

**Minutes of the 126th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on July 20–21, 2021 via Video Conferences¹**

	Voting Members	Technical Advisors (TA)
Present:	Tom Seidenstein (Chair)	Sara Ashton (Ms. Almond)
	Len Jui (Deputy Chair)	Vivienne Bauer (Mr. Monroy)
	Sue Almond	Wolf Böhm (Prof. Marten)
	Chun Wee Chiew	Fabien Cerutti (Ms. Tracq-Sengeissen)
	Julie Corden	Antonis Diolas (Mr. Chiew)
	Kai Morten Hagen	Johanna Field (Mr. Turner)
	Josephine Jackson	Hiram Hasty (Ms. Stevens)
	Sachiko Kai	Rene Herman (Prof. Simnett)
	Edo Kienhuis	Susan Jones (Mr. Jui)
	Diane Larsen	Thokozani Nkosi (Ms. Jackson)
	Prof. Kai-Uwe Marten	Tania Sergott (Ms. Corden)
	Lyn Provost	Jamie Shannon (Mr. Kienhuis)
	Fernando Ruiz Monroy	Sylvia Van Dyk (Mrs. Provost)
	Prof. Roger Simnett	Denise Weber (Ms. Larsen)
	Wendy Stevens	Kohei Yoshimura (Ms. Kai)
	Isabelle Tracq-Sengeissen	
	Eric Turner	
	Imran Vanker ²	
Apology		Helene Agélii (Mr. Hagen)

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 The IAASB held two video conference sessions on July 20–21. The matters discussed during these video conferences are captured within these minutes.

² Mr. Vanker was supported by Mr. Matambo at the July 21–22 videoconferences.

Public Interest Oversight Board (PIOB) Observer

Present: Michael Hafeman

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards) (July 21), Willie Botha (Technical Director), Beverley Bahlmann, Amy Fairchild, Brett James, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska, Hanken Jane Talatala, Angela Donnelly (IAASB Staff Fellow). Dan Montgomery (Senior Independent Contractor) (July 21)

Apology: Jasper van den Hout

IAASB agenda materials referred to in these minutes can be accessed on the IAASB's Website for the sessions held on [July 20–21](#). These minutes are a summary of the decisions made at the July 2021¹ IAASB video conferences, considering the issues and recommendations in the agenda material put forth by the Task Forces, 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

Mr. Seidenstein welcomed all participants to the July 20–21, 2021 IAASB videoconferences. Mr. Seidenstein specifically welcomed Mr. Kumu Matambo, who will be supporting Mr. Vanker, and the public observers who observe the meeting via the IAASB's YouTube channel.

Mr. Seidenstein then noted that this meeting will be Mr. Hasty's last IAASB meeting as he will be retiring soon. He thanked Mr. Hasty for his contributions to the IAASB during his tenure.

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 1**.

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

The Auditor's Work Effort

The Board broadly supported using the term "evaluate" to describe the auditor's work effort in addressing the relevance and reliability of information to be used as audit evidence. The Board encouraged the Audit Evidence Task Force to:

- Clarify the use and meaning of "sufficiently relevant and reliable," in particular what is "sufficient" in this context. The Board questioned whether "sufficient" is a necessary qualifier in this context because elsewhere in the International Standards on Auditing (ISAs) reference is made to "relevant and reliable" without indicating that it needs to be "sufficiently" relevant and reliable.
- Further consider whether it is the information being evaluated for relevance and reliability or the audit evidence.

- Consider the associated documentation arising from the requirement and cautioned not to create an unnecessary burden on auditors.

