

**Minutes of the 139th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
Held on June 20–23 and 28, 2023 in New York, United States of America¹**

Voting Members

Present:² Tom Seidenstein (Chair)
Josephine Jackson (Vice Chair)
Sue Almond
Chun Wee Chiew
Julie Corden
William Edge
Kai Morten Hagen
Sachiko Kai
Edo Kienhuis
Diane Larsen
Prof. Warren Maroun
Prof. Kai-Uwe Marten
Neil Morris
Fernando Ruiz Monroy
Greg Schollum
Wendy Stevens
Isabelle Tracq-Sengeissen
Eric Turner

Technical Advisors (TA)

Helene Agélii (Mr. Hagen)
Vivienne Bauer (Mr. Monroy)
Wolf Böhm (Prof. Marten)
Fabien Cerutti (Ms. Tracq-Sengeissen)
Antonis Diolas (Mr. Chiew)
Johanna Field (Mr. Turner)
Diane Hardesty (Ms. Larsen)
Rene Herman (Mr. Edge)
Susan Jones (Mr. Morris)
Yvette Lange (Prof. Maroun)^V
Thokozani Nkosi (Ms. Jackson)
Tania Sergott (Ms. Corden)
Jamie Shannon (Mr. Kienhuis)
Sylvia Van Dyk (Mr. Schollum)
Brian Wilson (Ms. Stevens)
Kazuko Yoshimura (Ms. Kai)

Apology:

Sara Ashton (Ms. Almond)

Non-Voting Observers

Present:² Jim Dalkin (IAASB Consultative Advisory Group (CAG) Chair), Yoshinao Matsumoto (Japanese Financial Services Agency), Andreia Delia Mehedintu (European Commission) (June 21 and 23),^V Sung-Nam Kim (IESBA³ Member) (June 23).^V

Public Interest Oversight Board (PIOB) Observer

Present: Mr. Michael Hafeman

¹ The June 2023 IAASB meeting was held in-person in New York USA, with videoconference session on June 28, 2023. Dial-in was made available for all sessions.

² Participants were present in person, except for those marked with “^V”, who joined via videoconference using Zoom. Andreia Delia Mehedintu attended certain parts of the Sustainability Assurance discussion (Agenda Item 2), and Sung-Nam Kim attended the Listed Entity and PIE – Track 1 discussion (Agenda Item 5).

³ International Ethics Standards Board of Accountants.

IAASB Technical Staff

Present: James Gunn (Managing Director, Professional Standards), Willie Botha (Program and Technical Director), Sally Ann Bailey, Ida Diu, Amy Fairchild, Angelo Giardina, Claire Grayston, Armand Kotze, Fadi Mansour, Isabelle Raiche, Kalina Shukarova Savovska, Hanken Jane Talatala, Jasper van den Hout, Adriana Chircusi (Staff Fellow), Dan Montgomery (Senior Advisor – Technical Projects).

Welcome and Introduction

- The IAASB Chair welcomed members, technical advisors and official observers, and public observers via YouTube, to the June 2023 IAASB meeting.
- The IAASB Chair updated the Board on the outreach performed since the March 2023 meeting, highlighting the extent of the IAASB's interactions with its key stakeholders across various projects.

Meeting Topics

- [Approval of Minutes \(Agenda Item 1\)](#)
- [Sustainability Assurance \(Agenda Item 2\)](#)
- [Fraud \(Agenda Item 3\)](#)
- [Audits of Less Complex Entities \(Agenda Item 4\)](#)
- [Listed Entity and Public Interest Entity – Track 1 \(Agenda Item 5\)](#)

Approval of Minutes (Agenda Item 1)

Decision

1. The Board approved the minutes of the March 2023 IAASB quarterly meeting and the April 19, 2023, mid-quarter Board call unanimously.

Sustainability Assurance (Agenda Item 2)

Decisions

Approval of the Exposure Draft of Proposed ISSA 5000⁴ (ED-5000)

2. The Board approved ED-5000 for public exposure with 18 affirmative votes out of 18 Board members in attendance.
3. The revisions made in finalizing ED-5000, which addressed Board members' comments, are reflected in the approved agenda items:
 - [Agenda Item 2-D APPROVED](#) Proposed ISSA 5000 Requirements
 - [Agenda Item 2-E APPROVED](#) Proposed ISSA 5000 Application Material
 - [Agenda Item 2-F APPROVED](#) Proposed ISSA 5000 Appendices

⁴ Proposed International Standard on Sustainability Assurance™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

- [Agenda Item 2-G APPROVED](#) Proposed ISSA 5000 Conforming and Consequential Amendments
4. The Board agreed with the proposed consultation period of 120 days.
 5. The Board supported the key matters to be addressed in the Explanatory Memorandum accompanying ED-5000, as presented in [Agenda Item 2](#). Once prepared, the Explanatory Memorandum will be circulated to the Board for a final 'fatal flaw' review before ED-5000 is issued.

