

**Minutes of the 122nd Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on March 15–19, 2021 via Video Conferences¹**

| | Voting Members | Technical Advisors (TA) |
|----------|---|---|
| Present: | Tom Seidenstein (Chair) | Helene Agéll (Mr. Hagen) |
| | Len Jui (Deputy Chair) | Sara Ashton (Ms. Almond) |
| | Sue Almond | Vivienne Bauer (Mr. Monroy) |
| | Chun Wee Chiew | Wolf Böhm (Prof. Marten) |
| | Julie Corden | Fabien Cerutti (Ms. Tracq-Sengeissen) |
| | Kai Morten Hagen | Antonis Diolas (Mr. Chiew) |
| | Josephine Jackson | Johanna Field (Mr. Turner) |
| | Sachiko Kai | Hiram Hasty (Ms. Stevens) |
| | Edo Kienhuis | Rene Herman (Prof. Simnett) (March 15-18) |
| | Diane Larsen | Susan Jones (Mr. Jui) |
| | Prof. Kai-Uwe Marten | Thokozani Nkosi (Ms. Jackson) |
| | Lyn Provost | Tania Sergott (Ms. Corden) |
| | Fernando Ruiz Monroy | Jamie Shannon (Mr. Kienhuis) |
| | Prof. Roger Simnett | Sylvia Van Dyk (Mrs. Provost) |
| | Wendy Stevens | Denise Weber (Ms. Larsen) |
| | Isabelle Tracq-Sengeissen | Kohei Yoshimura (Ms. Kai) |
| | Eric Turner | |
| | Imran Vanker ² | |
| Apology: | <i>None</i> | |
| | 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) | |

¹ Due to the COVID-19 pandemic, the IAASB decided to hold the March 2021 IAASB meeting via a number of video conference sessions during the week of March 15 and 19, 2020. The discussions held during these video conferences are captured within these minutes.

² Mr. Vanker was supported by Ms. Sinethemba Maseko and Mr. Yussuf Choonara during the March 2021 IAASB meeting.

Public Interest Oversight Board (PIOB) Observer

Present: Prof. Karel van Hulle

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards)(March 15-17 and 19), Willie Botha (Technical Director), Beverley Bahlmann, Yvonne Chan, Brett James, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska (March 15-18), Hanken Jane Talatala, Jasper van den Hout, Nicki Bester (Independent Contractor), Angela Donnelly (IAASB Staff Fellow)(March 15-16 and 19), Dan Montgomery (Senior Advisor – Technical Projects), Pauline Irwin (Extended External Reporting Staff Lead)(March 15 and 18)

IAASB agenda materials referred to in these minutes can be accessed on the IAASB's Website for the sessions held [March 15–19](#). These minutes are a summary of the decisions made at the March 2021 IAASB meeting, in light of the issues and recommendations in the agenda material put forth by the Task Forces, Working Groups, 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

Mr. Seidenstein welcomed all participants to the March 2021 IAASB virtual meeting. He then also welcomed the public observers who were observing the meeting via the IAASB's YouTube channel.

Mr. Seidenstein updated the Board on the outreach performed during the first quarter of 2021, highlighting the extent of the IAASB's interactions with its key stakeholders for various projects.

2. Audit Evidence

Ms. Almond introduced the topic by providing an overview of the key issues to be discussed by the Board as outlined in **Agenda Item 2**.

THE MEANING OF AUDIT PROCEDURES AND THE DEFINITION OF AUDIT EVIDENCE, INCLUDING THE SCOPE OF ISA 500³

The Board supported the Audit Evidence Task Force's (AE Task Force) conclusions about the input and output of information in the context of ISA 500, i.e., that "information intended to be used as audit evidence" needs to be subject to audit procedures to become audit evidence.

THE MEANING OF AUDIT PROCEDURES

The Board, on balance, supported clarifying the meaning of audit procedures. However, the Board questioned how, or whether, this clarification may impact auditor behavior. The Board also disagreed with the proposal that:

³ International Standards on Auditing (ISA) 500, *Audit Evidence*

- There are audit procedures that are required to be performed to comply with an ISA that are not designed or performed for the primary purpose of obtaining sufficient appropriate audit evidence; and
- Such audit procedures are excluded from the scope of ISA 500.

