

**Meeting:** IAASB Consultative Advisory Group  
**Meeting Location:** Virtual  
**Meeting Date:** December 7, 2023

## Agenda Item A

**Draft Minutes of the Public Session of the Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)  
CONSULTATIVE ADVISORY GROUP (CAG)**

**Held on September 12 and 13 in the IFAC Building, New York.**

### PRESENT

#### Representatives

Mr. Jim Dalkin	Chair
Ms. Valérie Altbaum	Basel Committee on Banking Supervision (Basel Committee)
Mr. Mauro Bini	International Valuation Standards Council (IVSC)
Ms. Hilde Blomme	Accountancy Europe (AE)
Dr. Hysen Cela	European Federation of Accountants and Auditors for SMEs (EFAA)
Mr. Michael W. Fritz	National Association of State Boards of Accountancy (NASBA)
Mr. Akihito Ishiwata	International Organization of Securities Commissions (IOSCO)
Ms. Natasha Landell-Mills	International Corporate Governance Network (ICGN)
Dr. Bello Lawal Danbatta	Islamic Financial Services Board (IFSB)
Dr. Conchita Manabat	International Association of Financial Executives Institutes (IAFEI)
Ms. Wei Meng	World Federation of Exchanges (WFE)
Ms. Asha Mubarak	Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)
Dr. Claes Norberg	Business Europe (BE)
Dr. Christian Orth	AE
Mr. Henry Rees	International Accounting Standards Board (IASB)
Ms. Jeanne Riggs	IOSCO

Mr. Gregg Ruthman	International Organization of Supreme Audit Institutions (INTOSAI)
Mr. Juan Carlos Serrano Machorro	World Bank
Mr. Paul Sobel	Institute for Internal Auditors (IIA)
Mr. Toshimitsu Suzuki	Japan Securities Dealers Association (JSDA)
Mr. Paul Thompson	EFAA
Ms. Tara Wolf	International Actuarial Association (IAA)
Mr. Hüseyin Yurdakul	IOSCO
Mr. Sanders Shaffer	International Association of Insurance Supervisors (IAIS)
Ms. Annie Giraudou	Organisation For Economic Cooperation and Development (OECD)

**Observers**

Ms. Dawn McGeachy	International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Advisory Group
Mr. George Kabwe	International Monetary Fund (IMF)
Ms. Barbara Vanich	United States Public Company Accounting Oversight Board (PCAOB)
Ms. Sarah Cook	U.S. Securities and Exchange Commission

**IESBA CAG Chair**

Mr. Gaylen Hansen

**Public Interest Oversight Board (PIOB)**

Ms. Sandra Peters

**IAASB**

Mr. Tom Seidenstein	IAASB Chair
Ms. Josephine Jackson	IAASB Deputy Chair and Task Force Chair (presenter- <b>Agenda Item B</b> )
Ms. Sue Almond	IAASB Member and Task Force Chair (presenter – <b>Agenda Item G</b> )
Ms. Julie Corden	IAASB Member and Task Force Chair (presenter – <b>Agenda Item H</b> )
Mr. Kai Morton Hagen	IAASB Member and Task Force Chair (presenter – <b>Agenda Item C</b> )

Mr. Willie Botha	IAASB Program and Technical Director (presenter – <b>Agenda items D and I</b> )
Mr. Jasper van den Hout	IAASB Director
Ms. Claire Grayston	IAASB Principal
Ms. Kalina Shukarova Savovska	IAASB Principal
Mr. Angelo Giardina	IAASB Principal
Ms. Ida Diu	IAASB Senior Manager
Mr. Fadi Mansour	IAASB Senior Manager
Ms. Hanken Talatala	IAASB Senior Manager
Ms. Isabelle Raiche	IAASB Senior Manager
Mr. Armand Kotze	IAASB Manager
Ms. Michelle Harrison	IAASB Associate
Ms. Megan Leicht	IAASB Associate
Mr. Thokozani Nkosi	Secondee
Ms. Kazuko Yoshimura	Secondee
Mr. Dan Montgomery	Senior Advisor

## **APOLOGIES**

### **Representatives**

Ms. Jazmin Gamboa	Financial Executives International (FEI)
Mr. Daniel Sarmiento Pavas	Interamerican Accounting Association (IAAA)
Mr. Yoseph Asmelash	United Nations Conference on Trade & Development (UNCTAD)

## Welcome – Agenda Item A

### OPENING REMARKS

Mr. Dalkin welcomed the Representatives to the meeting, the IAASB Chair, Mr. Seidenstein, and the International Ethics Standards Board for Accountants' (IESBA) CAG Chair, Mr. Hansen. Mr. Dalkin also welcomed Ms. Peters from the PIOB, IAASB Members, IAASB Staff and public observers who were observing the meeting in person or via the IAASB's YouTube channel.

### MINUTES OF THE PREVIOUS MEETING

The minutes of the previous IAASB CAG meeting held on June 15, 2023 were approved.