Directions

Updates to Draft Proposed ISSA 5000

6. The following changes were made in finalizing ED-5000 in response to substantive comments from the Board:

Introduction and Scope

- Paragraph 1A was added to replace paragraphs 9 and 9A to clarify that ISSA 5000 applies whenever sustainability information is presented and is the subject of the assurance engagement, except when the practitioner is providing a separate conclusion on a greenhouse gas (GHG) statement, in which case ISAE 3410⁵ applies. The related application material in paragraphs A12-A14 also was deleted.
- Paragraph 2A was amended to clarify that references to “sustainability information” mean the sustainability information that is subject to the assurance engagement.
- The last sentence of paragraph 12 was moved to paragraph 5 as it relates to limited and reasonable assurance, rather than scalability related matters.

Definitions

- Sustainability matters – the definition of sustainability matters was revised to indicate that the impacts of an entity’s activities, products and services are on the environment, society, economy or culture.
- Engagement team - Application material was added to the definition of the engagement team to explain the circumstances in which individuals from a firm other than the practitioner’s firm are members of the engagement team. The application material clarifies that, when the practitioner is unable to direct, supervise and review the work of individuals from a firm other than the practitioner’s firm which the practitioner intends to use, such firm and the individuals from that firm who performed the assurance work, are not members of the engagement team and are referred to in ED-5000 as “another practitioner.”
- Substantive analytical procedures – the definition was deleted as the Board agreed to refer only to “analytical procedures” throughout ED-5000.
- Other changes included:
 - The definition of assurance skills and techniques was revised to align the wording more closely with ISAE 3410.

⁵ International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements

- The definition of internal control was changed to "system of internal control", and the wording was revised to be more consistent with ISA 315 (Revised 2019).⁶

Objectives

- Following clarifications made in paragraph 2A explained above, references to "subject to the assurance engagement" were deleted in the Objectives and several other places throughout ED-5000.

Requirements and Application Material

- Paragraph 41 was revised to refer to "the use of the work" or "using the work" of a practitioner's external expert or another practitioner. Similar changes were made for consistency throughout the requirements and application material.
- Paragraphs A89-A91 were revised to align with the new application material to the definition of engagement team, and to further explain circumstances in which the practitioner is able to direct, supervise and review the work of individuals from a firm other than the practitioner's firm.
- The application material to Paragraph 50 was revised to provide guidance about what influences the extent of the practitioner's evaluation of the work of another practitioner. In addition, paragraph A126A was added to explain that a scope limitation exists when the practitioner is unable to obtain evidence that the work of another practitioner is adequate for the practitioner's purposes.
- Paragraph A195A was expanded to clarify the basis for the practitioner's determination of the appropriateness of the scope of the assurance engagement.
- Paragraph 77 was extended to include 'the applicable criteria' to the matters to be included in the terms of engagement, along with new application material in paragraph A203A on describing the practitioner's responsibilities in the terms of engagement.
- Paragraph A263A was added in response to a Board member's suggestion to provide a better link between planning (including the practitioner's consideration of the way in which sustainability information is grouped) and the consideration or determination of materiality.
- The introductory wording in paragraph 90 was revised to clarify the purpose of the consideration and determination of materiality.
- Paragraph 102R(e) was simplified as it was deemed inconsistent with some of the requirements in paragraph 107R.
- The lead-in wording in paragraphs 104R, 105R, 106 and 107R was simplified by anchoring to paragraph 102L or 102R, as applicable.
- Paragraph A353R was deleted as the Board did not consider those considerations to be specific to the public sector.
- Paragraph A355L was added in response to Board comments to include guidance for evaluating the evidence obtained from the risk procedures in a limited assurance engagement, similar to that already included for a reasonable assurance engagement.