The Applicable Attributes

On balance, the Board suggested that the requirement in ISA 500³ addressing the relevance and reliability of information to be used as audit evidence should continue to specifically address the accuracy and completeness of the information, as necessary in the circumstances. In particular, the Board noted the need to retain the robustness of the extant standard, given ongoing inspection findings and issues arising in practice in this area. The Board therefore suggested the following:

- A conditional requirement based on option 2 in **Agenda Item 1**, or a combination of options 2 and 3 in **Agenda Item 1**.
- Adjusting the qualifier of “as necessary in the circumstances” to “as appropriate in the circumstances” since this qualifier is more commonly used in the ISAs.
- Clarifying in the requirement that not every attribute is relevant and needs to be considered, so as not to create an unnecessary burden. In this regard, the Board suggested elevating some of the proposed application material in paragraphs A35a or A35b in **Agenda Item 1–A**.

REINFORCING THE EXERCISE OF PROFESSIONAL SKEPTICISM WITH RESPECT TO AUDIT EVIDENCE

The Board noted the Audit Evidence Task Force’s coordination activities with the Professional Skepticism Working Group in preparing its proposals in relation to professional skepticism.

Use of the Terms “Consistent and Inconsistent” and “Corroborate and Contradict”

The Board broadly agreed that the terms should be used taking into account the relevant context. However the Board noted the challenges in fully visualizing the proposals in ISA 500 at this stage. Although some Board members supported the guidelines proposed by the Audit Evidence Task Force on when the terms are used, others sought more clarity on the guidelines and the basis for the Audit Evidence Task Force’s decisions. Further comments included the following:

- When using the terms “corroborative and contradictory,” it should not be limited to management’s assertions only but also include assertions at the financial statement level and individual account balance level. Accordingly, the wording of the relevant requirements should be aligned to the wording used in ISA 315 (Revised 2019)⁴ and ISA 540 (Revised).⁵
- Whether the proposed guidelines should be included in the drafting principles and guidelines proposed by the Complexity, Understandability, Scalability and Proportionality (CUSP) Working Group (“the CUSP Guidelines”).
- Considering whether the different use of the terms may actually affect auditor behavior and be understood in practice. A concern was expressed that there may be too much emphasis on the use of the appropriate term which may have unintended consequences during regulatory inspections (for

³ ISA 500, *Audit Evidence*

⁴ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraph 13

⁵ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraph 18

example, if there is an expected or implied work effort associated with specific terms and the auditor uses the wrong terms when describing their work).

Proposed Requirements that Address Professional Skepticism with Respect to Audit Evidence

The Board broadly supported the following requirements that address professional skepticism with respect to audit evidence, and provided additional suggestions:

- The proposed 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. Additional comments included:
 - A suggestion to be less specific on which bias the requirement relates to in order to reflect all types of bias explained in **Agenda Item 1** (i.e., removing “towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory” from the requirement).
- The proposed requirement to respond when information intended to be used as audit evidence is not sufficiently relevant and reliable for the auditor’s purposes. Additional comments included:
 - Retaining the reference to “doubt” over the reliability of information to be used as audit evidence, as included in paragraph 11(b) of extant ISA 500.
 - Reconsidering whether it is appropriate for the requirement to address doubt over the *relevance* of the information, as relevance is a binary decision rather than something an auditor may have doubt over.
 - Reconsidering whether both of the further actions are required in all instances (determining modifications to audit procedures and considering effects on other aspects of audit), as set out in paragraphs 56 (a) and (b) of **Agenda Item 1** (i.e., instead this may be an “or”).
- The proposed requirement to respond when audit evidence or information intended to be used as audit evidence is inconsistent with other audit evidence. Additional comments included:
 - Exploring whether this requirement could be emphasized or elevated, given that inconsistent information or audit evidence may be indicative of a risk of material misstatement.
 - Further consider whether a reference to both information and audit evidence is necessary.
 - Consider whether the requirement may result in onerous documentation requirements.

The Board expressed mixed views about whether a requirement should be added to ISA 500 to conclude whether sufficient appropriate audit evidence has been obtained and consider all relevant audit evidence regardless of whether it is corroborative or contradictory. In particular, the Board commented as follows:

- Some board members were cautious about having duplicative requirements throughout the ISAs. However, others encouraged further exploring adding the requirement to ISA 500 given the notion of ISA 500 being a complete reference framework for audit evidence, on the basis that it is clear what is expected of the auditor in each circumstance the requirement appears in the ISAs.

