

Agenda Item**A.1**

Meeting: IAASB Consultative Advisory Group
Meeting Location: New York, USA
Meeting Date: March 5–6, 2019

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

Held on September 11–12, 2018

New York, USA

PRESENT**Members**

Mr. Jim Dalkin	Chairman
Mr. Mauro Bini	International Valuations Standards Council (IVSC)
Ms. Vânia Borgerth	Associação Brasileira de Instituições Financeiras de Desenvolvimento
Mr. Henri Fortin	World Bank
Mr. Gaylen Hansen	National Association of State Boards of Accountancy (NASBA)
Mr. Takeshi Hirai	International Organization of Securities Commissions (IOSCO)
Mr. Nigel James	IOSCO
Mr. Kristian Koktvedgaard	BusinessEurope
Ms. Wei Meng	World Federation of Exchanges
Mr. James Milholland	International Actuarial Association (IAA)
Ms. Sarah Ovuka	Financial Executives International (FEI)
Mr. Henry Rees	International Accounting Standards Board (IASB)
Ms. Noémi Robert	Accountancy Europe (AE)
Mr. Gregg Ruthman	International Organization of Supreme Audit Institutions (INTOSAI)
Ms. Mohini Singh	CFA Institute (CFA)
Mr. Paul Sobel	Institute of Internal Auditors (IIA)
Ms. Inanc Yazar	Organization for Economic Cooperation and Development (OECD)

Mr. Kazuhiro Yoshii Japan Securities Dealers Association (JSDA)
Mr. Hüseyin Yurdakul IOSCO

Observers

Mr. Daniel Pavas Individual
Mr. Simon Bradbury International Monetary Fund (IMF)
Ms. Dawn McGeachy International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Committee
Ms. Barbara Vanich** United States Public Company Accounting Oversight Board (PCAOB)

IAASB

Prof. Arnold Schilder IAASB Chairman
Ms. Megan Zietsman IAASB Deputy Chairman
Ms. Karin French IAASB Member and TF Chair
Mr. Marek Grabowski IAASB Member and TF Chair
Mr. Ron Salole IAASB Member and TF Chair
Mr. Imran Vanker (by video conference – IAASB Member and TF Chair
Quality Control – Engagement Quality
Review)
Mr. James Gunn Managing Director, Professional Standards
Mr. Dan Montgomery IAASB Interim Technical Director
Ms. Beverley Bahlmann IAASB Deputy Director
Mr. Brett James IAASB Deputy Director
Mr. Armand Kotze IAASB Analyst
Ms. Natalie Klonaridis IAASB Principal
Ms. Joy Thurgood IAASB Principal
Ms. Schuyler Simms IAASB Manager
Mr. Phil Minnaar IAASB Manager

International Ethics Standards Board for Accountants (IESBA)

Ms. Sylvie Soulier IESBA Member

** Views expressed by PCAOB Representative represent her views and do not necessarily reflect the view of the PCAOB Board or other Board members or staff.

Public Interest Oversight Board (PIOB) Ms. Jane Diplock

APOLOGIES

Members

Mr. Obaid Saif Hamad Al Zaabi	Gulf States Regulatory Authorities (GSRA)
Mr. John Kuyers	Information Systems Audit and Control Association (ISACA)
Ms. Anne Molyneux	International Corporate Governance Network (ICGN)
Dr. Bello Lawal Danbatta	Islamic Financial Services Board (IFSB)
Ms. Conchita Manabat	International Association of Financial Executives Institutes (IFEI)
Mr. David Rockwell	International Bar Association (IBA)
Mr. Sanders Shaffer	International Association of Insurance Supervisors (IAIS)
Mr. Myles Thompson	Accountancy Europe (AE)
Ms. Gayani Perera	Sri Lanka Accounting and Auditing Standards Monitoring Board
Mr. Nic van der Ende	Basel Committee on Banking Supervision (Basel Committee)
Mr. Hysen Cela	European Federation of Accountants and Auditors for SMEs (EFAA)

September 11, 2018¹

Welcome

OPENING REMARKS

Mr. Dalkin welcomed the Representatives, including new Representatives, Ms. Inanc Yazar (OECD) and Mr. Takeshi Hirai (IOSCO), as well the new PCAOB observer, Ms. Barbara Vanich. Mr. Dalkin noted that various Representatives submitted their apologies and were unable to attend the meeting, including the new Representative from the EFAA, Mr. Hysen Cela.

Mr. Dalkin also welcomed Ms. Jane Diplock from the PIOB as well as the IAASB Chairman, Deputy Chair, the IAASB Task Forces and WG Chairs, IAASB Staff, as well as the observers.

MINUTES OF THE PREVIOUS MEETING

Mr. Dalkin presented the minutes of the previous meeting (public and joint session) to the CAG. No comments were noted and the minutes were approved.

Engagement Quality (EQ) Review (Agenda Item B)

- To *OBTAIN* Representatives' view on the proposed exposure draft (ED) on Engagement Quality Reviews, as set out in **Agenda Items B.2 and B.3**

Mr. Vanker introduced the topic and explained the Task Force's recent activities since the last CAG discussion on the topic. In addition to the specific questions posed to the CAG, he also invited comments on any other significant issues related to the development of the draft ED.

SCOPE OF ENGAGEMENTS SUBJECT TO ENGAGEMENT QUALITY REVIEW²

Representatives and Observers commented as follows:

- Mr. Hansen expressed support for the proposed scope of engagements for which an engagement quality (EQ) review would be required. He noted that the firm's risk assessment process should be the primary driver of whether an engagement is subject to an EQ review.
- Mr. Pavas indicated that the scoping criteria would be hard to apply in developing nations due to differences in how entities raise capital. For example, in Latin America, financing is usually obtained through banks and entities raising money through banks would not be captured by the proposed criteria.
- Mr. Yoshii noted that 'other types of engagements' other than listed entities is not clear, and that financial thresholds could be another criterion for requiring an EQ review.
- Representatives commented as follows on the proposal that 'significant public interest' was used as a criterion rather than the term 'public interest entity':

¹ The minutes present the discussions in the order that they were taken. This may not be the same as that indicated on the agenda.

