

**Minutes of the 129th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on December 6–14, 2021 via Hybrid Meeting¹**

Voting Members

Present: Tom Seidenstein (Chair)
Len Jui (Deputy Chair)
Sue Almond
Chun Wee Chiew
Julie Corden
Kai Morten Hagen
Josephine Jackson
Sachiko Kai
Edo Kienhuis
Diane Larsen
Prof. Kai-Uwe Marten
Lyn Provost
Fernando Ruiz Monroy
Prof. Roger Simnett
Wendy Stevens
Isabelle Tracq-Sengeissen
Eric Turner (December 9, 13-14)
Imran Vanker²

Technical Advisors (TA)

Helene Agélii (Mr. Hagen)
Sara Ashton (Ms. Almond)
Viviene Bauer (Mr. Monroy)
Wolf Böhm (Prof. Marten)
Fabien Cerutti (Ms. Tracq-Sengeissen)
Antonis Diolas (Mr. Chiew)
Johanna Field (Mr. Turner)
Rene Herman (Prof. Simnett)
Susan Jones (Mr. Jui)
Thokozani Nkosi (Ms. Jackson)
Tania Sergott (Ms. Corden)
Jamie Shannon (Mr. Kienhuis)
Sylvia Van Dyk (Mrs. Provost)
Denise Weber (Ms. Larsen) (December 6-9)
Brian Wilson (Ms. Stevens)
Kohei Yoshimura (Ms. Kai)

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)

Public Interest Oversight Board (PIOB) Observer

Present: Ms. Janine van Diggelen

¹ The December 2021 IAASB meeting was a hybrid meeting, where some participants joined in-person and others via several simultaneous videoconferences from December 6-9, 2021. In addition, the meeting included two virtual sessions via videoconferences on December 13-14, 2021. The discussions held during these sessions are captured within these minutes.

² Mr. Vanker was supported by Mr. Ian Mtegha during the December 2021 IAASB meeting.

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards) (December 7 and 15), Willie Botha (Technical Director), Beverley Bahlmann, Amy Fairchild, Natalie Klonaridis, Armand Kotze, Phil Minnaar, Kalina Shukarova Savovska, Hanken Jane Talatala, Jasper van den Hout, Dan Montgomery (Senior Advisor – Technical Projects).

IAASB agenda materials referred to in these minutes can be accessed on the IAASB's Website for the sessions held [December 6 –14, 2021](#). These minutes are a summary of the decisions made at the December 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 and Approval

Mr. Seidenstein welcomed all participants to the December 2021 IAASB hybrid meeting, including the 1 January 2022 incoming Board members, Mr. Edge and MrProf. Maroun. 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 fourth quarter of 2021, highlighting the extent of the IAASB's interactions with its key stakeholders for various projects.

The minutes of the September 2021 IAASB quarterly meeting and mid-quarter video conferences for October 19-20, 2021, were approved as presented at the Monday December 13, 2021, meeting session.

2. Group Audits – Proposed ISA 600 (Revised)³

Mr. Jui introduced the topic, noting that proposed ISA 600 (Revised) had been updated in response to the comments made by the Board in its September 2021 meeting.

In finalizing ISA 600 (Revised), in addition to various editorial and other less significant comments, the Board agreed to make the following changes:

- Align the construct in paragraph 32(a) with paragraph 31(a) and use "Matters related to the financial information of the component that the component auditor determines to be relevant ..."
- Split paragraph 38(b) into sub-requirements for responding to the assessed risks of material misstatement due to fraud arising from the consolidation process and evaluating whether management's judgments made in the consolidation process give rise to indicators of possible management bias.
- Clarify paragraph 41 to emphasize the two-way nature of the communications between the group auditor and component auditors about matters relevant to the design of responses to the assessed risks of material misstatements.