CHANGES TO THE DEFINITION OF AUDIT EVIDENCE

The Board broadly supported the proposed revisions to the first sentence of the extant definition of audit evidence, provided that audit procedures, as used in the definition, means all audit procedures performed in accordance with the ISAs.

The Board expressed mixed views about the proposed deletion of the second sentence of the extant definition of audit evidence, which deals with the possible sources of audit evidence. However, on balance, the Board supported explaining the sources of audit evidence in the application material.

OTHER MATTERS RELATED TO THE DEFINITION OF AUDIT EVIDENCE

The Board emphasized the importance of addressing information that corroborates or contradicts assertions in the financial statements through application material or a requirement to design and perform audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory (i.e., similar to the requirements that were introduced in ISA 315 (Revised 2019)⁴ and ISA 540 (Revised)⁵).

INFORMATION INTENDED TO BE USED AS AUDIT EVIDENCE – RELEVANCE AND RELIABILITY

The Board broadly supported the direction of the AE Task Force's proposals in developing a principles-based requirement when considering the relevance and reliability of information intended to be used as audit evidence. However, the Board had mixed views about the clarity and robustness of the proposed requirement, which included the following suggestions:

- Retaining the requirement about obtaining audit evidence about the accuracy and completeness of information intended to be used as audit evidence, which could be a conditional requirement.
- Clarifying or explaining the auditor's required work effort; and
- Simplifying the proposed requirement, as the current drafting suggests a two-step process.

The Board encouraged the AE Task Force to:

- Further emphasize that the attributes that may be considered by the auditor relating to the relevance and reliability of information intended to be used as audit evidence are not meant to be used as a checklist;
- Address the risk of auditor bias when considering the attributes, particularly when the information has been generated through technology; and
- Include more examples to demonstrate that, in some cases, the consideration of the relevance and reliability of information intended to be used as audit evidence may be performed concurrently with other audit procedures to obtain sufficient appropriate audit evidence.

⁴ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

⁵ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

SOURCES OF INFORMATION INTENDED TO BE USED AS AUDIT EVIDENCE

The Board acknowledged the AE Task Force's challenges in reconciling the definition of an external information source with other sources external to the entity more broadly. The Board asked the AE Task Force to further consider whether:

- There would be a different work effort in considering information from an external information source and other sources external to the entity.
- The categories may be simplified, given that that information is either internal or external to the entity.
- The definition of an external information source needs to be revised.

The Board also encouraged the AE Task Force to consider various types of information the auditor may use in an audit, and which category the information would fall in to. The Board continued to note uncertainty about whether "auditor generated information" is a separate source of information.

AVAILABILITY, ACCESSIBILITY AND UNDERSTANDABILITY OF INFORMATION INTENDED TO BE USED AS AUDIT EVIDENCE

The Board expressed mixed views about the proposal to develop guidance to explain that restrictions about information that is not available or understandable are not a justification for the auditor to be satisfied with less than persuasive audit evidence. The Board also asked the AE Task Force to further consider:

- Developing guidance to explain that in some cases the costs to obtain audit evidence may outweigh the benefit. For example, it may be the only or best audit evidence available.
- Whether it is appropriate to exclude information from the scope of ISA 500 if it is not understandable, noting that it may be the best information in relation to relevance and reliability.

SUFFICIENT APPROPRIATE AUDIT EVIDENCE AND PERSUASIVENESS OF AUDIT EVIDENCE

The Board strongly supported the three proposed categories of factors that may affect sufficient appropriate audit evidence. Further recommendations of the Board included:

- In relation to the effectiveness of audit procedures and whether the audit procedures have been effectively applied, instead referring to the "responsiveness" of audit procedures, as it may be more scalable.
- Further exploring "appropriately applied" given that it is a quality management concept that applies throughout the ISAs.

The Board expressed mixed views about the proposed changes to the definitions of sufficiency and appropriateness of audit evidence. While some supported the proposed changes to the definitions, other members suggested that the current definitions should be retained, noting that:

- The current definitions use plain language, and that translation issues could arise with the new proposed terms.
- The proposed changes in the definitions may not drive any changes in the auditor's behavior or work effort.
- Instead of changing definitions, guidance should be developed to support the auditor's considerations regarding sufficient appropriate audit evidence.