² At the September 2018 IAASB meeting, the Board agreed to change references from 'engagement quality control review(er)' to 'engagement quality review(er)'

- Mr. Fortin and Mr. Koktvedgaard noted that the IESBA Code refers to public interest entities and that there is benefit in using consistent terminology across the two Boards. Mr. Fortin suggested the Task Force look at how ISA 701³ addressed the various categories of entities subject to the requirements. Mr. Koktvedgaard noted that if ‘significant public interest’ is retained, more granular guidance would be needed on circumstances when an entity of significant public interest is not a public interest entity, and when a public interest entity is not an entity of significant public interest.
- Mr. N. James questioned why the Task Force proposed using a different term than public interest entity. He also noted that it was not clear how the proposed new term would reduce variability when implemented in practice.
- Mr. Dalkin noted that the term ‘significant’ may be inconsistently applied in practice, and guidance would be helpful. Mr. Milholland noted that the concept of ‘public interest’ is pervasive and broad-based in its application.
- Messrs. Ruthman and Dalkin expressed concerns with applying the ‘significant public interest’ criterion in the public sector, as public interest can be seen as pervasive in the public sector.
- Mr. Koktvedgaard noted that the proposed standard considered the importance of entities scoped from the firm’s view and that, from the network perspective, many individual entities would not be significant, but grouped and considered together, could be of ‘significant public interest’.

In response, Prof. Schilder and Mr. Vanker noted that the IAASB had previously decided that the term ‘public interest entity’ would not be an appropriate criterion due to different interpretations of what the term means in different jurisdictions. Mr. Vanker indicated that the Task Force had looked at other ways of responding to prior requests to broaden the scope of engagements subject to EQ reviews. Prof. Schilder noted that in developing ISA 701, a similar approach is used in determining entities for which key audit matters are reported. Mr. Vanker noted that application material may be required about how public sector entities fit within the scoping criteria. Mr. Vanker also noted that engagements related to small entities would be scoped in under the other criteria, such as when the engagement is required under law or regulation or when the firm has determined an EQ review is the appropriate response to a particular risk.

ELIGIBILITY CRITERIA FOR ENGAGEMENT QUALITY REVIEWERS

Representatives and Observers had the following comments on the eligibility criteria for EQ reviewers:

- Ms. Vanich agreed that the EQ reviewer should have appropriate authority and the ability to push back. She encouraged the Task Force to revisit the application material in paragraphs A10 and A11 in proposed ISQC 2 to avoid diminishing the authority of the EQ reviewer the required. She also noted that guidance is needed on how SMPs⁴ can meet the requirement and asked the Task Force to consider whether the firm should have a requirement to not use an individual as an EQ reviewer if they have received a negative inspection finding.

³ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

⁴ Small and medium practices

- Mr. Hansen noted the importance of an EQ reviewer's stature within the firm to withstand challenges from those with greater authority or oversight of the EQ reviewer. He also noted the importance of reinforcing the EQ reviewer's independence from the client (e.g., the role of the client in determining who is appointed as the EQ reviewer).
- Ms. Wei reiterated the importance of independence of the EQ reviewer to being able to perform an objective review. Mr. Pavas commented that most firms in his jurisdiction are small firms and face the challenge of finding professionals to perform EQ reviews.
- Representatives and Observers commented as follows on the proposal regarding the use of external EQ reviewers:
 - Mr. N. James questioned whether an external EQ reviewer could display the same level of competence regarding the client and insight into the firm's policies or procedures as an internal EQ reviewer.
 - Ms. Ovuka agreed, noting that an external EQ reviewer may not have sufficient stature within the firm. She noted that the need to use an external party may indicate that the requirements are too stringent.
 - Mr. Koktvedgaard indicated that external parties are needed when firms are too small and that some firms specialize in providing EQ reviews. He noted that the broader experience gained from seeing how various firms operated could allow the EQ reviewer to challenge firm's internal staff functions.
 - Messrs. Hansen and Pavas noted that external reviews may be appropriate for SMPs and smaller, less complex engagements.
- Mr. Vanker noted the diverse views around this issue and that the Task Force had noted that stature goes to the heart of the role of the EQ reviewer. He also noted that reliance on an external reviewer is not automatic and that proposed ISQM 1 (Revised)⁵ provides guidance on how firms deal with 'service providers' such as an external EQ reviewer.

PERFORMANCE OF THE ENGAGEMENT QUALITY REVIEW

Representatives and Observers commented as follows:

- Ms. Vanich questioned whether paragraph 24(a)(iii) of proposed ISQC 2 was intended to apply to all engagements or just the engagement subject to the EQ review. Ms. Vanich believed that the wording 'that ought to have been made' was not clear.
- Ms. Robert suggested that reference to 'significant judgments' should be explained further to mean significant to the audit as a whole.
- Mr. Fortin noted that judgment is a core concept and that the EQ reviewer should look at the judgments that require significant attention, including those that are outside the scope of 'significant judgments.' Mr. Vanker noted that paragraph A29 is quite broad and that the Task Force will consider whether the EQ review should look beyond significant judgments. Mr. Yurdakul noted that limiting the

⁵ At the September 2018 IAASB meeting, the Board agreed to change references from 'quality control' to 'quality management,' including changing the title 'International Standard on Quality Control' to 'International Standard on Quality Management.'

EQ review to significant judgments within context of an audit could mean that key components of audits may not be included, such as the audit methodology. He noted that the scope of review should be broader for complex engagements and that more than one reviewer may be needed in such cases.