³ Proposed International Standards on Auditing (ISA) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

- Add application material (new paragraph A10A) that clarifies the group engagement partner's responsibilities related to the direction and, supervision of component auditors and review of their work that may be helpful when the group auditor plans to use the audit work from an audit of component financial statements that has already been completed.
- Add application material (new paragraph A21A) to address concerns about removing "at the request of the group auditor" from the definition of component auditor. It was noted that, because of the deletion, additional clarity was needed for circumstances in which the component auditor is unable to confirm that the component auditor will cooperate with the group auditor and perform the work requested.
- Clarify the second bullet of paragraph A40 to address concerns that it was dealing with an accounting standard matter. In response, the Board agreed to focus the bullet more on the auditing implications when the auditor's access to information or people is restricted at an entity in which the group has a non-controlling interest that is accounted for by the equity method. The bullet was also moved into a separate paragraph.
- Clarify in paragraph A74 that the review of component auditor audit documentation by the group engagement partner often takes place during the course of the group audit.
- Clarify in paragraph A117 that, when determining component performance materiality for an entity that is accounted for by the equity method, the group auditor may take into account matters such as the group's ownership percentage and the share of the investee's profits and losses.
- Add application material (new paragraph A144A) that explains the implications for the group audit if the group auditor determines that the component auditor's communications are not adequate for the group auditor's purposes.

IAASB CAG CHAIR REMARKS

Mr. Dalkin noted the support of the IAASB CAG Representatives for this project and expressed appreciation for the ISA 600 Task Force's response to the IAASB CAG's comments and concerns. He also thanked the Staff and ISA 600 Task Force for their hard work over the last 6 years.

PIOB OBSERVER REMARKS

Ms. van Diggelen highlighted the importance of ISA 600 (Revised) to the suite of ISAs as many audits are group audits. She added that the PIOB is supportive of the standard as it addresses all-PIOB's identified public interest issues. She also thanked the Staff and ISA 600 Task Force for their hard work and responsiveness to input and feedback. Ms. van Diggelen added that she is interested in how the documentation requirements, including the review of component auditor audit documentation by the group auditor, will be applied in practice. She noted ~~that the standard addresses the concerns raised by regulators and Monitoring Group members, and~~ that implementation and application in practice also will be key to its success.

DUE PROCESS CONSIDERATIONS

Mr. Jui confirmed that the ISA 600 Task Force had raised all significant issues with the IAASB and noted the ISA 600 Task Force had the view that no further consultation (such as roundtables or further consultation with particular stakeholder groups) or field testing was needed. The IAASB agreed that there were no issues raised by respondents to the Exposure Draft of proposed ISA 600 (Revised) that should

have been discussed in addition to those summarized by the ISA 600 Task Force. Mr. Botha advised the IAASB that it had adhered to its stated due process in finalizing the standard.

APPROVAL

After agreeing all necessary changes, the IAASB unanimously approved ISA 600 (Revised) with 18 affirmative votes out of the 18 Board members present.

CONSIDERATION OF THE NEED FOR RE-EXPOSURE

Mr. Jui presented the ISA 600 Task Force's consideration of the need for re-exposure as presented in **Agenda Item 2**. The Board agreed with the ISA 600 Task Force's conclusion that the changes made to the standard since the exposure draft did not require re-exposure.

The IAASB unanimously voted against re-exposure, with 18 Board members out of the 18 Board members present voting against re-exposure.

WAY FORWARD

The Board will formally release the standard after confirmation is received from the PIOB that due process was followed. The revised standard will be effective for periods beginning on or after December 15, 2023.

3. Fraud in an Audit of Financial Statements

Mrs. Provost presented to the Board for discussion and approval a project proposal for the revision of ISA 240⁴ and the conforming and consequential amendments to other relevant ISAs, as set out in **Agenda Item 3-A**. The following sets out the more substantive comments, decisions, and direction from the Board on the fraud project proposal.

OVERALL STRUCTURE AND CONTENT

The Board broadly supported the structure of the project proposal and the manner in which the Public Interest Framework (PIF) was incorporated. Board comments focused on a number of areas, including:

- The level of specificity within the project proposal. There were comments about needing more specificity to avoid "scope creep," while other Board members noted that the proposed actions needed to be more flexible. The Board agreed changes throughout to maintain the balance between being too specific and maintaining flexibility that is needed to progress the project to revise ISA 240 effectively and efficiently.
- Role of others in the financial reporting ecosystem. The Board encouraged further emphasis on the role of others in the financial reporting ecosystem to explicitly highlight that standard-setting on its own would not address the expectation gap. Changes were agreed that would make this clear.
- Matters where no further actions were proposed. The matters within the project proposal that had been previously discussed with the Board and where no further actions were proposed were highlighted (i.e., consideration of suspicious mindset, changes to the definition of fraud and engagement quality reviews).

