAASB members present.

#### EXPLANATORY MEMORANDUM

The Board agreed with the proposal that a joint explanatory memorandum be issued to accompany the separate explanatory memorandums for the three projects, and that the EDs be issued together. The Board also supported the provision of a template to aid respondents in preparing their comment letters.

#### EFFECTIVE DATE

The Board discussed the need for adequate time for implementation of the quality management standards so that firms of all sizes can implement the wide ranging changes in a structured and consistent way. The Board also noted the importance to the public interest of capturing the benefits of the quality management approach as soon as possible, recognizing that there may be perceptions that the project has taken a long time to reach exposure, and therefore that an extended implementation period would not be in the public interest. The Board considered but rejected having different implementation periods for firms of different sizes or client bases.

The Board concluded that the joint explanatory memorandum should indicate that the Board is considering an implementation period of 18 months after approval of the final standard, with a specific question for respondents about this timing. The joint explanatory memorandum should also note that the Board recognizes that this may be difficult for some firms and that respondents should be asked to indicate what assistance or support the Board or others could provide to facilitate an 18 month implementation period. The joint explanatory memorandum should also ask respondents who do not support the proposed implementation period to indicate the reasons why.

#### IAASB CAG CHAIR'S REMARKS

Mr. Dalkin noted that the implementation of the quality management standards would take some time, but that some firms have already begun preparations. He noted that International Organization of Supreme Audit Institutions (INTOSAI) would be concerned if the implementation date was too early as some INTOSAI members, as well as smaller firms that are contracted to perform assurance engagements on their behalf, may not be ready.

#### PIOB OBSERVER REMARKS

Ms. Stothers noted the importance to the public interest of finalizing the quality management standards and making them effective as early as practicable. She noted that the Board should include the rationale for the proposed effective date in the explanatory memorandum as it will be an area of focus for many respondents. She noted that the proposed implementation date would be seen by some as a significant delay, but that this may be lessened if the effective dates were earlier for certain types of firms, although she acknowledged that the Board did not support differing effective dates for different types of firms.

#### EXPOSURE PERIOD

The Board agreed that the EDs would be released in early February for public comment until July 1, 2019.

#### OTHER MATTERS

The Board noted the proposals for joint outreach activities for the three quality management EDs during the exposure period, and provided suggestions for additional outreach opportunities. The Board agreed that staff and the Task Force chairs would take these suggestions into account in determining what outreach was needed in 2019.

The Board supported the joint Quality Management Task Force's intention to issue draft implementation guidance that would be released shortly after the publication of the quality management exposure drafts.

## 6. Identifying and Assessing the Risk of Material Misstatement – ISA 315 (Revised)

The ISA 315 Task Force Chair provided a high level overview of the initial analysis of the comment letters in relation to the Exposure Draft of proposed ISA 315 (Revised) (ED–315). The Board discussed respondents' concerns about the length and complexity of ED–315, and potential difficulties in understanding and applying it in practice, with particular reference to scalability. The Board highlighted that it was essential that further consideration be given to these issues and concerns by the ISA 315 Task Force, and encouraged the ISA 315 Task Force to keep an open mind in their considerations.

The Board also acknowledged particular areas of broad support, including the flowcharts, the new introductory paragraphs, the inherent risk factors, enhancements in relation to audit considerations relating to information technology (IT), and the approach taken in relation to automated tools and techniques.

In relation to understandability, Board members variously suggested aspects for further consideration including:

- Focusing on keeping the standard simple and succinct by focusing on the principles of the audit risk model, by revising long and complex sentences and explanations using simpler language.
- Understanding whether explanations are needed in the standard to support the implementation of the revised requirements, or whether other guidance or educational material is needed in relation to principles that are in the extant standard.
- Reconsideration of some of the new definitions or concepts that have been introduced, and how these have been presented in the standard.

The Chair of the Professional Skepticism Working Group expressed her willingness to support and liaise with the ISA 315 Task Force to further enhance aspects of professional skepticism in the standard where respondents had noted changes were needed. The ISA 315 Task Force will also liaise with the Data Analytics Working Group in making changes to respond to comments relating to automated tools and techniques.