In relation to the definition of “sufficiency of appropriate audit evidence” and the concept of persuasiveness, further specific comments included:

- Re-embedding the concept of risk of material misstatement in the definition.
- Exploring the reference to “appropriate” in the title of the definition, and the further implications throughout the ISAs as a result of changing this term, given that the ISAs refer to “sufficient appropriate audit evidence,” rather than “sufficient *and* appropriate audit evidence.”
- Exploring the concept of “acceptably low level” in the context of discussing persuasiveness in ISA 500.

OTHER COMMENTS

In relation to the modernization of the standard, the Board asked the AE Task Force to consider the use of other and more conventional types of examples, noting that some of the proposed examples focus on specific technology, such as blockchain, that may inadvertently date the standard.

IAASB CAG CHAIR REMARKS

Mr. Dalkin noted that the IAASB CAG is broadly supportive of the direction of the project. Mr. Dalkin also highlighted the recent approval of the revised AU-C Section 500 by the AICPA’s ASB,⁶ and noted that the Representatives encouraged the AE Task Force to consider the changes implemented by the AICPA as a reference point.

PIOB OBSERVER REMARKS

Prof. van Hulle noted that he is not opposed to a principles-based approach in considering the relevance and reliability of information intended to be used as audit evidence, provided that the requirements are clear and robust. Given the increased use of, and developments in, technology, Prof. van Hulle noted that a principles-based approach may be more appropriate in the circumstances. Notwithstanding his support of a principles-based approach, Prof. van Hulle noted the importance and value of external information, if available and accessible to the auditor. For example, attempts to mitigate recent corporate failures may have been identified or initiated earlier if the auditor used available information sources external to the entity. He therefore questioned whether ISA 500 should include a requirement to consider external information sources that are available to the auditor.

WAY FORWARD

The AE Task Force will make changes to ISA 500 based on Board members’ feedback. The AE Task Force will bring further matters for discussion to the July 2021 IAASB meeting.

3. Extended External Reporting (EER) Assurance

BACKGROUND

Mrs. Provost introduced the topic, noting that the *Non-authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements* (the ‘EER Guidance’) had been

⁶ In July 2020, The American Institute of Certified Public Accountants’ (AICPA) Auditing Standards Board (ASB) revised Auditing Standard – Clarified (AU-C) Section 500, *Audit Evidence*, which was based on ISA 500. The revised standard is effective for audits of financial statements for periods ending on or after December 15, 2022.

updated in response to the comments made by the Board in its December 2020 meeting and subsequently in writing.

Board members expressed strong support for issuing the EER Guidance, thanking the EER Task Force for the final changes made to improve the EER Guidance, and the Project Advisory Panel for their significant contribution.

While many Board members supported Appendix 3, some Board members expressed concern that the spectrum of limited assurance may be interpreted as three levels of assurance and encouraged the EER Task Force to amend the appendix to focus on a level of assurance that is meaningful in the circumstances. Various suggestions were made including:

- Reconsidering or adjusting the use of the arrows, including clarifying certain elements of the descriptions of the practitioner's work effort across the range of limited assurance.
- Amending the introductory text before the table to make it clearer, and to consider whether and how best to reinforce this messaging throughout the table.

A revised draft of the EER Guidance was presented with an updated introduction to the table in Appendix 3. In the case of limited assurance, the revisions addressed that the engagement is planned to obtain a level of assurance that is, in the practitioner's judgment, meaningful, and focused on how limited assurance towards the lower end of the range may differ from limited assurance towards the upper end of the range. A reference to paragraphs A4-A7 of ISAE 3000 (Revised)⁷ was also added.

In addition to various editorial and other less significant comments, the Board agreed to make the following changes to the EER Guidance:

- Clarifying that ISAE 3000 (Revised) also accommodates engagements to report on subject matter information that may consist of a combination of non-financial and financial information (see Introduction).
- Reverting to the description from the previous draft that, in a limited assurance engagement, what is meaningful assurance can vary from just above assurance that is likely to enhance intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential, to just below reasonable assurance (see Chapter 8).
- Making certain adjustments to the illustrative reasonable assurance and limited assurance reports for consistency between the reports and with ISAE 3000 (Revised) (see Chapter 12).
- Deleting the definition of substantive testing from Appendix 1, since the definition may incorrectly suggest that procedures performed to obtain an understanding of the underlying subject matter and other engagement circumstances are substantive testing.
- In Appendix 3, amending references to 'judgment' to 'professional judgment.'