## Sustainability Reporting (Agenda Item B)

- To *REPORT BACK* on the June 2023 meeting
- To *OBTAIN* Representatives' views on ED-5000<sup>1</sup> in a 'mini-roundtable' before the start of the IAASB's global roundtables and other outreach events planned for the second half of September through October 2023

### INTRODUCTION

Ms. Jackson introduced the session by informing the CAG Representatives of the purpose of the mini-roundtable and noted the questions were shared with the Representatives as part of **Agenda Item B.1**.

### GLOBAL BASELINE FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS

The following specific comments were raised by CAG representatives on Question (a):

- Ms. Blomme and Mr. Thompson noted that more work is likely needed on this topic because large groups and large multinationals will be the first entities subject to mandatory reporting and assurance on sustainability information in 2024, which will include information from entities within the value chain.
- Ms. Blomme and Mr. Thompson noted that with the introduction of more recent thinking of the IAASB in relation to the material that has been included from the auditing standards, some stakeholders may have the perception that proposed ISSA 5000 is "close to the International Standards on Auditing" (ISAs) and more well suited for reasonable assurance. Therefore, stakeholders may question the practicality of certain requirements for a limited assurance engagement.
- Mr. Ishiwata emphasized the importance of addressing issues related to greenwashing and suggested that additional guidance and examples related to greenwashing and how to respond to fraud risk should be integrated into ISSA 5000.
- Mr. Ishiwata noted that some provisions have been included in ISSA 5000 on the connectivity between financial statements and sustainability information, but suggested that more specific examples of procedures that a practitioner can perform could be added, perhaps in an appendix.

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<sup>1</sup> Exposure Draft: [Proposed International Standard on Sustainability Assurance \(ISSA\) 5000™, General Requirements for Sustainability Assurance Engagements and Proposed Conforming and Consequential Amendments to Other IAASB Standards](#)

- Ms. Wei noted that there are different reporting mechanisms for sustainability information, and accordingly it is important that the scope of the assurance engagement should be included in the report.

#### ETHICS AND QUALITY MANAGEMENT REQUIREMENTS

All CAG representatives who commented expressed support for the fundamental premises.

The following specific comments were raised by CAG representatives on Question (b):

- Mr. Dalkin highlighted that there are specific situations under United States government auditing standards in which the use of an alternative Quality Management (QM) system might be accepted for a non-accounting assurance practitioner, but this raises questions about the criteria for accepting such alternative systems. Mr. Dalkin suggested that the IAASB should consider the challenges associated with accepting alternative QM systems that are at least as demanding as the International Standard on Quality Management (ISQM) 1.<sup>2</sup> Ms. Blomme highlighted the challenges that non-accounting practitioners will face in regard to the requirements of QM being at least as demanding as ISQM 1. Ms. Vanich noted her concerns about the enforcement and inspection capabilities of regulators on the practitioners' system of QM. She also proposed that there may be scope for increasing disclosure requirements, such as having the practitioner disclose the standards or requirements that were followed. Ms. Landell-Mills questioned whether the IAASB has received feedback from non-accounting practitioners on the challenges they are (or will be) facing in the application of the minimum ethical and QM requirements. Mr. Fritz also noted the challenges regulators face to ensure that non-accounting practitioners are applying appropriate standards.
- Dr. Cela highlighted the importance of professional competence for accounting and non-accounting assurance providers and suggested alignment with IESBA.

#### MATERIALITY

The following specific comments were raised by CAG representatives on Question (c):

- Dr. Orth noted that there are different views in regard to double materiality, as some jurisdictions or countries have a very strategic perspective on double materiality determination while others focus on the reporting part. Ms. Blomme highlighted that users of sustainability information struggle to differentiate between the (double) materiality assessment by the preparer and the practitioner's materiality assessment. Ms. Landell-Mills emphasized the importance of clarifying the difference between reporting and assurance materiality.
- Ms. Landell-Mills questioned whether management applies some core accounting principles, such as the principle of prudence, given the range of possible outcomes, particularly with forward-looking information, is so wide.
- Mr. Dalkin expressed a general concern about the broad criteria used for impact materiality, encompassing environmental, societal, economic, and cultural aspects.

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2 ISQM 1, *Quality Management for Firms That Performs Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

## REPORTING

The following specific comments were raised by CAG representatives on Question (d):

- Dr. Orth highlighted the need to manage expectations as many entities might be unable to meet the reporting requirements and there will be a learning curve. Ms. Blomme pointed out the upcoming challenges in Europe with the broad range of sustainability disclosure requirements affecting both large and small companies.
- Most of the Representatives noted concerns around Key Sustainability Assurance Matters and considered that it is too early to mandate the communication of such matters. Ms. Blomme highlighted that Key Sustainability Assurance Matters is not the most important issue but rather entities' ability to accumulate and disclose all required information, which may lead to many modified assurance conclusions. Ms. Landell-Mills noted that Key Sustainability Assurance Matters are critical for investors as it will help them better understand the key issues addressed by the assurance provider and enhance transparency in interpreting reports.
- Dr. Danbatta noted his support for allowing some flexibility for each jurisdiction in regard to the content and layout of sustainability assurance reports.