- It was suggested that the conclusion on sufficient appropriate audit evidence in ISA 500 could be at the level of the individual items (such as account balances), as opposed to the overall financial statements, as contemplated by ISA 330⁶ and ISA 700 (Revised).⁷
- The reference to “information” in addition to audit evidence is likely unnecessary, because the auditor would likely have already considered information in gathering the audit evidence.
- The reference to “consistent and inconsistent” may not be necessary, given that these terms are already used in the previous requirements that address the reinforcement of professional skepticism.

With respect to the phrase “a critical assessment of evidence” in the definition of professional skepticism, while noting the interactions with the Professional Skepticism Working Group, the Board suggested the following:

- Explaining that a critical assessment of evidence may be undertaken when the evidence is subject to a robust challenge through comparing corroborative and contradictory evidence; and
- Exploring adding the perspective of users as a lens for critically assessing evidence, in a similar manner as the reasonable and informed third-party test under the International Code of Ethics for Professional Accountants.⁸

THE PURPOSE AND SCOPE OF ISA 500, AND THE REQUIREMENTS THAT THE STANDARD SHOULD ADDRESS

The Board supported the retention of paragraph 6 of ISA 500 in its current form. The Board also broadly supported:

- Requiring the auditor to design and perform audit procedures in a manner that does not result in audit evidence that is biased, subject to its comments noted in the discussion on professional skepticism.
- The notion that ISA 500 is a reference framework for the auditor throughout the audit when making judgments in relation to audit evidence.

The Board on balance supported the proposed location of paragraphs 8 and 10 of extant ISA 500.

ADDRESSING THE CONCEPT OF DETECTION RISK IN THE REQUIREMENTS OF ISA 500

The Board encouraged the Audit Evidence Task Force to continue to explore incorporating detection risk in ISA 500, through a requirement or application material, given broad support for the notion that ISA 500 is a reference framework for the auditor throughout the audit when making judgments in relation to audit evidence. In particular, the Board suggested clarifying in ISA 500 the relationship between quality management in ISA 220 (Revised)⁹ and the design of audit procedures.

⁶ ISA 330, *The Auditor's Responses to Assessed Risks*

⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

⁸ The reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made.

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

PROPOSED APPROACH IN PRESENTING EXAMPLES TO SUPPORT THE APPLICATION OF PRINCIPLES AND CONCEPTS OF THE REQUIREMENTS IN ISA 500.

The Board supported the proposed approach for presenting the examples to support the application of principles and concepts of the requirements in ISA 500.

OVERALL COMMENTS

The Board recommended that it may be useful to perform an analysis of the Audit Evidence Task Force's proposals against the issues to be addressed as outlined in the Audit Evidence Project Proposal.

IAASB CAG CHAIR REMARKS

Mr. Dalkin noted that the IAASB CAG is broadly supportive of the direction of the project. In relation to evaluating the relevance and reliability of information intended to be used as audit evidence, Mr. Dalkin also noted:

- Support for the term “evaluate” when describing the auditor’s work effort; and
- The importance of emphasizing the attributes of “accuracy” and “completeness,” and in particular “completeness.”

PIOB OBSERVER REMARKS

Mr. Hafeman observed the IAASB's general support of the Audit Evidence Task Force's proposals. Mr. Hafeman highlighted the importance of aligning proposed ISA 500 (Revised) with the CUSP drafting guidelines as well as clarifying the relationship of the standard with the other ISAs. Mr. Hafeman also noted the need to focus on professional skepticism, and that further discussions and coordination may be necessary with the Professional Skepticism Working Group.

WAY FORWARD

The Audit Evidence Task Force will make changes to ISA 500 based on Board members' feedback. The Audit Evidence Task Force intends to provide a full draft to the Board for discussion to the March 2022 IAASB meeting.