- Mr. Hirai noted more emphasis should be given to the importance of the review being timely.
- Mr. N. James noted that the proposed standard creates the impression that the EQ review comes after the significant judgments have been made by the engagement team and questioned how disagreement with judgments already made would be received. He suggested that the timing of the EQ review should accommodate earlier intervention by the EQ reviewer.
- Mr. Vanker noted that the comments related to timing are consistent with the Task Force's thinking.
- Mr. Hirai questioned whether the EQ reviewer is required to also communicate with component auditors, or whether the need for the EQ reviewer to communicate directly with component auditors, depends on the firm's policies or procedures. Mr. B. James indicated that proposed ISQC 2 does not change the interaction between the EQ reviewer and component auditors. He also noted that it is unlikely that there would not be any significant judgments in relation to a group audit based on the requirements in paragraph 24 of proposed ISQC 2.
- Ms. Weng questioned whether, when the auditor determines that an EQ review is required, the engagement team should inform the client so that the client is aware that more information may be required from the company.
- Mr. Hirai questioned whether the EQ review documentation is to be included with engagement team (ET) documentation and whether it is the responsibility of the engagement team.
- Mr. Hansen noted that in practice, audit reports may be released before the EQ reviewer has signed off. He suggested an explicit requirement that the financial statements should not be released until completion of the EQ review.
- Mr. Fortin noted that, in EQ reviews in group audit situations, maintaining consistency and quality between jurisdictions can be difficult and suggested that the IAASB could consider some specific guidance in this respect. Ms. Zietsman agreed and noted that this would be one of the issues addressed in the IAASB's project to revise ISA 600.⁶

PIOB COMMENTS

Ms. Diplock noted that to serve the public interest, the scope of engagements subject to EQ reviews needs to extend beyond listed entities and the term 'significant public interest' helps in providing clarity and consistency in which entities are covered. She also reiterated previous PIOB comments that the cooling-off period is important for EQ reviewers. Ms. Diplock indicated that the PIOB is of the view that the timing of the EQ review is part of a continuous quality process and should happen at the same time as the audit. She also stressed that scalability of the standard was important for SMPs.

WAY FORWARD

Mr. Vanker noted that the ED of proposed ISQM 2 is planned to be approved in December 2018.

⁶ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Quality Control (Firm Level) (Agenda Item C)

- To *REPORT BACK* on the March 2018 IAASB CAG meeting
- To *OBTAIN* Representatives' view on the proposed ED on ISQC 1 (Revised) as set out in **Agenda Item C2**

Ms. French provided an overview of the activities of the Quality Control Task Force (QCTF) and the IAASB discussions since the IAASB CAG's March 2018 meeting, including the coordination with the International Ethics Standards Board for Accountants (IESBA) and outreach with the International Federation of Accountants Small and Medium-Sized Practices (SMP) Committee. Ms. French explained the importance of the illustrations that depict the system of quality management in supporting an understanding of the standard, and provided an overview of the components of the standard and key changes since March 2018. She emphasized the risk-based approach in the standard, the inclusion of required quality objectives and responses, and the expectation on firms in applying the standard.

SIMPLICITY AND UNDERSTANDABILITY

Ms. French highlighted the actions taken to address the complexity of the standard and improve its simplicity and understandability. Representatives and Observers commented as follows:

- Mr. Mulholland, Mr. Rees, Mr. Fortin and Ms. Vanich noted that the September 2018 draft is much simpler and easier to read and understand. Mr. James also commented on the improved clarity of the eight components and how they have been explained.
- Ms. Vanich suggested improving the emphasis that the standard follows a risk-based approach, in particular by explaining the relationship between a risk-based approach and the prescribed quality objectives.
- Mr. Rees encouraged the development of communication materials and diagrams to help broader stakeholder groups in understanding the standard. Ms. Borgerth also noted that the diagrams facilitate an understanding of the standard. Prof. Schilder noted his preference for the diagram in the form of the house.
- Mr. Dalkin suggested replacing the appendix of the standard with the illustration of the system of quality management, since much of the content of the appendix is already covered in the standard.

PUBLIC INTEREST

Ms. French explained the improvements to the reference to public interest, the coordination with the IESBA in relation to the public interest and how the standard highlights compliance with the spirit and letter of professional standards. Representatives and Observers commented as follows:

- Mr. Mulholland supported the specific reference to public interest, however Mr. Fortin and Ms. Robert did not support indicating that all engagements are performed in the public interest, noting that not all audits are performed in the public interest. Mr. Fortin suggested that instead the explanation should refer to acting in the public interest. Ms. French noted that it has been challenging to describe the public interest in the context of performing engagements and the system of quality management. She added that the QCTF had considered explaining the firm's role in "acting in the public interest" but this created various challenges. Prof. Schilder indicated his support for how the public interest is

explained in the standard, noting that audits are performed in the public interest since there is a broader interest in those engagements and in many jurisdictions, financial stability relies on the quality of reporting.

- Mr. Mulholland suggested that further consideration is needed of the meaning of the public interest in the context of the profession. Ms. Diplock noted the paper that is currently being developed by the Public Interest Oversight Board (PIOB) addressing the topic of the public interest in the context of the profession. She noted that the paper is not yet available publicly and is being developed in conjunction with the Monitoring Group, also in the context of the proposed reforms to the Standard Setting Boards. Ms. Diplock further noted that while the audit is performed in the public interest, the interest is the stakeholders of the entity, and added that this ambiguity would be clarified. Ms. French noted the work of the PIOB on the public interest and that the QCTF would consider this when it becomes available. Prof. Schilder emphasized the challenges in developing a public interest framework.
- Mr. Pavas observed that the application material explaining entities that have a significant public interest may inappropriately limit the scope of entities that should be subject to the requirements in certain jurisdictions. Mr. Dalkin however supported the application material.