Ms. Jackson and Mr. Seidenstein thanked the Representatives for their comments and further noted that it is important to prioritize what can be accomplished by the end of 2024.

## PIOB COMMENTS

Ms. Peters raised a question regarding how users of financial statements and sustainability information will determine which materiality assessment was applied, particularly given the potential differences between materiality for financial reporting and materiality for sustainability assurance. Ms. Peters also noted the lack of clarity in reporting materiality assessments and how users, including investors and the public, will know which standards were followed.

Ms. Peters also highlighted that the transparency around financial reporting standards will become increasingly important due to the contrast with sustainability reporting.

Ms. Peters also acknowledged the “constrained optimization” nature of the task and emphasized the need for ongoing communication with all stakeholders to increase awareness and that FAQs might be helpful in this regard.

### **Less Complex Entities (Agenda Item C)**

- To *REPORT BACK* on the March 2023 meeting
- To *RECEIVE* an overview of the significant issues from comments to the Exposure Draft of Part 10 (Group Audits) of the proposed ISA for LCE
- To *OBTAIN* Representatives' views on the draft proposed ISA for LCE standard, including Part 10

Mr. Hagen introduced the topic, providing an overview of the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) journey and summarizing the work of the LCE Task Force since the last meeting.

Representatives commented as follows:

#### PROPOSED REVISIONS TO THE PREFACE AND AUTHORITY

- Drs. Norberg and Cela and Ms. McGeachy did not support the Board's decision that the ISA for LCE shall not be used if the audit is an audit of group financial statements and component auditors are involved as the use of component auditors is not a proxy for the complexity of the entity. Dr. Norberg added that the standard should be published but suggested that the prohibition on the use of component auditors should be re-assessed as part of a post-implementation review. Ms. Blomme agreed with this suggestion and highlighted the importance of a post implementation review to identify areas that are challenging to apply in practice. Ms. McGeachy and Dr. Cela suggested a more principle-based approach with respect to the use of component auditors and Dr. Cela added that the prohibition on the use of component auditors may limit the use of the standard. Mr. Hagen explained that the LCE Task Force and the IAASB have discussed this prohibition thoroughly balancing stakeholders' views. He noted that views were mixed and that it is important to balance all views. Mr. Hagen supported the suggestion to re-assess the use of component auditors as part of a post implementation review.
- Mr. Dalkin supported the Board's decision that the ISA for LCE shall not be used if the audit is an audit of group financial statements and component auditors are involved. He noted that government bodies often are group audits and that these audits, when looking at the qualitative characteristics, are often complexed and are therefore appropriately scoped out of the use of the standard.
- Mr. Ruthman noted that internal auditors are often used in the public sector and therefore was concerned that entities who have an internal audit function are not allowed to use the ISA for LCE. He noted that the internal audit function within an entity may not be a proxy for complexity and that internal auditors should be treated as management's experts. Mr. Hagen explained that the presence of an internal audit function within an entity does not scope the entity out of the ISA for LCE and suggested to clarify this in the implementation guide. He furthermore explained that the standard itself does not include any requirements addressing the use of the internal auditors' work by the auditor as the use of the work of internal auditors would ordinarily not be applicable to an audit of a typical for LCE and that the public sector may be an exception.

#### PROPOSED REVISIONS TO PARTS 1–6

- Dr. Norberg supported the revisions made to Part 4 to require that the engagement letter should indicate that the ISA for LCE is used.

#### PROPOSED REVISIONS TO PARTS 7–10

- Mr. Ruthman noted that the section on comparative information and corresponding figures (section 9.7) is hard to understand without having read ISA 710<sup>3</sup> and therefore encouraged the LCE Task Force to enhance this section. Mr. Hagen noted that the LCE Task Force will consider Mr. Ruthman's comment.

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<sup>3</sup> ISA 710, *Comparative Information – Corresponding Figures and Comparative Financial Statements*

## OTHER MATTERS

### *Adoption and Implementation Plan*

- Ms. Blomme noted that the work on adoption of the ISA for LCE is about to start and might be difficult in some regions, including Europe, given the different views on whether group audits and component auditors should be included in the scope of the standards. Mr. Thompson agreed. Ms. Blomme also noted the importance of finding the right stakeholders that will help promoting the adoption of the standard. Mr. Thompson and Ms. McGeachy suggested to review the International Financial Reporting Standard for Small and Medium-Sized Entities' (IFRS for SME) adoption plan to learn from the IFRS Foundations successes and challenges. Mr. Hagen explained that the IAASB is working on materials to help jurisdiction adopt the ISA for LCE and that the IAASB will consider the IAASB CAG's suggestions.
- Ms. McGeachy noted that the ISA for LCE may be perceived as a lower quality audit than an audit performed under the ISAs and that this issue should be addressed by the IAASB as part of its adoption and implementation plan.