Mrs. Provost also noted the pace of change in non-financial reporting, and outlined the IAASB Planning Committee's proposal for a two-part strategy:

- Firstly, promote the new EER Guidance and supporting information, reinforcing that ISAE 3000

⁷ International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

(Revised) and ISAE 3410⁸ already contain substantial material with respect to assurance of non-financial reporting. Board members will be provided with talking points on EER and are encouraged to use them with their stakeholders to promote the EER Guidance and support material; and

- Secondly, continue to monitor changes and growing demands in this area, including engagement with stakeholders. As further needs are identified, these will be considered and prioritized under the IAASB's Framework for Activities; the Board is prepared to act to enhance the IAASB's standards and guidance, as appropriate.

The IAASB will also continue to explore how the EER Guidance might be made more accessible and user-friendly by presenting it in a digitally enhanced format. On publication, the EER Guidance will include internal hyperlinking and, over time, will be put into digital format to include links to ISAE 3000 (Revised), and to provide a better search capability.

IAASB CAG CHAIR REMARKS

Mr. Dalkin noted the CAG's strong support for the EER Guidance, commenting that it has become much easier to follow than previously. He also noted world-wide interest in the EER Guidance but suggested that there may be an education aspect to be considered by the IAASB in order to clarify for readers how the EER Guidance relates to ISAE 3000 (Revised).

PIOB OBSERVER REMARKS

Prof. van Hulle noted that the EER Guidance will be a good resource. However, as it is lengthy, he queried whether it might be possible to also provide a simplified version for non-practitioners who want to know what practitioners are doing in this area.

PROCESS CONSIDERATIONS

Mr. Seidenstein reminded the Board that there had been agreement in the EER project proposal to follow a similar process to that for standard-setting, even though the EER Guidance is non-authoritative material.

Mrs. Provost confirmed that the EER Task Force had raised all significant matters with the IAASB and noted that no further consultation was needed. Mr. Botha advised that the IAASB had followed an appropriate process, as agreed with the World Business Council for Sustainable Development, in finalizing the EER Guidance.

APPROVAL

After agreeing all necessary changes, the IAASB approved the EER Guidance with 18 affirmative votes out of the 18 Board members present.

4. Audits of Less Complex Entities (LCEs)

INTRODUCTION

Mr. Seidenstein introduced the session, highlighting that the LCE Task Force had been working towards approval of the draft standard for exposure at the June 2021 Board meeting. He recognized that further work was still needed on the draft standard and encouraged the Board to balance the desire to continue refining the draft standard and exposing the draft for feedback, in light of the Board's objective to be more

⁸ ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

agile and get user feedback earlier in the process. He also reminded the Board of the feedback from the CAG, PIOB and Small and Medium Practitioners Advisory Group on the urgency of exposing the draft for public consultation, emphasizing that it would be the Board's decision when that occurred, and in what format.

Mr. Hagen walked through an overview of key changes made to the draft standard and supporting documents (set out in **Agenda Items 2-A, 2-B and 2-C**).

Mr. Hagen and Mr. Dalkin highlighted that the IAASB CAG broadly supported the general direction of the draft standard. However, it was noted that CAG Representatives encouraged the Board to reconsider the need to exclude requirements relating to audits of group financial statements from the draft standard. It was also noted that CAG Representatives from the regulatory community encouraged that all public interest entities (PIE's) be excluded from the applicability of the standard.

GENERAL COMMENTS

Mixed views were expressed about the draft standard. While some Board members broadly supported the overall approach and the resulting draft standard, others expressed concerns that the standard may not be adopted because of concerns about audit quality, while others had the view that it may still be too onerous for the types of entities that this standard was targeted at. Chace

Timeline

Some Board members expressed concern with approving an ED in June 2021, although others had the view that it would be better to expose the standard as early as practicable in order to get stakeholder input. It was also suggested that if a consultation was undertaken that it should not be presented as an ED but another type of consultation, such as a discussion paper or an invitation to comment.