⁴ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

- Integration of the PIF in the project proposal. The Board requested that the role of the PIF in a project be further clarified, including explaining that all relevant aspects had been addressed in the project proposal but may be subject to further development, to avoid any potential misconception that only some aspects of the PIF had been included. Changes were agreed to enhance the project proposal in this regard.

PROJECT OBJECTIVES

The Board broadly supported the project objectives and changes were agreed to address Board comments as follows:

- Clarifying that the project was to “*support* the public interest” rather than “*achieve* the public interest.”
- Rarticulate the objectives, where necessary, as an objective and not an action.

Although it was suggested that the project objectives be expanded to include conforming and consequential amendments and non-authoritative guidance, the Board agreed that these are not project objectives but rather actions within the project. The Board agreed to clarify within the project proposal that the project scope would include the conforming and consequential amendments, and the development of non-authoritative guidance.

STAKEHOLDERS IMPACTED

While there were suggestions to tailor how “stakeholders impacted” should be described in the project proposal, the Board agreed to make no further changes as this was consistent with how it was described in the PIF. Board members also suggested to explain how to “weigh and balance” all stakeholder views, and changes were agreed to explain that this was based on judgment.

KEY ISSUES IDENTIFIED

The Board noted that the articulation of the “key issues” was not, in some cases, describing the issue and were also not, in some cases, consistently described. The Board also suggested ensuring that a key issue was included for all proposed actions (in paragraph 25).

SCOPE OF THE PROJECT

The Board broadly supported the proposed actions to address the key issues identified, although encouraged to make clear that the scope included ‘strengthening’ the requirements for the auditor. The Board also encouraged that the project proposal sets out that the scope also allows for further (or other actions), if the circumstances deem it necessary, as the project is progressed.

The Board discussed whether the revisions to ISA 240 need to explicitly address examples relevant to Less Complex Entities (LCEs) given that the IAASB has issued an Exposure Draft, *Proposed International Standard on Auditing of Financial Statements of Less Complex Entities*. However, it was highlighted that the ISAs needed to remain robust for all sizes and complexities of entities, as well as for those jurisdictions that may not adopt the proposed separate standard for audits of LCEs or when the separate standard is not used. The Board therefore encouraged that scalability be built in where appropriate.

The Board also called for certain clarifications and changes, including:

- De-prioritizing the proposed action to “reorder” the auditor’s responsibilities prior to the description of the inherent limitations of an audit within the introductory paragraphs. Board members noted that a

more fundamental consideration is needed of how the inherent limitations are described, but at the same time, cautioned about the risk of unintentionally widening the expectation gap.

- Strengthening the proposed action related to the role and responsibilities of the auditor by articulating the auditor's responsibilities in a proactive manner i.e., to describe what are the responsibilities of the auditor versus the responsibilities of others, not merely focusing on the inherent limitations of an audit.
- When considering application material to the definition of fraud, adding money laundering as it is often dealt with by the same regulations addressing bribery and corruption (which is an area that will be considered in the project).
- Focusing on scalability when enhancing the requirements regarding the use of specialized skills.
- Distinguishing between technology related to the entity, and technology when used by the auditor to undertake their procedures.
- Clarifying the proposed action to test journal entries to address the extent of testing and recognize the use of technology when undertaking the required procedures. It was cautioned that any changes made regarding the testing of journal entries should not further inflate the misconception that the ISA 315 (Revised 2019)⁵ requirement is seen only as a response to fraud arising from management override ~~of a fraud response~~.
- Moving the proposed action on the presumption of fraud risk in revenue recognition as it relates to risk assessment rather than response, which also affected its placement in the listing of key issues.
- Adding an action to address the "ramp-up" of procedures when fraud is identified or suspected through standard setting and not through non-authoritative guidance.
- Reverting to the original proposed action to require the auditor to assess whether the remediation measures taken by management and those charged with governance (TCWG) for identified or suspected fraud are appropriate (and not just a discussion).