### *Effective Date*

- Ms. McGeachy and Mr. Thompson supported the effective date of the standard while Mr. Rees questioned the need for an effective date of the standard, as it is a voluntary standard. He noted that the IFRS for SME did not have an effective date when it was initially published. However, Mr. Rees acknowledged that for future releases, an effective date is important. Mr. Hagen thanked the Representatives for their comments and noted that the IAASB will consider their comments when deciding on the effective date.

### *Maintenance of the ISA for LCE*

- Mr. Rees supported the maintenance plan. He noted that the maintenance of the standard will require resources and noted that it was acknowledge in the proposed plan. Ms. McGeachy agreed that the maintenance of the standard will be a drain on the IAASB's resources and that it will be hard to keep up with the changes made to the ISAs. She also suggested to review how the IFRS Foundation maintains the IFRS for SME.

## PIOB COMMENTS

Ms. Peters noted that in the July 2023 IAASB meeting the PIOB observer had suggested to include further guidance on the Authority directly in the standard and she questioned whether the LCE Task Force had done so. Mr. Hagen explained that no revisions were made since the July 2023 IAASB meeting as no suggestions were received from the Board. He also noted that the Authority had been clarified before the July 2023 IAASB meeting.

## WAY FORWARD

Mr. Hagen thanked the Representatives for their comments and noted that the ISA for LCE is up for approval in the IAASB's September 2023 meeting.

### Audit Evidence (Agenda Item G)

- To *RECEIVE* an overview of the significant issues from comments to the Exposure Draft of proposed ISA 500 (Revised) (ED-500).<sup>4</sup>
- To *OBTAIN* Representatives' views on the Audit Evidence Task Force's high-level proposals to address certain themes from the respondents' comments on ED-500.

Ms. Almond, Chair of the Audit Evidence Task Force provided Representatives with an overview of respondents' comments on ED-500 and the Audit Evidence Task Force's proposals to address certain themes from the responses related to technology, the conditional requirement for accuracy and completeness and the "stand-back" requirement.

#### TECHNOLOGY

Representatives commented as follows:

- Messrs. Fritz, Ishiwata, Ruthman, Hansen, Drs. Orth and Manabat, noted their support for the Audit Evidence Task Force high-level proposals to address technology related matters in response to stakeholder feedback on ED-500.
- Mr. Fritz and Dr. Manabat emphasized the value of the proposals given the significant role that technology plays in the way audits are undertaken. Mr. Fritz observed that auditors have been increasingly using automated tools and techniques (ATT) in their audits and because this is an area where issues can lead to audit failure, he supported that consistency in practice should be improved.
- Mr. Ishiwata supported the principle-based approach of ED-500 and highlighted that developing guidance related to technology in a timely manner is critical. He emphasized that, because technology is not specifically addressed by the principle-based requirements of the standard, this may cause risks of fragmentation in the audit market. Mr. Ishiwata also encouraged the IAASB to continue coordinating with IESBA on this topic and more broadly.
- Dr. Orth supported the principle-based approach, however noted that the objective has not been fully achieved by the revisions to ED-500. He agreed with respondents' that modernization for technological development and the use of ATT in audits has not been sufficiently addressed in ED-500 and supported a holistic approach to the revisions across the IAASB's standards. Dr. Orth supported the conditional approach for a requirement when the auditor uses ATT and emphasized the relevance of developing further guidance.
- Mr. Ruthman emphasized that addressing technology and the auditor's use of ATT is critical for ED-500 and the IAASB's standards more broadly, and relevant for certain standards that are currently under development such as the proposed ISA for LCE and ISSA 5000. He noted the importance of consistency among the body of IAASB standards in relation to how certain matters are approached (e.g., use of consistent technology related terminology or to reflect more recent thinking for certain matters being considered by ED-500), given that an inconsistent approach across the IAASB standards can impair their overall implementability.

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<sup>4</sup> Exposure Draft: [Proposed International Standard on Auditing \(ISA\) 500 \(Revised\), Audit Evidence and Proposed Conforming and Consequential Amendments to Other ISAs](#)

- Ms. Vanich supported the principle-based approach in ED-500 as a foundational standard addressing audit evidence, and inquired whether respondents provided specific suggestions how to improve the standard for technology related matters, including for the use of ATT. Ms. Almond noted that respondents made various suggestions how ED-500 could be enhanced to recognize the evolution in technology and that the Audit Evidence Task Force will review these suggestions in more detail.
- Mr. Hansen emphasized the important principle highlighted within the Audit Evidence Task Force's recommendations that not all matters from the feedback to ED-500 for technology could be addressed given that technology and ATT are continuously evolving. He also noted that non-authoritative guidance could be a suitable mechanism for providing technology related examples without risking dating the standard. Ms. Almond recognized the challenges in this regard and also emphasized the market scans and non-authoritative guidance on technology developed by the IAASB Technology Advisory Group. She explained that, when developing the application material and examples for technology, the Audit Evidence Task Force will further consider how these materials and resources could be leveraged.