3. Fraud in an Audit of Financial Statements

Mrs. Provost introduced the session and explained that the objectives of the session were to (1) discuss possible actions for the remaining four specific topics raised by respondents to the Discussion Paper¹⁰ where mixed responses were received as set out in **Agenda Item 2**, and (2) discuss the overarching public interest issues that will be addressed by a project on fraud, as well as the possible project objectives and broad project scope. Mrs. Provost explained that this session would, together with the discussions in April and June 2021, inform the development of the project proposal to be presented to the Board in September 2021.¹¹

¹⁰ *Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit*

¹¹ The approval of the project proposal has subsequently been moved to December 2021 to allow the Fraud Working Group sufficient time to address comments and issues raised by the Board in previous Board discussions.

SUMMARY OF FEEDBACK RECEIVED AND POSSIBLE ACTIONS

The Board provided feedback on possible actions recommended by the Fraud Working Group in response to the four matters highlighted by respondents to the Discussion Paper and summarized in **Agenda Item 2**.

In her introductory remarks, Mrs. Provost further explained the Fraud Working Group's position on transparency in the auditor's report, with clarification and further explanation of the position of the Fraud Working Group being given in relation to what had been presented in **Agenda Item 2**, including noting the omitted tick with regard to standard-setting in the summary box. Mr. Botha also made a clarification about the European Union (EU) requirement referenced in paragraph 14 of **Agenda Item 2**. He noted that there are different interpretations within the EU about the meaning of that requirement, and therefore there are different applications across jurisdictions.

The Board discussed the possible actions to address the challenges and issues identified on the four topics presented, and in some areas continued to express mixed views on the possible actions. The IAASB Chair reminded the Board of the importance at this stage of the project's development to take an open and ambitious approach to considering options for standard-setting action on major public interest issues, and to not limit options based on prejudging specific solutions.

The Board provided comments and suggestions for the Fraud Working Group's consideration on the possible actions as it develops the project proposal:

More Transparency in the Auditor's Report.

Mixed views were expressed by Board members about the Fraud Working Group's recommendations, but there was agreement that further consideration is needed as to whether more transparency in the auditor's report and exploration of how this could be done.

- Board members strongly encouraged the Fraud Working Group to further explore transparency in the auditor's report to determine the most appropriate way to address this key public interest issue.
 - Board members encouraged continued monitoring of changes made in local jurisdictions (e.g., the United Kingdom) for increased transparency related to fraud in the auditor's report.
- Some Board members strongly encouraged consideration of standard-setting in this area to require more transparency in the auditor's report.
 - A Board member strongly believed standard-setting is needed in this area based on stakeholder responses to the Discussion Paper.
 - The Chair noted that the possible action for this matter should be to explore and consider standard-setting, and again encouraged the Fraud Working Group to take an open and ambitious approach to addressing this issue.
- Some Board members expressed the following concerns with requiring more transparency in the auditor's report related to fraud:
 - It could add to the length of the report without adding substantive information (i.e., there is a risk of boilerplate disclosures).

- Significant changes to the auditor's report had only recently been made, and encouragement to allow time for those requirements to settle before making changes to the auditor's report again.
- Non-authoritative guidance could be useful in helping auditor's apply the current requirements, in particular in relation to the interaction of fraud and key audit matters (KAM).
- Some Board members encouraged the use of the existing KAM mechanism in ISA 701¹² to enhance transparency on fraud-related matters in the auditor's report. Board members encouraged the Fraud Working Group to remain open to solutions that may require standard-setting actions to revise or add application material in ISA 701.

Making the Engagement Team Discussion More Robust.