⁶ International Standard on Auditing (ISA) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

- Paragraph 115R was revised in response to Board comments that the requirement was too granular for purposes of a sustainability assurance engagement.
- Paragraph 116L was revised for clarity and consistency with paragraph 116R.
- Paragraphs 117 and 118 were combined for clarity and to eliminate redundancy.
- Paragraph 121 was clarified regarding the frequency of testing controls when the practitioner plans to use evidence from a previous sustainability assurance engagement about the operating effectiveness of controls. Also, a new paragraph 121AR was added to clarify that controls need to be tested in the current period if the practitioner plans to obtain evidence about the operating effectiveness of controls over a risk of material misstatement at the upper end of the spectrum of risk.
- Paragraph 124L was added along with application material in paragraph A370AL, to clarify that the practitioner's further procedures in a limited assurance engagement may include substantive procedures.
- Paragraph 124RA was added to require the practitioner, for a reasonable assurance engagement, irrespective of the assessed risks of material misstatement, to consider the need to design and perform substantive procedures for disclosures that, in the practitioner's judgment, are important to the information needs of intended users. This paragraph, along with application material in paragraph A370AR, was added in response to Board comments that paragraph 124R could otherwise lead the practitioner to conclude that tests of controls alone would be sufficient as a response when the assessment of risk of material misstatement is not at the upper end of the spectrum of risk.
- Paragraph 129L(b) was clarified to make the wording consistent with ISAE 3410 and a new application material paragraph A379AL was added to explain the difference in the approach for analytical procedures for limited assurance engagements.
- The requirement in paragraph 131 related to sampling was expanded to include selecting the sample, performing procedures on the items selected, and evaluating the results.
- Application material paragraphs A385A-A385C related to estimates and forward-looking information were clarified, and paragraph A385DR was deleted as the Board found it to be confusing.
- Paragraph 135 was revised to remove duplication and to clarify the documentation requirements regarding identified and suspected fraud or noncompliance with laws and regulations.
- Paragraph A427A was added to provide a link to paragraph 2A and explain use of the term "sustainability information" as relating to the information subject to the assurance engagement.
- Regarding the basic elements of the assurance report in paragraph 169:
 - The requirement to identify the applicable criteria was reinstated;
 - The statements about the extent of procedures and the level of assurance obtained in a limited assurance engagement were moved to the Basis for Conclusion section to give them more prominence; and
 - The statement in paragraph 169(g)(ii)b. was made conditional for the practitioner to include a definition or description of materiality if it is defined or described differently in

the applicable criteria. The related application material in paragraph A480 was deleted.

- Paragraph 172 was amended to clarify when the other reporting responsibilities are required to be reported separately or reported in the sections required by ED-5000, and paragraph 172A was added regarding differentiating the other reporting responsibilities.
- Paragraph 177A was amended to clarify that an Emphasis of Matter paragraph is required when alerting readers when the applicable criteria are designed for a specific purpose.
- Paragraph 178 was revised to state that a section on other information is not included when the practitioner disclaims a conclusion on the sustainability information. Also, paragraph 179 was revised to reinsert a statement that management or those charged with governance (TCWG), as appropriate, is responsible for the other information.
- The requirements for comparative information were revised to improve understandability. In particular, paragraph 185 was revised to state that if comparative information is not in the scope of the assurance engagement and was not subject to an assurance engagement in the prior period, the practitioner shall state that fact in an Other Matter paragraph. Application material in paragraph A516 was deleted.

Appendix 2: Illustrative Reports

- The illustrative reports were amended to align with changes in the requirements for the basic contents of the assurance report in paragraph 169.

Conforming and Consequential Amendments Arising From ED-5000

- The conforming amendment to paragraph 5 of ISAE 3000 (Revised)⁷ was updated to clarify that ISAE 3000 (Revised) does not cover assurance engagements on sustainability information.
- The conforming amendments to ISAE 3410 were updated to align with the revisions to paragraph 1A in ED-5000.

Other Substantial Matters

Due Process Consideration

7. The IAASB Program and Technical Director confirmed that the significant matters identified by the Sustainability Assurance Task Force (SATF) as a result of its discussions since the beginning of the project have been presented in the issues papers for the IAASB's deliberation, and that there are no significant matters that have not been brought to the attention of the Board. He noted that the SATF also considered the outline and introduction in the approved project proposal to inform the project as well as the approach adopted for the development of ISSA 5000 in terms of leveraging existing IAASB standards and guidance. He also noted that the SATF has undertaken targeted outreach with key stakeholders throughout the project and is currently finalizing a comprehensive global outreach plan to be conducted during the consultation period. In addition, he noted that in the SATF's view no further consultation paper or field testing is needed at this stage of the project.