### WAY FORWARD

The ISA 315 Task Force will continue to analyze the comment letters and will present its initial proposals to respond to the comments received to the Board at the March 2019 IAASB meeting.

## 7. The IAASB's Strategy 2020–2023 and Work Plan 2020–2021

Mr. Gunn and Ms. Bahlmann provided an introduction to the draft Consultation Paper on the IAASB's Strategy for 2020–2023, and the related Work Plan for 2020–2021, (the 'Strategy and Work Plan') as presented to the Board in **Agenda Items 7 and 7-A**. They also informed the Board that Staff has been working on a more focused and concise format for presenting the Strategy and Work Plan and explained the rationale for the updated format.

The Board discussed the draft Strategy and Work Plan (as presented in **Agenda Item 7-A**), and asked the Steering Committee to consider:

- Further elaborating how the Board will address the advances in, and use of, technology, as this was not emphasized enough in the draft Consultation Paper. In addition, it was suggested that further clarification about the different types of technologies impacting the environment was needed, as well as making clear that it also impacted the way that practitioner's undertook their work.

- Giving more prominence to the project that addresses issues related to the audit of less complex entities, making clear that this project's outcomes had not yet been determined but that work was being undertaken to determine the most appropriate actions to address the issues. .
- Enhancing the description of the research phase given the importance of this activity stream in identifying and further understanding issues and challenges within the IAASB's standards.
- Clarifying the diagram that depicts the IAASB's proposed framework of its activities (as included on page 15 of **Agenda Item 7-A**) to better illustrate how the new structured activities interact.
- Clarifying how the IAASB will deliver on the Strategy and Work Plan. It was also questioned whether the IAASB has the resources and processes in place to deliver the Strategy and Work Plan especially given the additional focus on implementation activities and the Monitoring Group's possible changes.
- In relation to the detailed Work Plan (included on page 20 of **Agenda Item 7-A**):
  - Verifying that the classification of projects into the different new activity streams are correct; and
  - Considering whether all indicated targets are realistic.
- How the Monitoring Group reforms have been presented in the draft Consultation Paper, including considering whether this needed to be made more prominent in the beginning.
- How the draft Consultation Paper could be made more forward looking, as much of the focus seemed to be on current projects. It was noted that this may help identify areas where IAASB actions may be needed in the future.
- A "mindmap" format for the table of contents.

The Board was supportive of further developing the more focused and concise format for presenting the Strategy and Work Plan, but asked the Steering Committee to take into account the points raised in the discussion of **Agenda Item 7-A** as noted above.

#### CAG CHAIR'S REMARKS

Mr. Dalkin suggested describes stronger linkage between the opportunities and challenges that the IAASB is facing with the proposed strategic actions. He also highlighted the need to further emphasize advances in technology as appropriate. On the detailed Work Plan, Mr. Dalkin suggested clarifying when a project is expected to be finished, as well as when an Exposure Draft is expected to be published.

#### PIOB OBSERVER'S REMARKS

Mrs. Stothers was supportive of having a statement on the Monitoring Group reforms in the beginning of the Consultation Paper. She was also supportive of further developing the more focused and concise format of the Consultation Paper. In that version she specifically highlighted the section that describes the IAASB's goals, keys to success and the stakeholder value proposition, as well as the section that describes the opportunities and challenges. She emphasized the need to be open about the challenges that the IAASB is facing and therefore that changes are needed.

## WAY FORWARD

The Steering Committee will further develop the more focused and concise format of the Strategy and Work Plan. The updated Strategy and Work Plan will be discussed at the Board's January 22, 2019 teleconference and is expected to be issued in early February 2019.

### 8. Extended External Reporting (EER) Assurance

Mr. Grabowski presented an updated draft of the Phase 1 Guidance (draft guidance) (as presented in **Agenda Item 8-A**) reflecting much of the feedback received from the IAASB and other stakeholders in at the IAASB's September 2018 meeting.

The IAASB noted a significant improvement in the draft guidance, particularly in terms of its structure and accessibility. There was support for the way in which the EER Task Force had addressed the issues raised at the September 2018 IAASB meeting, including how the guidance now describes the system of internal control in relation to the preconditions for an assurance engagement.