In deliberating the proposed action related to enhanced transparency in the auditor's report, the Board continued to express mixed views, and consequently agreed that this proposed action should remain described as "explore." It was noted that such a description recognizes that this action will require further consideration by the Fraud Task Force in order to determine the most appropriate way forward with regard to changes to the auditor's report. The Board also cautioned that any proposed action should not provide a "roadmap" for how to perpetrate future frauds.

Non-Authoritative Guidance

Some Board members noted concern over the inclusion of non-authoritative guidance within the table of proposed actions (paragraph 25), although other Board members had the view that to keep all proposed actions related to an issue together gave a more appropriate holistic view of all the actions that would be undertaken to address the identified key issue. It was agreed to keep the non-authoritative guidance in the table of proposed actions, but to distinguish the non-authoritative guidance through a light shading of such proposed actions.

⁵ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement* (see paragraph 26)

Board members also noted concern about the volume of non-authoritative guidance proposed and its timely development, in particular at the end of the project. Board members were of the view that some of the topics may be:

- Better addressed through standard setting actions.
- Addressed through developing guidance~~Developed~~ now as it may not necessarily be contingent on any proposed enhancements of the standard, or may be developed by others (e.g., the International Federation of Accountants).

After further deliberation, the Board agreed to remove the proposed non-authoritative guidance on technology-related third-party fraud since it may be included with other proposed actions on technology. The Board also agreed with the Fraud Working Group's view that the remaining proposed non-authoritative guidance are an integral part of the solution to addressing the specific issues that have been identified.

Other Matters

The Board broadly supported how the qualitative characteristics of the PIF had been incorporated in the project proposal. There also was support for the:

- Other actions proposed; and
- Ongoing activities, including coordination with other IAASB Task Forces, Working Groups and Consultation Groups.

PROJECT TIMELINE

While the Board supported the project timeline, there were Board members who expressed concern about the proposed preliminary timetable, particularly the proposed IAASB approval of the revised standard in Q4 of 2024. After further deliberation, the Board agreed to:

- Present the timeline in half-year increments to provide flexibility to amend the timeline as needed.
- Emphasize (in paragraph 35) that the project timeline will be advanced if there are opportunities to do so and the IAASB will use best endeavors to aim for an effective date not beyond December 2026.

PROJECT OUTPUT AND IMPACT

The Board broadly supported how the impact of the project is described in the project proposal, as well as the targeted outputs from the project.

IAASB CAG CHAIR REMARKS

Mr. Dalkin noted the importance of the project, and that the project proposal to revise ISA 240 is in the public interest. He added that the IAASB CAG Representatives looked forward to providing input as the project develops.

PIOB OBSERVER REMARKS

Ms. van Diggelen noted the PIOB's overall support for the project to revise ISA 240 and the project's importance in addressing the public interest issues, including in narrowing the expectation gap. She highlighted that clarifying-strengthening the role and responsibilities of the auditor for detecting material misstatements due to fraud in an audit of financial statements and more transparency in communications with TCWG and in the auditor's report regarding fraud are important aspects of the project. When executing

the project, she encouraged the IAASB to look at the audit approach holistically from an audit risk perspective and to assess what further actions may be needed as the project progresses.

APPROVAL OF THE PROJECT PROPOSAL

After presenting an updated version of the project proposal and agreeing all necessary further changes, the IAASB unanimously approved the project proposal to revise ISA 240 with 18 affirmative votes out of the 18 IAASB members present.

WAY FORWARD

At the March 2022 IAASB meeting, the Fraud Task Force intends to discuss with the Board specific actions included in the scope of the project on fraud, regarding the role and responsibilities of the auditor, risk identification and assessment, and transparency with TCWG and in the auditor's report.