#### CONDITIONAL REQUIREMENT FOR ACCURACY AND COMPLETENESS

Representatives commented as follows:

##### *Option 1*

- Dr. Orth and Mr. Thompson supported Option 1 for revising the conditional requirement for accuracy and completeness, i.e., removing paragraph 10 of ED-500 and adding essential material to the requirement in paragraph 9 of ED-500 to explain that accuracy and completeness are ordinarily significant attributes for information from sources internal to the entity. Dr. Orth noted that he prefers Option 1 because it addresses the circularity in paragraphs 9 and 10 of ED-500 and also noted that further guidance is needed to clarify what constitutes an audit procedure for "information" to become "audit evidence."

##### *Option 2*

- Messrs. Fritz, Ishiwata, Ruthman, Hansen, Dr. Manabat, Mmes. Riggs, Vanich and Landell-Mills supported Option 2, i.e., replacing paragraph 10 of ED-500 with a new requirement to obtain audit evidence about accuracy and completeness for information from sources internal to the entity, supported by essential material.
- Ms. Riggs noted that this option is preferred because it imposes a more robust approach and because the term "ordinarily" used in Option 1 may not be sufficiently clear or may be interpreted inconsistently in relation to the auditor's obligation for testing accuracy and completeness when evaluating information from sources internal to the entity.
- Ms. Vanich noted that although Option 1 may also be a workable option, the Audit Evidence Task Force should consider regulatory expectations when revising this requirement.
- Mr. Ruthman noted his support for Option 2 on the basis that it is more directly worded, the language is precise and understandable, and the drafting is not open to interpretation. Mr. Dalkin noted that having concise wording for the requirement enables clarity for practitioners.

##### *Work Effort Verb "Evaluate"*

- Messrs. Hansen and Fritz emphasized the importance of continuing to use the work effort verb “evaluate” rather than “consider” when evaluating the relevance and reliability of information intended to be used as audit evidence given it requires a higher work effort by the auditor. Ms. Almond explained that the Board previously discussed and agreed to change the work effort verb from a “consider” to “evaluate” when determining the appropriate work effort from the auditor to evaluate the relevance and reliability of information intended to be used as audit evidence.

#### “STAND-BACK” REQUIREMENT

Representatives commented as follows:

- Drs. Orth and Manabat, Ms. Riggs and Mr. Hansen supported the Audit Evidence Task Force’s proposals to remove paragraph 13(b) of ED-500. While noting the importance to “stand back”, they pointed out that there is a proliferation of “stand-back” requirements across the ISAs and commented that the removal of the paragraph would help address the duplication with ISA 330<sup>5</sup> noted by respondents to ED-500. Dr. Orth noted that caution is needed not to have too many “stand-backs” in the standards and also supported the Audit Evidence Task Force’s proposal to clarify the level at which the evaluation in the requirement in paragraph 13(a) of ED-500 is to be performed.
- Mmes. Wei and Landell-Mills noted that the requirement in paragraph 13(b) of ED-500 should be retained. Ms. Wei emphasized the importance for the auditor to consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements. She explained that this is an important requirement to retain as it enables consistency in practice and supports change in auditor behavior. Ms. Landell-Mills inquired whether there is evidence from practice on whether auditors effectively apply the “stand-back” requirements as this could inform the Audit Evidence Task Force decisions in this regard. Ms. Almond referred to regulatory findings that indicate best practices when auditors “stand-back” throughout the audit process, rather than to defer their overall evaluation at the end of the audit when the opinion is being formed.
- Mr. Thomson emphasized the relevance for the auditor to “stand-back” and consider all audit evidence obtained when applying professional skepticism, however he also questioned the benefits for the “stand-back” requirement given their increased proliferation across the ISAs.

#### OTHER MATTERS

Representatives commented as follows:

- Mr. Thompson and Ms. Blomme noted the importance for developing further technology related guidance and examples in support of practical implementation outside of the IAASB authoritative pronouncements. Mr. Thompson provided suggestions that the IAASB could further consider how this may be achieved in an accessible and flexible manner so that the guidance may be kept up to date, more easily supplemented and better linked to the authoritative guidance in the standards (e.g., through a website or in another electronically hyperlinked manner).
- Mr. Dalkin noted that in addition to the proliferation of “stand-backs,” there is also a tendency to more frequently make references to professional skepticism across the IAASB authoritative

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<sup>5</sup> ISA 330, *The Auditor’s Responses to Assessed Risks*

pronouncements. He noted that this could have the unintended consequence of practitioners becoming desensitized for this fundamental concept by the repeated reminders in the standards.

- Ms. Riggs suggested that, when addressing the threshold for the attributes of relevance and reliability of information intended to be used as audit evidence, the IAASB considers the “degree to which” the attributes are applicable instead of using the threshold “significance”. She noted that the threshold “significant” may be too high when auditors are thinking about relevance and reliability. Ms. Almond explained that when considering how to best to clarify the appropriate threshold, the Audit Evidence Task Force considered that all attributes of relevance and reliability are applicable in some way when evaluating information intended to be used as audit evidence and that further consideration will be given for this matter as the Audit Evidence Task Force develops its proposals in this regard.
- Ms. Riggs suggested that the definition of audit evidence should include the concept of information that corroborates and contradicts the assertions in the financial statements. Dr. Orth noted that the concept of contradictory information is the right point at which the auditor should “stand back” when evaluating audit evidence. Ms. Almond noted that this matter will be further considered by the Audit Evidence Task Force and how it can be built in the application material to the definition of audit evidence.