⁷ ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

IAASB CAG Chair Remarks

8. Mr. Dalkin thanked the Board, noting the ongoing interest and support from CAG Representatives in the project, as well as the substantive CAG discussions to date on the topic of sustainability assurance. Ms. Dalkin thanked the SATF for addressing the comments raised by members of the CAG on the draft ISSA 5000. He also noted CAG's support for exposing ED-5000 for public comment.

PIOB Observer Remarks

9. Mr. Hafeman acknowledged the work done by the SATF in making ED-5000 ready for public comment. Mr. Hafeman also noted that there are some good questions identified for inclusion in the Explanatory Memorandum that will accompany ED-5000, and that he expects a significant number of stakeholder responses to be received. Mr. Hafeman also noted the importance of the outreach activities in collecting feedback from practitioners and other stakeholders, some of whom are not accustomed to responding to IAASB requests for comments on exposure drafts.

Next Steps

10. ED-5000 will be exposed for public comment in early August 2023, with a 120-day consultation period.

Fraud (Agenda Item 3)

Decisions

~~11.1. Board members broadly supported that the revisions in proposed ISA 240 (Revised)⁸ that address auditor's responsibilities, professional skepticism, communications with management and TCWG, risk identification and assessment, fraud or suspected fraud, transparency in the auditor's report and documentation will help drive consistency in practice and changes in auditor behavior.~~

Introduction

~~12.11.~~ The Board reaffirmed its support for the overall approach in restructuring proposed ISA 240 (Revised)⁹ to:

- Relocate the auditor's responsibilities at the outset of the standard as a clear and affirmative articulation of the auditor's responsibilities specific to fraud.
- Bifurcate the inherent limitations of the audit to make the auditor's responsibilities more succinct and unencumbered by language that may be perceived to diminish the auditor's responsibilities.

⁸ ~~Proposed ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*~~

⁹ ~~Proposed ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*~~

- Refer to, or expand on, the requirements of certain foundational or relevant standards, as applicable (i.e., ISA 200,¹⁰ ISA 220 (Revised),¹¹ ISA 315 (Revised 2019), ISA 330¹² and ISA 701¹³).

Professional Skepticism

~~13.12.~~ The Board agreed with the removal of extant essential material in:

- Paragraph 18, as such deletion is intended to have the effect of reinforcing the auditor's behavior to maintain professional skepticism throughout the audit and underpinning the importance that the auditor remain objective when performing work related to fraud in the current year audit of financial statements.
- Paragraph 19, given that such material may be perceived to undermine, or contradict, the considerations that the auditor may make with respect to authenticity of information when performing audit procedures to address the risks of material misstatement due to fraud.

Engagement Resources and Engagement Performance

~~14.13.~~ The Board supported that proposed ISA 240 (Revised) should refer to, or expand on, ISA 220 (Revised) using the *fraud lens*, but not to revise ISA 220 (Revised), other than for conforming and consequential amendments.

Identifying and Assessing the Risks of Material Misstatement due to Fraud

~~15.14.~~ The Board agreed that "determine" is the appropriate work effort verb for the requirement in paragraph 39, and that using "consider" may weaken the proposed standard when compared to extant ISA 240.¹⁴

Fraud or Suspected Fraud

~~16.15.~~ The Board agreed not to add a requirement in paragraph 54 to request management to first investigate fraud or suspected fraud identified. Such a requirement was deemed prescriptive and could have unintended consequences.

Directions

16. Board members broadly supported that the revisions in proposed ISA 240 (Revised)¹⁵ that address auditor's responsibilities, professional skepticism, communications with management and TCWG, risk identification and assessment, fraud or suspected fraud, transparency in the auditor's report and documentation will help drive consistency in practice and changes in auditor behavior.

17. The Board provided directional input for the substantial matters outlined below to be considered by

¹⁰ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

¹¹ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

¹² ISA 330, *The Auditor's Responses to Assessed Risks*

¹³ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹⁴ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁵ ~~Proposed ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*~~

the Fraud Task Force in updating proposed ISA 240 (Revised) as presented in [Agenda Item 3-G](#).

Overall

- Improve the requirements so they are clearly “incremental” to the applicable foundational or relevant standard, as applicable, and that the appropriate *fraud lens* has been applied.
- Streamline parts of the application material that may be lengthy, educational or repetitive.
- Apply the CUSP Drafting Principles and Guidelines (e.g., identifying the conditionality at the beginning of the requirements and using the phrase “in applying” where a requirement expands on other ISAs).
- Consistently refer to certain terminology across the standard and to clarify the distinction in using certain terms (e.g., fraud, suspected fraud, or alleged fraud).