PROFESSIONAL JUDGMENT AND PROFESSIONAL SKEPTICISM

Ms. French highlighted the extent of professional judgment that would be needed in applying a risk-based approach and explained the actions taken to enhance the focus on professional judgment in the standard. She further explained the QCTF's considerations of how the firm supports professional skepticism at the engagement level and the proposed approach to addressing professional skepticism concerning judgments relating to the system of quality management. Representatives and Observers commented as follows:

- Ms. Robert did not support the broader references to professional skepticism, noting that the standard extends to all engagement types and entities.
- Ms. Robert and Mr. Fortin noted that the IESBA has proposed exploring an alternative term to describing professional skepticism for professional accountants and encouraged the QCTF to coordinate with the IESBA in this regard. Ms. Soulier confirmed that this is the proposed direction of the IESBA since the use of the term 'professional skepticism' for all professional accountants would be confusing, however the new term would continue to focus on the same behavioral elements and components. Ms. French noted that the QCTF is monitoring the work of the IESBA on the applicability of professional skepticism to all professional accountants and would take in to consideration the outcome of this work in the finalization of proposed ISQC 1 (Revised). Prof. Schilder highlighted that the IESBA proposal is a recent development, and emphasized the challenges of using the same term for all professional accountants.
- Mr. Ruthman highlighted some differences between the definition of professional judgment in proposed ISQC 1 (Revised) and the definition of professional judgment in relation to other IAASB standards. Ms. French explained that professional judgment in relation to a system of quality management relates to leadership decisions about the system that involve judgment and therefore including the concept of 'training' in the definition of professional judgment may suggest that leadership would need to have training over those responsibilities, which may not be practicable. She added that the QCTF would further consider this point.

- Mr. Dalkin suggested that paragraph A95 should be clarified to highlight that professional skepticism is not deferred to the engagement team and that there is still a responsibility at a firm level.

INFORMATION AND COMMUNICATION

Ms. French explained the proposals addressing communication with external stakeholders. Representatives and Observers commented as follows:

- Mr. Dalkin supported how the standard addresses communication with external parties, which reflects the need for the firm to consider its environment and the requirements in relation to such communication.
- Mr. Hirai noted the trends in Japan for transparency reporting and supported the increased emphasis on transparency reporting and direct communication with external stakeholders in the standard. Mr. Hirai suggested enhancing the application material regarding disclosure of matters related to governance and leadership, for example, transparency about the participation of independent parties in the leadership of the firm. Ms. French explained that the information and communication component is new from extant ISQC 1, and emphasizes the importance of information and communication in supporting the system of quality management, including proactive communication by the firm.
- Mr. Rees noted that the standard did not reflect a ‘strong encouragement’ to communicate externally, as was intended by the QCTF. Ms. French indicated that the QCTF would explore how to improve this requirement to accurately reflect the intention of the requirement.
- Mr. Rees, Mr. James and Mr. Hansen suggested addressing in the standard circumstances when external communication would be required. Ms. French noted that the standard includes application material that suggests external communication in circumstances when leadership concludes that the system does not provide it with reasonable assurance that the objectives are achieved, however suggested that the QCTF would further consider whether the standard should more explicitly address circumstances when such communication is necessary.
- Mr. Yoshii supported the proposals addressing communication with external stakeholders and suggested additional matters for communication in paragraph A128, including remuneration and the firm’s contribution to audit quality. Ms. French noted that the governance and leadership and resources components address compensation, evaluation and remuneration and that these requirements are linked to quality.
- Mr. Yoshii acknowledged the inclusion of future shareholders in paragraph A123.

NETWORKS

Ms. French explained the considerations of the QCTF in addressing the public interest issues arising from networks and the proposals in the standard, including how they would potentially impact networks. Representatives and Observers commented as follows:

- Ms. Vanich noted that the requirements are an improvement from extant ISQC 1, however suggested improving them in order to properly address the issue of undue reliance on the network. She indicated concern that the requirements may inadvertently promote firms using what is provided by the network without appropriately tailoring the network requirement or service for the firm’s circumstances. Ms.

French indicated that the QCTF would consider further strengthening these requirements.

- Mr. Pavas and Mr. Koktvedgaard suggested that requirements are needed for networks. Mr. Pavas noted the difficulty of controlling or monitoring networks given that they are transnational, and the large increase in networks in South America, many of whom are not members of the Forum of Firms. Mr. Koktvedgaard suggested establishing expectations on the network that if not satisfied have an impact on the firm. He also suggested using the elements of the definition of networks as a basis for specifying what would be expected of the network, for example, what is expected of a network if it shares common quality control policies and procedures. Ms. French noted that even if requirements are established in the standard, it is not possible for the networks to be monitored. She added that some of the networks are already taking action to consider how they will implement the new requirements of proposed ISQC 1 (Revised) which has resulted in considerations about how the network will formalize its processes, document the network processes, the quality over the development of the network requirements and services and how the network will operate and support the network requirements and services. Ms. French added that this appears to already be driving improvements across the network, albeit that the standard is still in development. She added that the standard is clear about what the firm is expected to do in using the network requirements or services, which ensures that the firm retains responsibility for the system of quality management, only uses the network requirements or services if they are appropriate and supplements them at the firm level. Prof. Schilder emphasized the progress made in relation to networks and indicated that it is not possible for the standard to address networks directly. Prof. Schilder noted the varying nature, size and complexity of networks and that addressing networks would suggest they are similar in nature, which is not the case in practice. He further explained the practical difficulties of imposing requirements on networks and for the firms to determine whether the network has complied with such requirements. Prof. Schilder therefore highlighted that it is more effective to address the issues arising from networks at the firm level.
- Mr. Yoshii supported the application material addressing transparency about the network in external communications. Mr. Koktvedgaard sought more robust incentives to promote network transparency reporting, and if not done, a requirement for the firm to disclose this information. Ms. French agreed that further clarity and encouragement of the communication about the relationship between the firm and the network could be explored.
- Mr. Koktvedgaard sought clarity on what information the firm is expected to obtain from the network that would facilitate reliance on the network requirements and services. Mr. Mulholland questioned whether, in practice, firms would individually seek to obtain the information from the network, i.e., whether this would be a disaggregated effort. Ms. French explained that some of the networks are already taking action to think about how they will implement the standard and support member firms, including what information will need to be provided by the network such that it is not a disaggregated effort.
- Mr. James suggested increased emphasis on the firm and the network communicating best practices in addition to deficiencies. Ms. French noted that the application material supporting the root cause analysis addresses good practices, however indicated that the QCTF would consider addressing best practices in the context of communications.
- Ms. Vanich sought clarity on whether resources included only human resources and suggested

clarifying the requirement in paragraph 62 regarding what information it relates to.