#### PIOB COMMENTS

Ms. Peters noted appreciation for the discussion and noted that it reflects the key issues raised by respondents to ED-500. She noted that, when it comes to technology and how it is used by entities in their financial reporting processes, there is a level of confusion for stakeholders such as investors. Ms. Peters explained that, while auditors are increasingly using ATT and new technologies in their audits, accounting standard-setters raise concerns about the inability of entities to implement new technologies in their financial reporting processes. She emphasized the need for further communication with investors on how information is changing using technology and its deployment by entities and auditors so their understanding can be enhanced on how this is becoming relevant to both financial and non-financial information.

Ms. Peters also noted the different perspectives between auditors and investors on relevance and reliability of information intended to be used as audit evidence, i.e., that while auditors place a higher degree of emphasis on reliability of information, investors are predominantly concerned with relevance of information. She noted when “standing-back” these perspectives are important for the auditor’s consideration.

#### WAY FORWARD

Ms. Almond thanked Representatives for their feedback. The Audit Evidence Task Force will continue to discuss the key themes from the feedback to ED-500 and engage in coordination activities with IESBA, and with other IAASB Task Forces and Consultation Groups, as appropriate. In December 2023, the Audit Evidence Task Force will develop further proposals and update the drafting of ED-500 to address the significant comments received on exposure that will be brought for discussion to the Board, updated as necessary for the IAASB Strategy and Work Plan 2024–2027<sup>6</sup> deliberations and related future work plan decisions.

#### **Fraud (Agenda Item H)**

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<sup>6</sup> See the [Consultation Paper](#) on the IAASB Strategy and Work Plan 2024–2027 (Strategy and Work Plan Consultation).

- To *REPORT BACK* on the March 2023 meeting
- To *OBTAIN* Representatives' views on the draft of proposed ISA 240 (Revised)<sup>7</sup>

Ms. Corden introduced the CAG session by highlighting the seven most important proposed changes addressing the key issues identified in the project proposal that will drive consistency in practice and change in auditor behavior.

Representatives commented as follows:

#### IDENTIFYING AND ASSESSING RISKS OF MATERIAL MISSTATEMENTS DUE TO FRAUD

- Ms. Riggs highlighted the importance of applying the 'fraud lens' throughout the audit, including the risk identification and assessment. Ms. Corden explained that ISA 315 (Revised 2019)<sup>8</sup> emphasizes that the auditor's risk identification and assessment process is iterative and dynamic. Hence, proposed ISA 240 (Revised) requires the auditor to perform additional risk assessment procedures to provide an appropriate basis for the identification and assessment of the risks of material misstatement due to fraud.

#### FRAUD OR SUSPECTED FRAUD

- If fraud or suspected fraud is identified, Mmes. Landell-Mills and Blomme highlighted the risk of tipping off management that may be involved in the matter. Therefore, they suggested that it may be helpful to clarify the need to communicate with those charged with governance (TCWG) (e.g., the audit committee) first. Ms. Corden explained that in the development of proposed ISA 240 (Revised) the Fraud Task Force took into account entities of different sizes, or with different ownership and governance characteristics or circumstances. She noted that proposed ISA 240 (Revised) requires the auditor to make inquiries about the matter (i.e., fraud or suspected fraud) and the process to investigate the matter with an appropriate level of management that is at least one level above those involved, and TCWG.
- In determining whether identified misstatements due to fraud are material, Ms. Landell-Mills noted that the auditor should make explicit considerations of the ramifications of the fraud, including the risk of regulatory action, risk of litigation and reputational consequences. Ms. Corden noted that proposed ISA 240 (Revised) requires the auditor to determine whether identified misstatements due to fraud are material by considering the nature of the qualitative or quantitative circumstances giving rise to the misstatement.

#### TRANSPARENCY IN THE AUDITOR'S REPORT ON FRAUD

- Dr. Norberg, Mr. Fritz and Ms. Blomme suggested considering the implications (e.g., risk of legal liability) arising from including a statement to the effect that there are no key audit matters (KAMs) related to fraud to communicate in the KAMs section of the auditor's report. Ms. Corden noted that proposed ISA 240 (Revised) expands on the requirement in ISA 701<sup>9</sup> dealing with circumstances

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<sup>7</sup> Proposed ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

<sup>8</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

<sup>9</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

when there are no KAMs to communicate in the auditor’s report. This is intended to cause the auditor to ‘pause’ if in fact there are truly no KAMs related to fraud to communicate in the auditor’s report.

- Ms. Blomme also suggested considering the implications of communicating KAMs related to fraud that have not been disclosed by the entity in the financial statements. Ms. Corden explained that KAMs related to fraud that are communicated in the auditor’s report are the outcome of applying the ‘filtering mechanism’ in ISA 701. She further noted that non-disclosure by the entity of matters related to fraud in the financial statements does not preclude the auditor from communicating KAMs related to fraud in the auditor’s report.