It was noted that extensive consultation had already taken place leading up to and in development of the draft standard and taking longer to expose the standard would result in many expectations not being met, and risking (further) divergence in the audit environment as other jurisdictions develop standards for LCEs.

Title of the Standard

There were mixed views about the proposed title of the standard and whether it was appropriate. Some Board members suggested it may confuse users to see "ISA" in the title when it is a standalone standard and not part of an 'ISA' audit which offered a different set of robust procedures. It was noted that by titling the standard an ISA it therefore did not provide the transparency needed (i.e., that this was a different standard to the ISAs). Other members noted that it would be as confusing to not see 'ISA' in the name, given that audits under either set of standards would result in reasonable assurance.

Definitions

The Board continued to express concern about referring to the Glossary of Terms for the definitions, noting that the definitions needed to form part of the authoritative text of the standard. The Board encouraged further consideration of including the definitions within the standard, for example in an appendix.

Mapping Documents

Although acknowledging the usefulness of the mapping documents, many Board members expressed concerns with the descriptions of the reasons why ISA requirements had been excluded or modified, as

this was needed to assess that the level of work required by the ISA for LCE is commensurate with an audit using the ISAs and therefore enough to obtain reasonable assurance. It was also noted that it would be helpful to see an aggregate view of all changes from the ISAs (such as a summarized version).

Maintenance Period

Concern was raised about the suggested frequency of updating the standard only once every three years, taking into account the frequency and possible significance of new ISAs or updates to existing ISAs. Incorporating changes to the ISA for LCE as part of the conforming amendments for a new or revised ISA was suggested. It was acknowledged, however, that the International Accounting Standards Board's International Financial Reporting Standard for Small and Medium Sized Entities is only updated every three years in a similar way to provide a stable platform for users of that standard, with more frequent updates being considered only on a case-by-case basis.

Symbols

Mixed views were provided with regard the symbols used to signpost requirements related to the exercise of professional skepticism and to documentation requirements, with some members liking the concept but noting some inconsistency in their use and completeness. Concern was noted that practitioners may misunderstand that they only have to exercise professional skepticism for the procedures marked as such, rather than throughout the audit.

It was also suggested that in lieu of using the symbols, all documentation requirements are presented in one place, e.g., within an appendix rather than in the individual Parts.

Guidance for Using the Standard

Concern was expressed about the limited essential explanatory material (EEM) within the standard, with concerns noted about how auditors would effectively implement the standard and how audit quality could be achieved. However, the Board was generally supportive of supplemental guidance to support the implementation of the standard but reminded the LCE Task Force that such guidance is non-authoritative and should not create further obligations for the auditor that is not in the LCE standard. It was suggested that similar to the mapping documents for the draft standard, there should be principles established for what is included in guidance rather than in the standard, in order to help users understand the decisions about what is included.

Essential Explanatory Material

Although Board members found the presentation of the EEM in the blue boxes helpful, highlighting that it helped distinguish the EEM from the requirements, some Board members found that the blue boxes disrupted the flow of the standard and were distracting.

Transitioning

The Board continued to encourage further consideration by the LCE Task Force about how a practitioner would transition from the ISA for LCE to the ISAs.

Length

The Board were generally supportive of the length of the standard, believing it to be appropriate for its purpose.

APPLICABILITY

There were mixed views regarding the scope and applicability (i.e., Part A) in the draft standard, with an overarching theme that it was still not clear as to what kind of audits the standard was intended to be used for. It was noted that it was not clear who the applicability was written for, and it was highlighted that there would unlikely be consistency achieved in applying the criteria.

Many Board members expressed concern with the reliance on professional judgment by firms or the individual auditor (for audits other than those specifically excluded), which may result in inconsistent or inappropriate use of the standard. There was concern that, as currently drafted, there is a large population of audits of entities not specifically excluded from the applicability for which the standard could be inappropriately used, which may negatively impact audit quality. The LCE Task Force was encouraged to clarify the applicability and to be more direct and precise so as to limit the amount of professional judgment needed when deciding whether the standard was appropriate to use or not.