Although the Board broadly supported the proposals in this area, the Board encouraged the Fraud Working Group to:

- Further explore how an explicit consideration by the audit engagement team for a further engagement team discussion(s) could be incorporated into the standard, either through requirements or application material. Some Board members cautioned about the need to keep any new requirements scalable (i.e., a determination that is suitable to the nature and circumstances of the engagement).
- Consider whether additional topics for discussion should be required as part of the engagement team discussion. The Fraud Working Group were encouraged to further explore research that had been done in this area.
- Further explore how appropriate revisions for involving specialists in the engagement team can be made. A Board member cautioned that it was not only involving the specialists in the engagement team discussion that was important, but emphasized the need to explore how changes could be made to explain *how* those specialists are involved. It was added that any possible requirements should be robust and not merely capture existing practice in this area.
- Monitor and understand standard-setting actions taken in local jurisdictions related to this matter, including understanding how any changes made have been implemented and whether they are effective.

Clarifying the Relationship Between ISA 240¹³ and ISA 250 (Revised).¹⁴

The Fraud Working Group was encouraged to consider strengthened proposals to clarify the relationship between ISA 240 and ISA 250 (Revised).

- Board members encouraged openness about possible changes to address the issues identified.
- Board members encouraged consideration of a possible requirement in ISA 240 to consider the impacts of ISA 250 (Revised) when fraud is identified or detected. However, there was a caution as to how ISA 240 deals with non-compliance with laws and regulations as that is separately covered by ISA 250 (Revised).

¹² ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹³ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial statements*

¹⁴ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

- A Board member noted there is typically established firm practice, including escalation procedures, in this area that may be useful to consider when addressing this issue.
- Board members suggested that non-authoritative guidance should not be prioritized when considering the possible actions as law and regulations is jurisdictional and not the same globally, so it may be difficult to effectively develop such guidance.

Addressing Instances When Fraud or Suspected Fraud is Identified During the Audit.

Board members that commented broadly supported the proposals but encouraged the Fraud Working Group to also consider whether any enhancements are needed.

- Board members questioned whether re-ordering the requirements would change auditor behavior and challenged if more is needed.
- Board members encouraged the Fraud Working Group to look at requirements related to non-compliance with laws and regulations in the IESBA code.¹⁵

KEY PUBLIC INTEREST ISSUES, PROJECT OBJECTIVES, AND PROJECT SCOPE

The Board provided feedback on the key public interest issues that had been identified. The Board was broadly supportive of the Fraud Working Group's efforts to incorporate the Public Interest Framework (PIF) into elements of the project proposal.

Key Public Interest Issues

While broadly supportive of the concepts behind the key public interest issues, Board members provided suggested revisions on the wording used to describe the key public interest issues.

- 'Determining' should be replaced with 'strengthening' in the first public interest issue.
- "Irrespective of the inherent limitations of an audit" in the first public interest issue should not be presented in this way to suggest that the inherent limitations of an audit can be overcome.
- For the second public interest issue, clarifying the intent of the action instead of referring to 'linkages' (i.e., fostering an integrated risk-based approach).
- Determining whether 'irregularities' should also be included in the third public interest issue.

Board members encouraged the Fraud Working Group to further reflect on whether the public interest issues, as described, really encapsulate all of the issues that have been identified. It was also added that all of the public interest issues needed to be described as issues and not solutions.

The Fraud Working Group was also encouraged to consider how the benefits of the actions that would be proposed could be described.

Project Objectives

Board members noted it would be helpful to reconcile project objectives to the issues identified relating to the project scope.

The Fraud Working Group was encouraged that further consideration be given to prioritization of the topics

¹⁵ The International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

to be addressed, as there were many.

Project Scope

Board members recognized this is a work in progress as the remaining topics were discussed at this meeting, but noted that this needed to be a complete analysis, adding that some matters had not yet been included.

Board members encouraged the Fraud Working Group to revise wording such that there is flexibility for further exploration of issues once the project commences.

- Board members suggested adding columns to indicate where changes to requirements are being proposed as opposed to other actions.