#### OTHER MATTERS

- Dr. Norberg encouraged the Fraud Task Force to consider scalability in finalizing the exposure draft of proposed ISA 240 (Revised). Ms. Corden noted that scalability is one of the qualitative characteristics that have been considered in developing proposed ISA 240 (Revised).
- Mmes. Blomme and Riggs suggested to clarify whether the concept of materiality applies when obtaining audit evidence about the completeness of the population of all journal entries and other adjustments. Ms. Corden explained that the Board added this requirement to enhance the robustness and effectiveness of the audit procedures to test the appropriateness of journal entries and other adjustments.
- Dr. Norberg suggested to consider the impact of the proposed changes on management’s behavior and reporting with respect to matters related to fraud. Ms. Corden explained that proposed ISA 240 (Revised) focuses on promoting consistent practice and changing auditor behavior. She noted that reporting by the entity on matters related to fraud in the financial statements is outside the remit of the IAASB.

#### PIOB COMMENTS

Ms. Peters noted that there are no new issues to raise with respect to the fraud project and that transparency in the auditor’s report on fraud continues to be a matter of particular interest to the PIOB.

#### WAY FORWARD

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

#### IAASB Strategy and Work Plan (Agenda Item I)

- To *RECEIVE* an overview of the significant issues from comments to the Consultation Paper on the IAASB Proposed Strategy and Work Plan 2024–2027<sup>10</sup>
- To *OBTAIN* Representatives’ views on the updated draft Strategy and Work Plan 2024-2027

#### PROGRESS TO DATE

Mr. Botha introduced the topic by updating the IAASB CAG on the progress since March 2023 by the Planning Committee on the proposed draft of the Strategy and Work Plan for 2024–2027 (the Strategy and

<sup>10</sup> See the [Consultation Paper](#) on the IAASB Strategy and Work Plan 2024–2027 (Strategy and Work Plan Consultation).

Work Plan) in light of the respondents' comments to the Consultation Paper, [The IAASB's Proposed Strategy and Work Plan for 2024–2027](#) (the Consultation Paper).

#### OVERARCHING COMMENTS

All CAG representatives who commented expressed appreciation of the IAASB accomplishment and were broadly supportive of the proposed draft of the Strategy and Work Plan.

#### REPRESENTATIVES COMMENTS ON THE PROPOSED DRAFT STRATEGY AND WORK PLAN

##### *Strategy*

The following comments were raised by CAG representatives in connection with the Strategy section:

- Mr. Hansen inquired about the methods employed to monitor trends and collect stakeholder feedback on relevant developments that may raise topics that require IAASB action. Mr. Seidenstein outlined the existing approach, which mainly relies on extensive stakeholder engagement as part of the IAASB's general outreach program and project-specific outreach, details of which are reported on a quarterly basis to the Board and to the PIOB. Regular meetings with stakeholders from different constituencies include Monitoring Group members, regulators and audit oversight authorities, and jurisdictional/ national auditing standard setters. In addition, Board members actively engage with stakeholder groups in their respective regions and networks, contributing to the information gathering. Mr. Seidenstein also pointed out that the IAASB is focused more on broader trends rather than reacting to isolated issues.
- Ms. Wei supported the changes made by the Planning Committee and the commitment to progress and complete the projects underway in a timely manner. Ms. Wei highlighted the importance from a public interest perspective of completing the current projects on Fraud, Going Concern, and Audit Evidence.
- Dr. Danbatta noted that post implementation reviews of standards, as well as collecting data from jurisdictions around standard implementation rates could provide valuable feedback for future projects.
- A number of Representatives raised comments around the impact of technology:
  - Ms. Wolf queried the role of artificial intelligence in either the development of auditing standards or its impact on the standards, for example, where management has used artificial intelligence in preparing the financial statements.
  - Dr. Danbatta highlighted the need for capacity-building initiatives focused on technology, digital currencies and crypto assets for auditors.
  - Ms. Blomme noted that technology is gaining increasing importance in the audit and assurance field, both in terms of the tools used by auditors and the types or business models of companies being audited, as well as the impact of related policy and regulatory developments. In that regards she noted the "Digital Services Act" in Europe, on the diversity of services that practitioners are requested to perform. Ms. Blomme also highlighted the need for the IAASB to continue monitoring technology developments and their implications for the IAASB's standards.
  - Mr. Seidenstein highlighted that the Board has considered the impact of technology in the Strategy and Work Plan and, based on the feedback from respondents, the Planning

Committee has suggested certain revisions in the strategy section and have highlighted key points of direction for programming decisions in finalizing the work plan section. Mr. Seidenstein also noted that capacity building largely lies outside the purview of standard setters. However, standard setters should be involved in the discussions on how technology can improve audit and assurance quality.