Introduction

- Consider whether the application material in paragraph A10 on alleged fraud, creates an ‘implied’ obligation, and to clarify whether “another party” is intended to mean an individual external to the entity.
- Consider the use of certain terminology (e.g., in relation to “key member of management” in paragraph A11(a)) that is not commonly used in the ISAs and to include “sufficient time” in paragraph A13(b).
- Clarify in paragraph A12 that the inherent limitations of an audit cannot be overcome and include specific example(s) (e.g., auditors generally do not have legal powers to search and seize documents).

Definitions

- Corruption, bribery, and money laundering – Clarify in paragraph A17 that these may likely be fraud, and to consider simpler, ‘real-life’ examples (e.g., bid rigging).
- Third party fraud – Provide emphasis for the concept elsewhere in the standard and clarify the required work effort in paragraph A20.

Professional Skepticism

- Explore combining similar requirements in paragraphs 18 and 20 (i.e., requirements to maintain professional skepticism and remain alert throughout the audit, respectively).
- Clarify the work effort required in paragraph 20 when information about fraud, suspected fraud, or alleged fraud comes to the auditor’s attention.
- Delete the requirement in paragraph 21 (i.e., signposting of additional audit procedures when fraud or suspected fraud is identified).
- Streamline the various references to the heightened risk of fraud near the end of the audit in paragraphs A25(b), A30 and A30A.
- With respect to the examples of conditions indicating that a document may not be authentic in paragraph A27, clarify that the examples are not exhaustive, and the auditor is not expected to go through each of the examples to be able to determine whether the requirement has been

met.

- Add guidance in paragraph A28 on when it may be appropriate to use automated tools and techniques to identify conditions that indicate a document is not authentic.
- Clarify in paragraphs A29 and A30 that information about fraud, suspected fraud, or alleged fraud may come to the auditor's attention from more than one source, or based on more than one indicator, respectively.
- Clarify the relationship among the examples in paragraph A29, A30 and Appendix 3.
- Clarify the example in paragraph A30 whether the auditor's responsibilities related to fraud in the audit of the financial statements extends to 'other information' included in the entity's annual report (i.e., whether other information is within the scope of proposed ISA 240 (Revised)).
- Consider how to separate the essential material in paragraph 21 from the section addressing Professional Skepticism.

Engagement Resources

- Streamline the references to "use of forensic skills" in the application material throughout the standard, as when considered in combination, it may be perceived to build up to a 'de facto' requirement to use forensic skills in performing the audit.
- Replace the phrase "vary throughout the audit" in paragraph A31 with "vary by audit engagement and may vary within an audit engagement," given that the nature, timing and extent of involvement of individuals with specialized skills or knowledge does not just "vary throughout the audit."
- Modify or delete the example on "securities offering documents such as prospectuses" in paragraph A31, as these are outside the scope of an audit of financial statements.
- Add guidance in paragraph A32 to support the exercise of professional judgment on 'when' the auditor may need to use forensic skills in performing the audit engagement.

Engagement Performance

- Explore combining similar aspects within the requirements relating to engagement performance in paragraphs 23–24.
- Consider elevating relevant application material in order to provide the appropriate *fraud lens* to the requirements in paragraphs 23–24.
- Consider whether the use of the word "subsequently" is appropriate in paragraph 24(a), given that fraud risk factors may be identified throughout the audit.
- Clarify whether the phrase "in-person oversight" in the example in paragraph A37 is intended to mean that the engagement partner is in the same room as the engagement team, or that "direct oversight" would be sufficient.

Ongoing Communications Throughout the Audit with Management and Those Charged with Governance

- Emphasize in paragraphs A43–A44 that in considering the sensitivity of fraud or suspected fraud, the engagement partner may need to be judicious when assigning responsibility to

communicate with management and TCWG about matters related to fraud.

Risk Assessment Procedures and Related Activities

- Emphasize culture and tone at the top of entities of all sizes in paragraph 29 and related application material.
- Clarify what “other resources” included in paragraph A47 means by leveraging, or referring to, relevant material in ISA 315 (Revised 2019).
- Streamline the application material by consolidating the similar examples provided in paragraphs A51 (fourth bullet point) and A57 on bribery, corruption and money laundering.

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity’s System of Internal Control

- Enhance paragraph 36 to include additional guidance to assist the auditor determine the actions to take when deficiencies in internal control are identified.