- Mr. Koktvedgaard indicated that the standard needs to address the reliance on other firms in the network to be independent.
- Mr. Dalkin noted the previous discussions regarding ‘letterbox audits.’

SCALABILITY AND ADDITIONAL GUIDANCE

Ms. French explained how scalability has been addressed in the standard and the approach to addressing the needs of SMPs. Representatives and Observers commented as follows:

- Ms. McGeachy commented that good progress has been made with the standard. She indicated that some field testing had recently been undertaken in Canada and that there is planned outreach on the quality control projects with the SMP Committee ahead of the upcoming IAASB meeting. She added that the feedback has indicated that there are still some areas that are complex, and that better signposting of considerations relevant to SMPs would be useful. She further noted that the SMP Committee would need to update their guide on systems of quality control and the supplementary materials would be useful in facilitating such updates. Prof. Schilder noted that although the standard is scalable, it is difficult to identify the aspects of the standard that are applicable to SMPs. Ms. French explained that the standard is inherently scalable, and identifying aspects applicable to SMPs could have inadvertent consequences.
- Ms. McGeachy and Mr. Dalkin noted their support for the supplementary materials. Ms. Robert recommended including the supplementary materials with the exposure draft.
- Mr. Fortin questioned the appropriateness of paragraph A30, i.e., why a smaller firm may be permitted to avoid undertaking a performance evaluation of firm leadership, since they could use an external service provider to undertake the performance evaluation. He emphasized the importance of a smaller firm obtaining an independent perspective on their system of quality management. Ms. French explained that the paragraph was included in response to the views of SMPs.
- Mr. James suggested that paragraph A63A should not specifically reference to a larger firm as it could be relevant to smaller firms. Ms. French indicated that this would be considered.

OTHER COMMENTS

Representatives and Observers commented variously as follows:

- Mr. James questioned the use of the term ‘reasonable assurance,’ noting that the term is used in the context of obtaining evidence for an assurance engagement and that it could be misinterpreted in this context. Mr. James therefore suggested the use of an alternative term. Ms. French noted that the COSO Internal Control – Integrated Framework⁷ uses the same term in a similar context and that the term is therefore being used in a manner consistent with COSO.
- Mr. James commented variously on the acceptance and continuance component as follows:
 - He noted that paragraphs 38 and 39 appear to result in a binary decision to accept or reject a client relationship or engagement, and instead suggested the use of other concepts, such as

⁷ Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control – Integrated Framework*

a spectrum of risk and incremental quality efforts to address such risks, which may improve the linkage with proposed ISA 315 (Revised).⁸

- He suggested clarifying the meaning of paragraph 38(c), i.e., what is meant by financial and operational priorities inappropriately influencing the firm's decision to accept and continue client relationships and specific engagements (e.g., through examples).
- He suggested adding a consideration of whether the firm has identified an appropriate engagement quality reviewer to paragraph A67, i.e., before the engagement is accepted.

PIOB REMARKS

In addition to the remarks regarding the PIOB's development of the public interest framework, Ms. Diplock:

- Noted the concerns of the PIOB that users perceive that quality across networks is consistent, however this is not the case. She therefore encouraged the QCTF to clarify this issue in the standard. Ms. French noted the explanation in **Agenda Item C.1** regarding how consistency of networks has been addressed in the standard. She added that some of the networks are already taking action to consider how they will implement the new requirements of proposed ISQC 1 (Revised), which has resulted in considerations about how the network will formalize its processes, document the network processes, the quality over the development of the network requirements and services and how the network will operate and support the network requirements and services. Ms. French added that this appears to already be driving consistency across the network, albeit that the standard is still in development. She further explained that the networks considering the implications of the standard have indicated that quality objectives, quality risks and responses may be developed at a global level, which may facilitate improved consistency across the network. Ms. Diplock commented further that it is probably not sufficient to rely on networks to address these issues autonomously, and that the reputation of the profession is significantly affected by the actions of the larger networks firms.
- Indicated that the clarity of the standard and the scalability has been improved.
- Commented that the PIOB is of the view that proposed ISQC 1 (Revised) is one of the most important standards, given the current condition of the auditing profession, the need to improve the perception of the profession and that it so closely related to the business model of the firm and the culture within the business model. She therefore was pleased that the standard is travelling in the right direction, including the emphasis on the culture of the firm. She further noted that the PIOB has had many opportunities to provide input into the standard.

WAY FORWARD

Ms. French thanked the Representatives and Observers for their feedback and encouraged them to provide further offline comments. Ms. French noted that the ED of proposed ISQM 1 is planned to be approved in December 2018.

⁸ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

Quality Control (Engagement Level) (Agenda Item D)

- To *OBTAIN* Representatives' views on the ISA 220 Task Force's proposals in relation to the draft of proposed ISA 220 (Revised)

Ms. Zietsman provided an overview of the ISA 220 Task Force's activities since the last discussion with the CAG in March 2018.

ADDRESSING KEY MATTERS OF PUBLIC INTEREST

The Representatives and Observers commented as follows:

- Mr. Dalkin expressed support for the manner in which the key matters of public interest have been addressed in the proposed standard.
- Mr. Fortin reiterated comments made earlier during the ISQM 1 session related to the public interest language that has been added to both ISQM 1 as well as proposed ISA 220 (Revised), noting that there are some non-statutory audits of financial statements that are not performed in the public interest, but rather are performed for other reasons.