- Mr. Thompson expressed a question around the representativeness of survey responses (in this instance and when consulting more generally) in the context of possible non-response bias, particularly from small and medium practitioners and less-developed professional accountancy organizations. Mr. Seidenstein acknowledged the challenge but noted a growing breadth and diversity in stakeholder responses especially from those who are outside the accounting profession.

### Work Plan

The following comments were raised by CAG representatives in connection with the Work Plan section:

- Mr. Dalkin and Ms. Riggs emphasized the importance of post implementation reviews. Ms. Riggs cited ISA 540 (Revised)<sup>11</sup> as a candidate for a new project given that accounting estimates play an important role in the preparation of both financial statements and sustainability information and is a recurring area of inspection findings by audit regulators.
- Ms. Riggs noted her support for adopting the ‘integrated approach’ in updating the ISAs for the impact of technology (Option II presented in **Agenda Item I.3**), as this approach will more effectively incorporate technology as well as other changes, especially in the ISA 500 series.
- Mr. Suzuki and Mr. Ishiwata supported the development of further standards for assurance on sustainability reporting and identified two potential topics: one focused on specific sustainability topics and another focused on procedural matters like fraud detection. Mr. Ishiwata suggested a flexible approach to allocating resources and time between projects for audits and reviews, and sustainability and other assurance engagements. Mr. Botha clarified that although there was strong support from the respondents for the development of further sustainability assurance standards (i.e., the IAASB’s ‘phased approach’), only a few respondents identified specific topics such as estimates and forward-looking information, materiality, the work of experts, and fraud risks.
- Ms. Blomme supported the Work Plan and the revision of ISA 320,<sup>12</sup> ISA 620,<sup>13</sup> and ISA 720 (Revised)<sup>14</sup> as these topics also have a link to sustainability assurance. Ms. Blomme also noted the need to update the EER guidance.<sup>15</sup> Ms. Blomme highlighted that a future standard on XBRL might prove valuable given the ongoing trend toward digital reporting that requires assurance. In the absence of such a standard, affected jurisdictions have developed their own guidance or rules to assure digital information.
- Mr. Hansen questioned whether there has been a call to develop a standard around internal control over financial reporting and whether ED-5000 covered internal control over sustainability reporting. Mr.

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<sup>11</sup> International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

<sup>12</sup> ISA 320, *Materiality in Planning and Performing an Audit*

<sup>13</sup> ISA 620, *Using the Work of an Auditor’s Expert*

<sup>14</sup> ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

<sup>15</sup> Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements

Botha clarified that there has not been any specific call to develop a standard for assuring the operating effectiveness of internal controls and that ISAE 3000 (Revised)<sup>16</sup> is currently the standard that would be used for an assurance report on internal control over financial reporting. Mr. Botha also clarified that ISSA 5000 does accommodate circumstances where sustainability information on processes, systems and controls is subject to the assurance engagement (i.e., the description, design or operating effectiveness of the entity's processes, systems or controls).

- Mr. Thompson expressed his disappointment that the project on joint audits was not considered as a candidate for future projects. Mr. Seidenstein acknowledged that global prevalence is a key factor in prioritizing topics, irrespective of their individual importance.

#### *Other Matters*

- Mr. Thompson highlighted that not all projects started necessarily need to be completed, especially if they no longer align with strategic objectives or if their continued pursuit would incur significant costs in terms of effort and resources. Mr. Thompson suggested that future consultations could explicitly ask respondents if there are any ongoing projects that should be discontinued, for example, in order to better allocate resources. Mr. Botha acknowledged the value of this proposition. Mr. Botha also highlighted that the current projects that will continue into the next work plan period were driven by the IAASB's strategic objectives in the current strategy and work plan and are supported by approved project proposals, including certain proposals that have leveraged the Public Interest Framework in line with the Board having started to implement the Monitoring Group reforms.
- Ms. Landell-Mills emphasized the disconnect between audit processes and investors' understanding of the value of this process and highlighted the importance of communication for more substantive engagement with this key stakeholder group. Mr. Botha acknowledged Ms. Landell-Mills' view and highlighted the IAASB's ongoing efforts in this regard, citing targeted outreach activities and simplified surveys as examples.
- Ms. McGeachy highlighted the resource constraints faced by the accounting profession and emphasized the challenges faced by the profession with the volume of changes and revisions made to the standards. Mr. Botha acknowledged Ms. McGeachy's point and noted that the IAASB is taking these challenges into consideration when making programming decisions.

#### PIOB COMMENTS

Ms. Peters emphasized the critical role of technology within the purview of PIOB and advocated for the inclusion of technology expertise on standard-setting boards. Ms. Peters highlighted the implications of technology on various facets of governance, including its influence on investor decision-making processes, corporate financial reporting, and the disclosure of sustainability information, particularly in relation to forward-looking information.

#### **Closing Remarks**

Mr. Dalkin thanked the IAASB CAG Representatives for their preparation and participation during the meeting. Mr. Dalkin also thanked IAASB Staff for the meeting arrangements and closed the meeting. The next IAASB CAG meeting is intended to be a virtual meeting on December 7, 2023.

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<sup>16</sup> International Standard on Assurance Engagement (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*