Although the Board was generally supportive of individual jurisdictions having the ability to further refine the categories and criteria for use of the standard, the potential inconsistency for multi-jurisdiction audits was noted.

While acknowledging the reasons for excluding PIEs given jurisdictional differences and the ongoing project of the International Ethics Standards Board for Accountants, many Board members generally expressed the view that PIEs should also be excluded from using the draft standard.

Specific comments were provided with regard to the characteristics used to describe complexity. In particular, the LCE Task Force was encouraged to revise various aspects of the characteristics to more clearly describe non-complexity (or what less complex is), as well as complexity, which may help jurisdictions and auditors in determining whether the standard is appropriate for use or not. It was also noted that some of the descriptions of the characteristics were not necessarily applicable in all cases as differentiators of complexity, and that it should be clarified where there were exceptions.

Although a few Board members expressed concern about audits of group financial statements being excluded from the standard, and acknowledged that an outright exclusion may result in a more limited uptake of the standard, the Board generally reaffirmed the decision from December 2020 to continue to exclude group audits (subject to a robust explanation in the explanatory memorandum to focus stakeholders' attention on this, with relevant questions to invite views to aid the Board's eventual decision).

COMMENTS ON THE DRAFT STANDARD

Notwithstanding the concerns about the applicability of the standard, the Board provided input on matters in context of the expected nature and circumstances of an audit of an LCE.

It was noted that Part 2 relating to Quality Management for an audit had been significantly improved from the previous draft. However, it was noted that the objective still had to be aligned with ISA 220 (Revised)⁹ and that some of the changes made to ISA 220 (Revised) relating to required behaviors, which were crucial to making that revised standard more robust, had been omitted.

Board members noted that Parts 2 and 3 were in a confusing order, as audit evidence would precede quality management. It was also noted that Part 3 on Audit Evidence had a number of aspects that may not be

⁹ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

directly relevant to audit evidence and should therefore be removed from this Part. It was also highlighted that the Preface should form part of the standard.

The Board expressed mixed views on Part 6 on risk identification and assessment. Some Board members had the view that the requirements were still too extensive and too detailed. Others had the view that the standard had been scaled back too much and encouraged that the LCE Task Force revert to the requirements of ISA 315 (Revised 2019), in particular as they relate to descriptors of the work effort. It was also noted that ISA 315 (Revised 2019) was not yet effective and therefore that caution was needed when making any changes to the requirements. The Board broadly supported the stand-back in Part 6 to reconsider the applicability of the standard, although one Board member noted that the stand-back should be earlier in the standard.

Board members generally supported the approach to Part 8, i.e., including requirements for evaluating and concluding together, but noted that further consideration would need to be given to the order of this Part. Board members also encouraged the LCE Task Force to further consider whether more was needed in Part 9 related to reporting as it was critical that all the necessary requirements had been included as this directed the output of the auditor's work. It was also highlighted that the illustrative auditor's report should better align with an 'ISA auditor's report', notwithstanding a few Board members supporting the alternative presentation.

With regard to specific observations about the standard, the Board encouraged the LCE Task Force to further consider:

- Including the relevant aspects of the ISAs relating to compliance frameworks (in relation to the applicable financial reporting framework).
- Aligning with the requirement to comply with relevant ethical requirements in the ISAs.
- Whether an audit strategy (in addition to an audit plan) for the audit is needed.
- Whether the standard was robust enough in regard to external confirmations, opening balances, and comparative information.
- How analytical procedures had been addressed, noting that some of the changes may inadvertently change the work effort for analytical procedures performed in risk identification and assessment.
- How audit sampling should address control testing as well as substantive procedures.
- Whether the standard sufficiently addressed non-compliance with laws and regulations.
- Whether a requirement for voluntarily reporting key audit matters (KAM) was needed for LCEs. There were mixed views in this regard. Some Board members had the view that the presence of voluntarily disclosed KAM, while rare, could be an indicator of complexity and may confuse messaging about the nature and circumstances of an LCE. Other Board members however, had the view that the communication of KAM would be useful and that this may encourage broader use of KAM in the audit environment.
- Whether more was needed with respect to reporting in relation to a going concern material uncertainty, including an illustrative report in an appendix.
- Whether anything more could be done to alleviate the documentation concerns raised by auditors of LCEs.