Identifying and Assessing the Risks of Material Misstatement due to Fraud

- Apply the *fraud lens* in paragraph 38 or consider whether the requirement is needed at all, given views that this is substantially a repetition of the requirement in paragraph 11 of ISA 500.
- Consider whether the inquiries in paragraph 38 need to address those external to the entity.
- Revert paragraph 41 to its previous version presented at the December 2022 meeting, as it was perceived to be easier to understand.
- Add application material to paragraph 42 that references to relevant requirements that deal with management override of controls elsewhere in the standard.
- Consider whether the examples in paragraph A100 provide a sufficient basis for the auditor to conclude about risks of material misstatement due to fraud at the assertion level.
- Replace “increased professional skepticism” in paragraph A116 to “appropriate professional skepticism,” given the view that the concept of levels of professional skepticism should not be introduced, but rather focus on addressing different intensity of responses when exercising professional skepticism.

Responses to the Assessed Risks of Material Misstatement Due to Fraud

- Relocate the requirement on accounting estimates in paragraph 51 to the “Identifying and Assessing the Risks of Material Misstatement Due to Fraud” section of the standard, to better reflect its nature.
- Replace “fraud risk factors” with “risks of material misstatement due to fraud” in paragraph A120. Responses are intended to address risks of material misstatement and not fraud risk factors.

Fraud or Suspected Fraud

- Leverage language used in ISA 220 (Revised) (i.e., the engagement partner shall take responsibility for) in paragraph 54, given it may be impractical for the engagement partner to

perform the “obtain an understanding” portion of this requirement (e.g., multi-location audit).

- Replace “assess” with “evaluate” in paragraph 59(b) as the appropriate work effort verb following the CUSP Drafting Principles and Guidelines.
- Clarify whether the auditor needs to perform the required additional procedures in paragraph 59, regardless of the understanding obtained in paragraph 54.
- Replace “nature of the qualitative or quantitative circumstances giving rise to the misstatement” in paragraph 61 with the appropriate qualifiers used within the ISAs for “misstatements.”
- Consider whether the matters covered in paragraph 61(a)–(b) are needed as part of the requirement.
- Consider whether the use of the phrase “reduced to an acceptably low level” in paragraph 61(a) is appropriate in the context of risks of material misstatement due to fraud, given that within the ISAs, this phrase is generally used in the context of audit risk.
- Clarify whether “conclude” in paragraph 61(a) is in relation to one item, or the entire financial statements.
- Focus work effort requirements on addressing fraud or suspected fraud that could cause a material misstatement in the financial statements (i.e., material fraud).
- Provide further guidance on the second bullet point in paragraph A150 on considering the implications on prior audit engagements.
- Provide further guidance on the ‘next steps’ to take in paragraph A158A when audit evidence indicates that the identified misstatement is due to error, and not fraud.

Auditor Unable to Continue the Audit Engagement

- Include in paragraph 65 the possibility of issuing a disclaimer of opinion when the auditor cannot withdraw from the engagement. In some jurisdictions, the inability to complete the engagement may not lead to the ability to withdraw and auditors may be required to issue an auditor's report with a disclaimer of opinion.

Implications for the Auditor's Report

- Clarify, with respect to paragraph 66(c), whether the KAM related to fraud would be associated with the financial statement item or the identified deficiency in internal control that is relevant to the prevention or detection of fraud.
- Provide further guidance to paragraph 69 for circumstances where there are no KAMs, including matters related to fraud, to communicate in the auditor's report.
- Include examples of other matters related to fraud communicated with TCWG in paragraph A173.
- Clarify in paragraph A175 that management bias may be intentional or unintentional.

Communications with Management and Those Charged with Governance

- Clarify whether all fraud or suspected fraud, even if the matter may be considered inconsequential, is required to be communicated with management and TCWG.

Documentation

- Consider including “and how and when the discussion occurred and the audit team members who participated” in paragraph 75(a).
- Consider whether the documentation requirement in paragraph 75(b) duplicates what is already required in ISA 315 (Revised 2019).
- Provide application material for the documentation requirement in paragraph 75(d) when the auditor rebuts the presumption of the risk of material misstatement due to fraud in revenue recognition.

Other Substantial Matters

IAASB CAG Chair Remarks

18. Mr. Dalkin recognized that the proposed changes to ISA 240 aim to promote consistent practice and change auditor behavior, as also reflected in the feedback from CAG Representatives. He noted Representatives’ support for the proposed changes addressing risk assessment and transparency in the auditor’s report on fraud.