The IAASB highlighted the following matters for further consideration by the EER Task Force:

- Further clarity is needed in Chapter 8 of the draft guidance that the concept of a "materiality process" is part of a preparer developing suitable criteria. The IAASB suggested making it more explicit that where criteria from a reporting framework do not specify in sufficient detail what items are relevant in the context of a specific entity, the preparer may need to develop supplementary criteria.
- A glossary may be a useful addition, however careful thought is required about how this would exist alongside the definitions in ISAE 3000 (Revised)<sup>7</sup> and the *Glossary of Terms* contained within the IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.
- Drafting improvements to Chapter 9 are needed to emphasize that the use of assertions is not required by ISAE 3000 (Revised), and to explain better the indirect relationship between the characteristics of suitable criteria and assertions.

### IAASB CAG CHAIR'S REMARKS

Mr. Dalkin acknowledged the progress made on the draft guidance and asked the EER Task Force to consider whether issues arose in circumstances where the engaging party is not the responsible party. Mr. Grabowski suggested that such engagements might be possible but that careful consideration of whether the preconditions for an assurance engagement were present would be necessary.

## WAY FORWARD

The EER Task Force will update the draft guidance based on the Board's feedback, including written comments received by the EER Task Force in advance of the meeting, and will present it to the IAASB for discussion on a teleconference in January 2019, after which it is expected that the draft guidance will be published for comment. The EER Task Force plans to work with IAASB Staff to identify the most appropriate form of document for the draft guidance to be published.

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<sup>7</sup> International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

## **9. CAG Chair Remarks**

Mr. Dalkin thanked the Board for its consideration of the comments from CAG Representatives in the various discussions during the week and commended the Board about its focus on key issues.

## **10. PIOB Observer Remarks**

Ms. Stothers congratulated the board on approving the quality management standards for exposure, noting that these standards are of significant public interest and commended the Board on the hard work in finalizing the standards. Ms. Stothers noted that she had observed very open and collaborative discussions, highlighting that the Board has a good understanding of what the public interest issues are. She also noted that although not all of the issues raised by the PIOB over the course of the project had been dealt with, she did commend the Board on their efforts with regard to professional skepticism, the business model, the importance of ethics, networks, public interest entities and the Board's openness in regards to the proposed effective date for the quality management standards.

## **11. Closing**

The minutes of the September 2018 IAASB meeting and teleconferences of October 16, 2018 were approved, with a change in the September 2018 public session meeting minutes under the 'Way Forward' for Less Complex Entities.

Ms. Bahlmann updated the Board about plans for outreach in 2019, highlighting the need to consider what needed to be done in relation to the many public consultations in the first half of the year.

Mr. Dohrer updated the board on discussions had with IAASB Staff with regard to the Data Analytics Working Group (DAWG). He noted that the term 'Data Analytics' has become an everyday term and that the DAWG, following discussions with IAASB Staff, is looking to transform and broaden the remit of its activities. The group would therefore be rebranded as the Technology Working Group. Mr. Dohrer highlighted that this group would focus on a wide range of both current and emerging technologies used by either preparers or auditors, and would serve as a way to educate and inform the board on such technologies. He further noted that a new updated terms of reference would be brought to the Board in due course.

Prof. Schilder thanked the PIOB for its encouragement and observations across all of the projects.

Prof. Schilder thanked all outgoing IAASB members for their efforts, and announced that the Deputy Chair, Ms. Zietsman, would be departing from the Board in February 2019. He added that her replacement, and as well as new Deputy Chair, would be announced to the Board once the approval process had been completed.

Prof. Schilder thanked the IAASB members, technical advisors and IAASB staff and closed the meeting.

## **12. Next Meeting**

The planned Board teleconferences on January 22 and 31, 2019 were confirmed, with the topics being the approval of the IAASB's Strategy and Work Plan Consultation Paper and final discussions on the EER draft guidance to be published for comment and. The next IAASB physical meeting will be held in Toronto, Canada, from March 11–15, 2019.