- How paragraphs had been structured, in particular those where there was more than one “shall” or there were long lists of bullet points.
- How LCE-specific matters could be better highlighted within the draft standard, for example for fraud.

Board Members expressed the need for more examples to assist with effective implementation of the standard once it was finalized and encouraged the LCE Task Force to further consider the development of supporting guidance, either by the IAASB or others.

PIOB OBSERVER COMMENTS

Prof. Van Hulle emphasized the need to expose the standard to obtain stakeholder input as soon as possible, highlighting that it was in the public interest to develop and finalize the standard in a timely manner. He also noted that it would be important to obtain the views and perspectives of regulators and audit oversight bodies as part of the outreach plan for obtaining input.

WAY FORWARD

The LCE Task Force will continue to progress and finalize the [draft] ISA for LCE for discussion with the Board at the June 2021 IAASB meeting, and approval as an ED for public consultation.

5. Group Audits

Mr. Jui updated the Board on the work of the ISA 600 Task Force since the December 2020 IAASB meeting as presented in **Agenda Item 5** and **Agenda Item 5-A**.

SCOPE, APPLICABILITY AND DEFINITIONS

The Board broadly supported the ISA 600 Task Force’s proposals as presented in **Agenda Item 5-A** but had several suggestions regarding the scope and applicability of the standard. The Board asked the ISA 600 Task Force to consider:

- Replacing the guidance in paragraph A2B with the wording as set out in paragraph 21 of **Agenda Item 5**. The wording in paragraph 21 of **Agenda Item 5** was deemed to more clearly contrast the situations in which proposed ISA 600 (Revised)¹⁰ would apply versus when it would not apply.
- Clarifying the scope of proposed by ISA 600 (Revised) for entities with branches.
- Elevating paragraph A2C, which addresses the scalability of proposed ISA 600 (Revised), from the application material to a separate paragraph in the Introduction section.
- Clarifying whether the definition of group auditor includes component auditors, given the reference in paragraph 9(h) to ‘other members of the engagement team.’
- Including additional guidance on the principles of aggregation risk and how aggregation risk is addressed in a group audit.

¹⁰ Proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

RISK-BASED APPROACH

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 5-A** but had several suggestions on how to enhance the sections on the risk-based approach. The Board asked the ISA 600 Task Force to consider:

Overall Group Audit Strategy

- Reducing or streamlining the application material as some paragraphs were viewed as detracting from the key messages in this section.
- Referring to the group audit plan in the title of this section and throughout this section as the application material relates to both the overall group audit strategy and group audit plan.
- Clarifying what is meant by the 'disaggregation of significant classes of transactions, account balances and disclosures in the group financial statements across components' as set out in the first bullet of paragraph A33E.
- Adding back to paragraph 13 the identification of component auditors and the preliminary determination about whether to involve them. It was noted that group auditor should have an understanding of these matters before accepting or continuing the group audit engagement.
- Including guidance on scoping a group audit when an audit is performed at a component for statutory, regulatory or other reasons.

Understanding the Group

- Merging paragraphs 24 and 31 as both paragraphs relate to ISA 315 (Revised 2019).
- Changing 'evaluate' in paragraph 25 to 'take into account' as paragraph 25 seemed to require an evaluation of the component auditors' evaluation whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of risks of material misstatement. The Board noted the reference to two evaluations may be confusing.

Responding to the Assessed Risks of Material Misstatement

- Removing 'limited number of significant classes of transactions, account balances or disclosures' in paragraph A100 and instead refer to the risks of material misstatement. It was also suggested to remove the reference to 'specific assertion' in paragraph A101 as that was deemed limiting.

COMMUNICATIONS WITH COMPONENT AUDITORS

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 5-A** but had several suggestions on how to enhance the sections on communications with component auditors. The Board asked the ISA 600 Task Force to consider:

- Clarifying the reference to 'report' in paragraph A52G.
- Including a requirement similar to paragraph 41(b) of extant ISA 600, which requires the component auditor to communicate whether the component auditor has complied with the group auditor's requirements.
- Clarifying that corrected misstatements in paragraph 44(c) relate to misstatements of component financial information identified by the component auditor.