4. Work Plan 2022-2023

Messrs. Seidenstein and Botha introduced the topic and highlighted the changes made to the Work Plan for 2022–2023 (the Work Plan) (as presented in **Agenda Item 4-A (Revised)**) in response to the offline comments received before the IAASB meeting, including:

- To clearly explain when and how new projects will commence once the projects that are already committed to, are completed.
- A more explicit focused effort on sustainability and Environmental, Social and Governance (ESG) reporting due to the urgency of rapidly changing developments in the environment. In doing so, it was agreed that a distinction should be made about the efforts related to audit versus efforts related to assurance.
- Making clear that the eight “possible” topics would be subject to the criteria in the Framework for Activities for selection of the next IAASB project(s).
- Adding the liaison activities with other International Standard Setters (in addition to the IESBA⁶), such as the International Accounting Standards Board.

In finalizing changes to the Work Plan, the Board agreed to the following:

- Maintaining eXtensible Business Reporting Language (xBRL) as a separate topic for consideration, as it included both financial and non-financial aspects, with corresponding changes to make the distinction in the way the possible actions were described in Appendix 1.
- Making clear in the possible action ‘Standard-setting or Development of Non-Authoritative Guidance on Sustainability / ESG Reporting’ that the development of a new subject-matter specific standard(s) is more relevant than possible revisions to ISAE 3000 (Revised).⁷ In addition, changes to the wording to describe possible actions on ISAE 3000 (Revised) were agreed to not suggest a more holistic revision of ISAE 3000 (Revised).

⁶ The International Ethics Standards Board for Accountants.

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

- Revising the description of possible actions related to ‘Materiality (Possible Revision of ISA 320)⁸’ in Appendix 1 to better describe what a possible project could involve.

IAASB CAG CHAIR REMARKS

Mr. Dalkin noted that the IAASB CAG Representatives were supportive of the Work Plan and especially the IAASB’s planned actions in relation to assurance on sustainability / ESG reporting. He also noted the importance of considering the effects of sustainability / ESG-related matters on the financial statements, particularly in relation to impairments as a result of such matters.

PIOB OBSERVER REMARKS

Ms. van Diggelen supported the Work Plan and the focus on sustainability / ESG reporting. She noted that the IAASB’s projects on Fraud and Going Concern should have a high priority given the importance of these projects to the public interest. She reminded the Board that the public interest should be taken into account when allocating resources and prioritizing projects.

DUE PROCESS CONSIDERATIONS

Mr. Botha confirmed that the Planning Committee had raised all significant matters relating to the Work Plan with the IAASB, noting that these had been deliberated. He further noted that in the Planning Committee’s view, there are no significant matters it has discussed that have not been brought to the IAASB’s attention and that no further consultation (such as roundtables or further consultation with particular stakeholder groups) was needed. The IAASB agreed that there were no issues or matters raised by respondents to the IAASB’s survey on the Work Plan that should have been discussed in addition to those summarized by the Planning Committee. Mr. Botha advised the IAASB that it had adhered to its stated due process in finalizing the Work Plan.

APPROVAL

After agreeing all necessary changes, the IAASB unanimously approved the Work Plan with 18 affirmative votes out of the 18 IAASB members present.

WAY FORWARD

Mr. Botha noted that the Work Plan will be presented to the PIOB for approval at the PIOB’s April 2022 meeting.

5. PIOB Observer’s Closing Remarks

Ms. van Diggelen thanked the Board for welcoming her to observing her first IAASB Board meeting and noted that all Board members were provided ample opportunity to comment and to react to what was discussed during the meeting week.

6. IAASB CAG Chair’s Closing Remarks

Mr. Dalkin noted his thanks to the various Task Forces and Working Groups for considering the IAASB

⁸ ISA 320, *Materiality in Planning and Performing an Audit*

CAG Representatives' input and noted that the discussions was productive.

7. Closing

Mr. Seidenstein thanked the outgoing Board Members (Prof. Simnett and Mr. Vanker) for their contributions to the IAASB throughout their tenure. He also 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 of the meeting.

8. Next Meetings

There is one planned mid-quarter Board videoconference for the first quarter of 2022. This videoconference is scheduled for February 8, 2022, and the Board will be notified in due course whether this meeting will be needed. The next IAASB meeting will be held via hybrid meeting where participants can join the meeting in-person or via several videoconferences between March 14–18, 2022.

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