SCALABILITY

The Representatives and Observers commented as follows:

- Ms. McGeachy expressed strong support for the direction of the revisions to proposed ISA 220 (Revised), in particular the relationship between quality at the firm level and at the engagement level.
- Mr. Dalkin commented that the large number of projects currently underway at the IAASB will affect both smaller firms and larger firms. Ms. Zietsman and Prof. Schilder agreed and noted that the results of the IAASB's recent Strategy survey also revealed that respondents have indicated that practitioners of all sizes will need to know how to handle these revised standards.
- Ms. Vanich commented on the similarities between ISA 220 and the PCAOB's related auditing standard, AS 1201,⁹ noting that the two standards are broadly aligned. Ms. Zietsman confirmed that the ISA 220 Task Force has looked at AS 1201 in order to challenge the robustness of proposed ISA 220 (Revised).

OTHER PROPOSED CHANGES TO ISA 220

Ms. Zietsman summarized the key changes made in each section of proposed ISA 220 (Revised), noting in particular that documentation of the engagement quality review should be in the audit file. The Representatives and Observers commented as follows:

- Mr. Dalkin questioned how reliance on the firm's policies or procedures would work in a non-traditional firm, a network firm, another third party or member firm. Ms. Zietsman emphasized that the ISA 220 Task Force has moved from the extant language that entitled the engagement team to 'rely' on the firm's system of quality control to now emphasize that the engagement partner and engagement team may be able to depend on the firm's policies or procedures. She further noted that the ISA 220 Task

⁹ Auditing Standard 1201, *Supervision of the Audit Engagement*

Force would consider including an example of how this dependence may practically work in a non-traditional firm.

- Ms. Robert expressed support for the direction of the revisions to ISA 220. She noted support for the coordination of the revisions with ISQM 1 but noted that more could be done to link the two standards. Ms. Zietsman noted that proposed ISA 220 (Revised) needed to be able to deal with other frameworks for firm-level quality management as not all jurisdictions have adopted ISQC 1. She added that the ISA 220 Task Force will consider making it more apparent what elements of ISQM 1 are included in proposed ISA 220 (Revised).
- Ms. Ovuka supported the additional application material related to technological resources. She noted that technology may change both the type of audit procedures that the auditor performs and they type of audit evidence being received.
- Mr. Hansen supported the strengthened link between quality management at the firm level and quality management at the engagement level compared to extant ISA 220. He encouraged the ISA 220 Task Force to consider whether there is an opportunity to strengthen the responsibility for quality between the firm and the engagement partner to recognize that both have a role to play in achieving quality. Ms. Vanich noted that under the PCAOB standard AS 1201¹⁰ the engagement partner is responsible for supervision, and that if there was a finding in relation to the firm's methodology for example, the engagement partner would not be cited because the engagement partner used the methodology. Ms. Zietsman noted that the revisions made to ISA 220 are to capture the joint responsibility between the firm and the engagement partner by emphasizing that the responsibility for quality starts with the firm and then cascades down to the engagement team.
- Mr. Ruthman questioned whether the definition of policies or procedures in proposed ISQM 1 is consistent with proposed ISA 220 (Revised). He also cautioned that, because audit files can be seen by all members of the engagement team, the requirement in paragraph 24 to document discussions with firm personnel in relation to relevant ethical requirements, including how they were resolved, may not be appropriate as it may contain highly confidential information. Lastly, he questioned whether the proposed application material related to differences of opinion should be left for the firm's policies or procedures to address and not proposed ISA 220 (Revised). Ms. Zietsman responded noting that proposed ISA 220 (Revised) includes the definition of response from proposed ISQC 1 (Revised) and that definition includes policies or procedures, but that the ISA 220 Task Force would consider whether these definitions are aligned. She further noted that some Board members were concerned about the engagement partner's recourse in situations where they are not comfortable that the difference of opinion has been resolved and that the application material addresses this issue.
- Mr. Hirai noted that the 'tone at the middle' is very important in performing a quality engagement. He noted that the engagement partner should remind middle management on the engagement team of their responsibility to achieve quality and comply with the standard.
- Mr. N. James questioned whether the requirements in the relevant ethical requirements section would be seen as too passive in terms of what the engagement partner is required to do and whether the requirements should be strengthened. He also noted that paragraph 10A requires the engagement

¹⁰ PCOAB Auditing Standard 1201, *Supervision of the Audit Engagement*

partner to make a determination regarding fulfillment of the relevant ethical requirements prior to dating the auditor's report, but questioned whether that is in fact too late to make that assessment. As it relates to paragraph 8B, Mr. N. James questioned whether there is additional language needed that would specify that the assignment of procedures tasks or actions should be to an individual with the appropriate experience and competence. Ms. Zietsman noted that the ISA 220 Task Force has moved from extant language that was considered too passive, but will further consider whether the requirements can be further strengthened.

WAY FORWARD

Ms. Zietsman concluded the session by asking Representatives and Observers whether there are any other changes that should be considered by the Task Force, to which there were none. Ms. Zietsman noted that the ED of proposed ISA 220 (Revised) is planned to be approved in December 2018.

Emerging Forms of External Reporting (EER) (Agenda Item E)

- To *REPORT BACK* on the March 2018 IAASB CAG meeting
- To *RECEIVE* an update on the project and *OBTAIN* Representatives' views on the draft guidance as set out in **Agenda Item E.2**

Mr. Grabowski provided Representatives with a summary of the EER Task Force's progress since the IAASB CAG's March 2018 meeting, including details of the 'challenges' for assurance which the EER Task Force has been addressing in the draft guidance under development (**Agenda Item E-2**). He explained how the guidance is to be an International Assurance Engagements Practice Note (IAEPN). Representatives and Observers commented as follows:

- Mr. Yoshii expressed strong support for the draft guidance, noting that it is an ambitious effort to enhance the quality of non-financial information. Mr. Koktvedgaard supported the approach to develop guidance that covered all types of reporting rather than just integrated reporting. He gave examples of reporting about technology or cyber risks that would not be integrated reports. Mr. Sobel later noted that there could be demand for assurance of these types of reporting, for example from customers wanting assurance that an online retailer's website is secure. Mr. Sobel also agreed that 'EER' was not the best term to use.
- Several Representatives sought clarity over what types of reporting were considered to be EER. Ms. Borgerth and Ms. Diplock emphasized that sustainability reporting and integrated reporting were not equivalent or alternative forms of reporting. Ms. Diplock suggested that sustainability reporting could be an intermediary stage for preparing integrated reports. She expressed the view that use of the term EER was unhelpful as integrated reporting will be the only form of external reporting in the future, and that other frameworks (for example the standards issued by GRI¹¹ and SASB¹²) are typically focused on rationalizing measurement techniques for non-financial information which could be included in an integrated report.