- Revising paragraph A112B as the reference to ‘typically not sufficient on its own’ was deemed to be unclear. It was noted that the group auditor needs to meet all requirements in proposed ISA 600 (Revised) and that reading an overall summary memorandum or report from the component auditor is not sufficient.
- Revising paragraph A113(b) as the group auditor would not be able to determine the extent to which the component auditor’s documentation supports significant judgments made and conclusions reached by the component auditor without first reviewing the documentation.

MATERIALITY

The Board broadly supported the ISA 600 Task Force’s changes as included in **Agenda Item 5-A** but had several suggestions on how to enhance the section on materiality. The Board asked the ISA 600 Task Force to consider:

- Changing ‘shall be lower’ in paragraph 29(a) to ‘shall not be greater than’ group performance materiality. It was noted that in some cases a component may comprise nearly 100% of group and therefore performing audit procedures at the component using group performance materiality would be appropriate.
- Adding back the concept of component materiality for situations when the group auditor is requesting the component auditor to perform audit work on the entire financial information of a component.

DOCUMENTATION

The Board had mixed views on the ISA 600 Task Force’s changes as included in **Agenda Item 5-A**. Some Board members were of the view that the documentation section should be principles-based and should not repeat requirements in other ISAs. Other Board members raised concerns about the responsiveness of the proposed revisions to respondents’ suggestions for additional requirements to address the special considerations for a group audit or were of the view that the current draft allows for too much professional judgment by the group auditor. The Board asked the ISA 600 Task Force to consider:

- Clarifying paragraphs A124A–A124C. Board members had various comments and concerns about the intent and wording of these paragraphs. For example:
 - It was noted that the group auditor’s review of component auditor’s documentation can be done in different ways than described in paragraph A124A. It was suggested to provide more context and to delete the example.
 - It was questioned why the matters in the bullets in paragraph A124B would not always be in the group auditor’s file.
 - It was suggested that paragraph A124C should be strengthened to more clearly specify the nature and extent of component auditor documentation included in the group auditor’s file. Some Board members were of the view that this paragraph is not in the right location.
- Elevating paragraph A124 from the application material to a requirement.

PIOB OBSERVER REMARKS

Prof. van Hulle complimented the ISA 600 Task Force on the progress made. He noted that corporate failures are often hidden behind complex group structures. With respect to the scope of the proposed standard, he noted that clarity is important but difficult given that a group’s legal structure is often different

than the economic reality. Prof. van Hulle suggested to further clarify the scope in view of existing group structures but not try to be too precise as professional judgment will need to play a role. Furthermore, he suggested that the documentation section should be clear with respect to the group auditor's conclusion about the component auditor work and conclusions reached, as that would be in the interest of inspectors.

WAY FORWARD

Based on the Board's comments, the ISA 600 Task Force will further develop the draft of proposed ISA 600 (Revised). In the June 2021 meeting, the ISA 600 Task Force will present a full draft of the standard and will present a summary of respondents' comments and the ISA 600 Task Force's recommendations on the way forward related to most of the remaining questions in the Explanatory Memorandum to the ED of proposed ISA 600 (Revised).

6. IAASB CAG Chair's Closing Remarks

Mr. Dalkin thanked the task forces and working groups for considering and addressing the IAASB CAG Representatives' perspectives and comments in the relevant discussions.

7. PIOB Observer's Closing Remarks

Prof. van Hulle noted that the March 2021 meeting would be the last IAASB meeting he will attend as a PIOB Observer. Prof. van Hulle thanked the Board and staff for their work in the public interest and noted that the Board should strive to write high quality standards in the public interest but also easier to understand and apply.

Mr. Seidenstein thanked Prof. van Hulle for his service to the IAASB and to the public interest over many years.

8. Closing

The minutes of the March 2021 IAASB quarterly meeting and mid-quarter video conferences for January 26 and February 10-11, 2021 were approved as presented.

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

9. Next Meeting

There are two planned Board videoconferences for the second quarter of 2021. These videoconferences will be held on April 21–22 and May 10–11, 2021. The next IAASB meeting will be held via several video conferences between June 14–23, 2021.