OTHER COMMENTS – DRAFT MINUTES FROM JUNE 2021 BOARD MEETING

In relation to the draft minutes presented in an appendix to **Agenda Item 2**, it was raised that these minutes did not accurately capture all of the comments made. Notwithstanding that it was noted that these minutes are still subject to review, a Board member and the PIOB representative highlighted that changes are needed to more accurately capture the discussions. Mr. Hafeman expressed concern at how certain issues and his comments were described in the draft minutes. He encouraged the Board and Staff to ensure minutes are expressed in a clear and complete manner in future. Mr. Seidenstein noted that the minutes will be amended, and a revised draft presented to the Board for approval at the September 2021 IAASB meeting.

IAASB CAG CHAIR REMARKS

Mr. Dalkin noted that CAG Representatives discussed considerations around whether additional required audit procedures may have prevented or detected recent fraud cases earlier if they had been in place, for example, reviewing publicly available contradictory information. Mr. Dalkin also noted that some CAG Representatives had expressed concerns that additional requirements for more transparency in the auditor's report related to fraud may cause users of the auditor's report to think financial statement audits are more forensic in nature than they are, which may increase the "expectation gap."

PIOB OBSERVER REMARKS

Mr. Hafeman supported the incorporation of the PIF into the approach to identify and describe the key public interest issues and other elements of the project proposal, noting that the development of the key public interest issues would be helpful in informing the PIOB's discussions. He encouraged revision of the project objectives so they are more specific and tied to the fraud project, in particular being clear about how the public interest issues will be addressed as this would help with communications with stakeholders. He supported the mapping of the issues in the project scope.

Mr. Hafeman noted that stakeholders give high priority to this topic and the PIOB expects the project proposal should be robust in response. He noted a project that only results in minor changes would not likely be worthwhile to undertake. He expressed concern that in the discussion of transparency, although most Board members supported exploration of a possible requirement, they often followed this with a list of concerns, which gave an overall impression of reluctance to consider a possible requirement. He encouraged an open mindset and willingness to consider changes to the standard, including to the possibility of moving beyond not only the current requirements but perhaps even the current practices of the leading audit firms. Mr. Seidenstein noted that while Board members expressed caution on certain

issues, there was strong support for an open and ambitious approach with regard to addressing issues on fraud.

WAY FORWARD

The Fraud Working Group will present a project proposal for discussion and approval at the September 2021¹⁶ IAASB meeting.

4. Definition of Listed Entity and Public Interest Entities (PIE)

Ms. Jackson and Mr. Siong provided an overview of respondents' comments to IESBA's ED, [*Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code \(PIE ED\)*](#) as set out in **Agenda Item 3**. Mr. Siong also explained the initial direction on certain key matters discussed by IESBA at their June 2021 meeting. Ms. Jackson presented the proposals of the IAASB PIE Working Group in response to feedback from respondents on the questions relevant to the IAASB. Ms. Jackson emphasized the need for IAASB to work closely with IESBA and provide inputs as they approve their final revisions to the Code in December 2021. The Board noted the importance of the IAASB undertaking its own due process in relation to this project.

USING THE OVERARCHING OBJECTIVE FOR BOTH IAASB AND IESBA IN ESTABLISHING DIFFERENTIAL REQUIREMENTS FOR CERTAIN ENTITIES

The Board supported the IAASB PIE Working Group's proposed approach to the overarching objective in establishing differential requirements for certain entities in the IAASB Standards as set out in Agenda Item 3. The Board provided specific comments on the use of the term "financial condition" in paragraph 400.8 of the PIE ED. The Board suggested:

- Considering whether the use of the term is consistent with how it is used elsewhere in the IAASB's International Standards; and
- Exploring whether it is appropriate to use "financial condition" in establishing differential requirements for certain entities in the IAASB's International Standards, including whether it may inadvertently result in differential requirements related to going concern.

The Board cautioned against introducing more differential requirements in the IAASB's International Standards beyond what is currently in place, noting that it creates complexity. The Board suggested that a careful and balanced approach is needed, and noted that the *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities* may reduce the need for further differentiation in the IAASB Standards.