¹¹ Global Reporting Initiative

¹² Sustainability Accounting Standards Board

- Ms. Singh noted that while ‘ESG investing’ did not exist as a separate concept, ESG data points were just additional information that could be considered by investors making investment decisions.

MATURITY IN GOVERNANCE & INTERNAL CONTROL

Mr. Grabowski explained the challenge that arises from the lack of maturity in governance and internal control. Representatives and Observers commented on this topic as follows:

- Mr. Sobel supported the model of a system of internal control presented and noted that it was aligned to the COSO framework. Mr. Grabowski explained how it was based on ED-315¹³ which is itself consistent with the COSO framework.
- Mr. Milholland noted that he felt this section could be even more helpful for preparers than practitioners.

EVALUATING THE SUITABILITY OF CRITERIA, APPLYING MATERIALITY AND BUILDING ASSERTIONS

Mr. Grabowski provided a summary of the main issues relating to these three challenges. Representatives and Observers commented as follows:

- Mr. Koktvedgaard expressed the difficulty in identifying the intended users and stakeholders of a report, noting the instances where these were not investors. He suggested that good guidance was needed in this area.
- Mr. Dalkin noted the challenge of not being able to aggregate misstatements where these did not occur in numerical information.
- Ms. Borgerth explained how an entity’s business model and its stakeholders should be important context for materiality judgments. She also expressed support for the clear diagrams used in the draft guidance.
- Mr. Rees expressed support for the approach in the draft guidance on materiality being considered in three parts. He noted the linkages between the IAASB’s EER project and the IASB’s project to update their Management Commentary Practice Statement, welcomed the IAASB’s participation in the IASB’s project advisory group, and indicated that the IASB was considering a similar approach to materiality.

NARRATIVE AND FUTURE-ORIENTED INFORMATION

Mr. Grabowski introduced the challenges of obtaining assurance of narrative and future-oriented information. He explained how both qualitative and quantitative subject matter information results from applying criteria to elements of the underlying subject matter, using the simple example of an apple to explain the concepts. Representatives and Observers commented as follows:

- Mr. Rees said that he found the apple example compelling. He noted, however, that auditors have had to deal with narrative and future-oriented information for a long time and accordingly queried why there were challenges in this area that needed to be addressed by the project. Mr. Grabowski

¹³ Exposure Draft of International Standard on Auditing (ISA) 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

responded that responses to the Discussion Paper had identified these as key challenges because these types of information are more prevalent in EER.

- Mr. Kocktvedgaard suggested that 'trade-offs' were necessary in this area, for example that it might be necessary for entities to report less information so that what was reported was reliable and possible for a practitioner to assure it. Another trade-off might be the cost of assurance increasing with the scope of the assurance engagement increasing. He noted that finding evaluation or measurement techniques was not usually an issue.

PIOB REMARKS

Ms. Diplock said that the PIOB considered the IAASB's work on EER to be very important and congratulated the EER Task Force for their work to date. She noted the PIOB's upcoming event on "Enhanced Reporting and the role of Audit in the Public Interest" at which Mr. Grabowski is due to speak.

ISRS 4400 (Revised)¹⁴ – Agreed-Upon Procedures (AUP) Engagements (Agenda Item H)

- To *REPORT BACK* on the March 2018 IAASB CAG meeting
- To *PROVIDE* Representatives with an update on the project and *OBTAIN* Representatives' views on the draft guidance as set out in **Agenda Items H2 and H3**

Mr. Salole introduced the topic and updated Representatives on the activities of AUP Task Force since the previous CAG discussion in September 2017. Mr. Salole explained that the Board will discuss the proposed revisions and vote on exposing ISRS 4400 (Revised) at its September 2018 meeting. He also explained how the proposed standard addresses the public interest issues as identified in the project proposal.

In relation to the overall proposals, Representatives commented as follows:

- Messrs. Dalkin, Hansen and Fortin supported the changes proposed to ISRS 4400 and Mr. Hansen supported the project to revise ISRS 4400 generally as AUP engagements are widely used by governmental institutions in the United States. Mr. Fortin agreed and added that AUP engagements are a critical instrument for the World Bank. Ms. Borgerth noted that AUP engagements are widely used in Brazil. Mr. Fortin supported including a requirement and application material with respect to the use of professional judgement.
- Mr. Fortin questioned whether in some cases proposed ISQM 2¹⁵ should apply given that the restrictions on the use of the AUP report have been lifted. Mr. Salole noted that the Task Force will continue to liaise with the quality control Task Forces about conforming amendments to ISRS 4400 (Revised).
- Ms. Robert questioned why the term 'factual findings' was changed to 'findings.' She noted that the term 'factual finding' clearly distinguishes the findings in an AUP engagement from findings in an audit engagement. Mr. Salole explained that the Task Force concluded that a finding itself is always factual and that the change would therefore not intrinsically impact the perception about a finding. In

¹⁴ Proposed International Standards on Related Services (ISRS) 4400 (Revised), *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

¹⁵ Proposed International Standards On Quality Control (ISQC) 2, *Engagement Quality Reviews*

addition, in some jurisdictions, the term factual finding causes translation issues. He also noted that the Task Force plans to include a question in the explanatory memorandum to the Exposure Draft to obtain views on this matter.