PIOB Observer Remarks

19. Mr. Hafeman was pleased about the strong focus of the IAASB’s discussions on strengthening and clarifying the requirements in proposed ISA 240 (Revised). He noted the importance of the topic on transparency with respect to KAMs related to fraud in the auditor’s report and welcomed the suggestion to include a question on this topic in the explanatory memorandum of the exposure draft.

Next Steps

20. In September 2023, the Fraud Task Force will present to the Board an updated draft of proposed ISA 240 (Revised). In December 2023, the Fraud Task Force intends to present to the Board an exposure draft of proposed ISA 240 (Revised) for approval.

Audits of Less Complex Entities (Agenda Item 4)

Decisions

Proposed Revisions to the ISA for LCE

21. The Board decided to remove the proposed wording in the Preface explaining that the International Standards on Auditing (ISA) can be used as guidance when performing an audit using the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE) in the Preface. The Board was of the view that the addition of this statement may be perceived to contradict the objective of creating a standalone standard and could lead to the perception that the ISAs are a superior source of guidance when other materials may also be used.
22. The Board agreed with the proposed revision to the Preface to allow use of the standard, adapted as necessary, to an audit of a complete set of special purpose financial statements or an audit of a single financial statement or for a specific element, account or item of a financial statement.
23. After consideration, the Board agreed that the procedures related to the auditor’s use of a report on the description, design, or operating effectiveness of controls (i.e., Type 1 or Type 2 reports) should not be included in the proposed ISA for LCE. The Board agreed that many LCEs utilize services

provided by service organizations, and such reports may be used to support a general understanding of an entity, however the reliance on them as audit evidence (e.g., for the operating effectiveness of controls) is not typical for audits of LCEs.

24. The Board agreed with the LCE Task Force's conclusion that a requirement to disclose in the Auditor's Report the fact that the comparative financial statements were audited with a different set of auditing standards (e.g., ISA) is not necessary. The Board noted that the auditor would not be precluded from adding an Other Matter paragraph if this was considered necessary.
25. On balance, the Board supported the changes made to the requirements and Essential Explanatory Material (EEM) of the proposed ISA for LCE, excluding Part 10, *Audits of Group Financial Statements* (Part 10) which was not presented to the Board for discussion at this time.

ISA 810

26. The Board supported the LCE Task Force's proposal not to make any revisions to allow the use of ISA 810 (Revised)¹⁶ when the engagement on summary financial statements is derived from financial statements audited in accordance with the ISA for LCE.

Directions

Part A – Authority

27. The Board suggested further revisions to clarify the intended scope regarding the auditor's use of reports on the description, design, or operating effectiveness of controls (i.e., Type 1 or Type 2 reports).

Part 1 – Fundamental Concepts, General Principles and Overarching Requirements

28. The Board recommended that the LCE Task Force revisit the requirements and EEM relating to Fraud to ensure that all requirements and application material from ISA 240 applicable to LCEs have been integrated in the proposed standard.
29. The Board provided suggestions to the LCE Task Force on possible revisions to other individual paragraphs and EEM to further enhance the proposed standard.

Parts 2 to 7¹⁷

30. The Board provided suggestions for revisions to Part 5 to further enhance the proposed section on Materiality.
31. The Board provided suggestions to the LCE Task Force on possible revisions to other individual paragraphs and EEM to further enhance the proposed standard.

Part 8 – Concluding

¹⁶ ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*

¹⁷ Part 2, *Audit Evidence and Documentation*, Part 3, *Engagement Quality Review*, Part 4, *Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements*, Part 5, *Planning Activities*, Part 6, *Risk Identification and Assessment* and Part 7, *Responding to Assessed Risks of Material Misstatement*

32. The Board suggested the LCE Task Force review and clarify the requirements relating to facts which become known to the auditor after the date of the auditor's report but before the date the financial statements are issued.

Transitioning to the ISAs and Implementation Challenges

33. The Board encouraged the LCE Task Force to prioritize updating the Supplemental Guide on Authority as it was noted that the guide will be important for regulators standard setters, as appropriate, to understand the authority of the ISA for LCE in order to make informed decisions regarding adoption of the standard.

Conforming Amendments to the IAASB Preface

34. The Board asked the LCE Task Force to review the proposed conforming amendments to the IAASB Preface, to make the differentiation between the ISA for LCE and ISAs clearer.