PROPOSED CASE-BY-CASE APPROACH IN CONSIDERING THE DIFFERENTIAL REQUIREMENTS APPLICABLE TO LISTED ENTITIES IN THE IAASB STANDARDS

The Board supported:

- Using a case-by-case approach in determining whether requirements for listed entities in the IAASB's International Standards should be expanded to all PIEs as part of a narrow-scope amendment project; and

¹⁶ The approval of the project proposal has subsequently been moved to December 2021 to allow the Fraud Working Group sufficient time to address comments and issues raised by the Board in previous Board discussions.

- Considering whether the application material in the IAASB's International Standards needs to be aligned to the categories of entities within the proposed PIE definition. However, the Board cautioned that the scope of such revisions should not be too broad.

The Board noted that the PIE concept and how it is applied is complex, given the variation in PIE definitions and how they are applied in the Code, local ethical codes or jurisdictional requirements. The Board also observed that within these codes and jurisdictional requirements, there is a varying degree of applicability of the requirements to PIEs across independence and audit.

DISCLOSURE WITHIN THE AUDITOR'S REPORT THAT THE FIRM HAS TREATED AN ENTITY AS A PIE

There was general support for exploring transparency in the auditor's report, with an emphasis on the need for the IAASB to follow its own due process in this regard. The Board noted the importance of being open-minded to transparency in the public interest. The Board:

- Noted the mixed feedback from respondents to the PIE ED about whether disclosure within the auditor's report that the firm has treated an entity as a PIE would be appropriate.
- Encouraged careful consideration of how the disclosure would be described within the auditor's report. In particular, the Board noted that:
 - The PIE concept and how it is applied is complex and therefore how the matters are described could give rise to confusion; and
 - The disclosures may increase the length of the auditor's report.
- Expressed mixed views on IESBA's proposal to require auditors to publicly disclose that the auditor has complied with the additional independence requirements applicable to audits of PIEs instead of requiring auditors to publicly disclose that the entity was treated as a PIE. Some Board members questioned the benefits of the proposed disclosure and whether disclosing what independence standards are being followed would provide additional information to users from a public interest perspective, because users generally seek to understand if the auditor is independent or not (i.e., this is a binary issue for users). Other Board members indicated that the proposed revisions to IESBA's transparency requirement are helpful and that users may want to know which independence requirements have been applied by the auditor.
- The Board observed the need to explore all disclosure mechanisms and analyze their advantages and disadvantages to determine which mechanism would be the most appropriate. The Board also noted that clarity is needed on what is meant by "publicly disclose." Related to the notion of "publicly disclose," a Board member questioned whether "publicly disclose" is appropriate, noting that it is unlikely possible to disclose anywhere other than the auditor's report, and that in some cases there is good reason that an auditor's report is not available and accessible to users.

The Board noted the timeline for the approval by IESBA, and suggested deferring finalizing IESBA's requirement for transparency about independence, to enable the IAASB to consider whether, and if so how, transparency about independence may be addressed in the IAASB's Standards.

CAG CHAIR REMARKS

Mr. Dalkin thanked the Board and indicated that although the CAG had previous discussions on this topic, the Definitions of Listed Entity and PIE project will be further discussed with the CAG at its September 2021

meeting. He commented that at previous CAG discussions there had been mixed views, and that it would be relevant to see the outcome of September 2021 CAG discussion.

PIOB OBSERVER REMARKS

Mr. Hafeman noted the importance for coordination between IESBA and IAASB on this initiative. He encouraged the IAASB to consider how requirements in the IAASB's International Standards apply and where differentiation might be made. Mr. Hafeman noted the importance of keeping the IAASB's International Standards as simple as possible, and to focus on a clear and concise disclosure to meet user's needs. Mr. Hafeman emphasized the need to carefully consider the comments received in response to the PIE ED to ensure that the perspectives of all stakeholders, including users of financial statements, are appropriately considered.

5. Closing

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

6. Next Meeting

The next IAASB quarterly meeting will take place via videoconference between September 13–17, 2021.