Other Substantial Matters

IAASB CAG Chair Remarks

35. Mr. Dalkin reiterated the support of CAG Representatives for the ISA for LCE project.

PIOB Observers Remarks

36. Mr. Hafeman noted the importance of the discussion clarifying the nature of the standard and how it relates to the ISAs, noting that this would be key to the understanding of the proposed standard by users and those who might be deciding on whether to allow its use.
37. Mr. Hafeman recommended that the LCE Task Force consider how the project has evolved and review how the characteristics of the public interest framework have been responded to, noting this may also help with promoting the use of the standard to stakeholders.
38. Mr. Hafeman noted the importance of discussing at the next board meeting, the maintenance plan for the ISA for LCE, in particular how the IAASB will keep the ISA for LCE aligned with the ISAs, where relevant, in the future.

Next Steps

39. At the July 2023 mid quarter Board call, the LCE Task Force will present to the Board respondents' feedback from the exposure draft of Part 10 and the related recommendations (including proposed revisions to Part 10) for discussion.
40. In September 2023, the LCE Task Force will present to the Board for approval a full draft of the proposed ISA for LCE. In addition, the LCE Task Force will present the responses to the remaining questions included in the Explanatory Memorandum that have not been previously discussed with the Board, along with related recommendations about supporting adoption and implementation.

Listed Entity and Public Interest Entity – Track 1 (Agenda Item 5)

Decisions

41. After presenting an updated version of the narrow scope amendments relevant to Track 1 of the listed

entity and PIE project, the Board approved the proposed revisions to ISA 700 (Revised)¹⁸ and ISA 260 (Revised)¹⁹ with 17 affirmative votes out of 18 Board members in attendance. One member dissented ~~from voting~~.

42. The Board agreed with the PIE Task Force's conclusion that the changes made to the narrow scope amendments since the exposure draft did not require re-exposure as presented in [Agenda Item 5](#), and unanimously voted against re-exposure, with 18 ~~Board members~~ votes out of the 18 Board members ~~present voting against re-exposure~~ in attendance.

Other Substantial Matters

Due Process Considerations

43. The IAASB Program and Technical Director confirmed that the PIE Task Force had raised all significant issues with the IAASB and noted that the PIE 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 for the narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) that should have been discussed in addition to those summarized by the PIE Task Force. The IAASB Program and Technical Director advised the IAASB that it had adhered to its stated due process in finalizing the standard.

Reasons for Dissenting

44. Prof. Maroun thanked the PIE Task Force and noted his appreciation for their work to operationalize the transparency requirement in paragraph R400.20 of the IESBA Code.²⁰ He explained that the primary reason for his dissent was because the disclosure about the relevant ethical requirements for independence applied for certain entities does not provide useful information for intended users of auditor reports.
45. Prof. Maroun noted that, in his view, the disclosure is of marginal value and repetitive, given that it is already clear from the title of the independent auditor's report and from other disclosures provided that the auditor is independent from the entity. He also explained that a precedent is being created by adding more information to the auditor's report thereby increasing its length and complexity. Prof. Maroun emphasized that it may be more useful to provide the disclosure by considering alternative mechanisms for public disclosure, such as a transparency report.

IAASB CAG Chair Remarks

46. Mr. Dalkin congratulated the Board on the approval of the narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised).

PIOB Observers' Remarks

47. ~~Ms~~Mr. Hafeman thanked the Board noting his appreciation for the approval of the narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised). He emphasized the extensive

¹⁸ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹⁹ ISA 260 (Revised), *Communication with Those Charged with Governance*

²⁰ The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

coordination with the IESBA on this topic and that he looks forward to the IAASB's further work on listed entity and PIE contemplated under Track 2 of the project.

Next Steps

48. The Board will formally release the narrow scope amendments to ISA 700 (Revised) and ISA 260 (Revised) after confirmation is received from the PIOB that due process was followed. The narrow scope amendments will be effective for audits of financial statements for periods beginning on or after December 15, 2024.

Closing

Mr. Seidenstein thanked the IAASB members, TAs and IAASB Staff for the efforts leading up to, and during, the June 20–23 and 28, 2023 Board meeting.

PIOB Observer Remarks

Mr. Hafeman commended the Board on a productive meeting, with good progress on a variety of projects and active participation by Board members. He endorsed the flexibility that was exercised in adjusting the agenda to make efficient use of time.

~~He~~ Mr. Seidenstein then closed the public session.

Next Meeting

The next meeting of the IAASB will be a mid-quarter videoconference on July 26, 2023. The IAASB will hold its next quarterly meeting in New York, from September 18–21, 2023. Details of the meetings will be communicated in due course.