- Mr. Hansen asked what the Board's views were on including the use of an expert in the standard. Mr. Salole noted that the Board was of the view that an expert is often used in areas where judgment is needed, noting that further consideration would be given to whether proposed ISRS 4400 (Revised) should explain that an expert can only be used to obtain factual results.
- Mr. Fortin noted that the illustrations of AUP reports describe straightforward examples and suggested to add an example that is more contentious.
- Mr. Bradbury questioned why the effective date will be approximately 18–24 months after the final standard is issued. Mr. Salole explained that this timeframe is ordinarily used for new and revised standards which allows time for firms to update methodologies, for the development and delivery of training, and for translation. The Task Force had the view that there was no reason to deviate from this timeframe.

INDEPENDENCE

Representatives and Observers commented as follows:

- Mr. Dalkin noted that the proposals with respect to independence are different from similar standards used in the United States and questioned whether the Task Force considered harmonizing the standards. Mr. Salole explained that the Task Force has members from different jurisdictions, including the United States, and that there were different views on this topic. Some are of the view that the practitioner should be independent while others are of the view that it is not always necessary and may limit the use of this standard. The Task Force on balance concluded that the practitioner should not be required to be independent. He also noted that the Task Force plans to include a question in the explanatory memorandum to obtain views on this matter.
- Messrs. Hansen and Fortin were of the view that the practitioner should be independent when performing an AUP engagement. Mr. Hansen noted that some practitioners prepare the subject information on which they perform an AUP engagement. Ms. Soulier noted that the IESBA International Code of Ethics for Professional Accountants (IESBA Code) requires independence for audit and other assurance engagements and objectivity for AUP engagements. She noted that requiring independence in an AUP engagement would require including a separate standard on independence for AUP engagements in the IESBA Code and questioned whether such a standard should be developed. Ms. Robert did not support the development of such a standard. Ms. Soulier also noted that in some cases objectivity may be sufficient, while in other cases the engaging party can request the practitioner to be independent. Mr. Fortin noted that some stakeholders may have the perception that the practitioner is always independent when performing an AUP engagement and that including a statement on independence limits the expectation gap. Mr. Salole explained that proposed ISRS 4400 (Revised) requires the practitioner to comply with relevant ethical requirements.
- Ms. McGeachy asked whether practitioners, when they are not independent, are allowed to clarify why they are not independent in the AUP report. Ms. Wei agreed that practitioners should explain why they are not independent.

PIOB REMARKS

Ms. Diplock noted that the PIOB supported the project to revise ISRS 4400 from the start and was of the view that the CAG had a robust discussion. She supported the reference to fraud and an entity's non-compliance with laws and regulations in paragraph 7. Ms. Diplock questioned whether the practitioner's independence should be dependent on the nature of the engagement.

SMP Update (Agenda Item I)

- To *PROVIDE* Representatives with an update on the project proposal – Exploring possible actions to address perceived challenges and issues when undertaking audits of less complex entities

Mr. Salole introduced the topic, explaining the purpose of the session was to obtain Representatives' views about the Project Proposal to be discussed with the IAASB regarding the development of a Discussion Paper (DP) relating to exploring possible actions for dealing with perceived challenges of conducting audits of less complex entities.

Representatives were supportive of the IAASB exploring this topic, and several Representatives, including Messrs. Fortin, Hansen, Pavas, Rees, and Mmes. Yazar and Robert, highlighted the importance of the project, in particular in relation to certain jurisdictions. Ms. Robert also expressed support for the timeline. Mr. Yoshii noted the importance of audit quality being the same for listed entities, regardless of size and expressed support for basing this work on the characteristics of the entity, and not its size. However, various concerns were expressed about where the project may go:

- Messrs. Dalkin, Mulholland and Ms. McGeachy emphasized the importance of being able to apply the standards to a wide variety of entities. They therefore expressed support for this initiative to be able to explore what more can be done for entities that are less complex applying, in some cases, complex auditing standards.
- Messrs. Mulholland and Hirai noted concern that any outputs from the work in this area should result in the same level of assurance as the ISAs, as it was not desirable if the outcome was a pronouncement with a different level of assurance. Prof. Schilder explained that all audits should be of high quality and provide the same level of assurance, however there may be different ways of obtaining that assurance, which is what this project would explore.

Mr. Rees explained the importance of the separate standard developed by the International Accounting Standards Board, explaining the benefits that have been seen from their work in this area, although he further explained the different nature of the standard in context of full International Financial Reporting Standards.

In undertaking this work, Representatives also provided suggestions for further IAASB consideration:

- Ms. McGeachy noted the importance of 'think small first' in developing and revising the standards. She further encouraged the IAASB to consider how this could be achieved in the existing standards (for example, making clear what may not apply).
- Mr. Hansen further encouraged exploring whether more optionality could be introduced, with consideration given to whether this is in the requirements or application material.

Mr. Salole highlighted that the objective of this phase of the work is to understand the spectrum of views, so that the IAASB could make informed decisions about possible solutions to the issues and challenges. He added that the Working Group would continue to consider possible solutions, including exploring how technology may be able to help.

Mr. Fortin and Ms. Yazar encouraged the IAASB to fully consider what the appropriate solution is to fix the challenges and issues, and Mr. Hansen emphasized the importance of further work to fully understand the issues and challenges. He added that there is an expectation that there will be some kind of output from this work, but encouraged the IAASB to manage the expectations related to what this could be.

PIOB REMARKS

Ms. Diplock expressed support for the initiative, noting that alternatives being developed or shortcutting the requirements of the standards are not in the public interest. She highlighted that this work would be challenging, in particular in scoping the work to be undertaken, but noted the importance of the work in the public interest. She also added that as the IAASB develops its future strategy and work plans, there may be further links between this work and planned allocations of resources.

WAY FORWARD

Mr. Dalkin noted the Representatives' support for this initiative, but encouraged the Board to further consider the cautions that had been raised. Mr. Salole thanked the Representatives for their comments and views, and noted that the expected draft Discussion Paper would be discussed at the March 2019 CAG meeting.

ISA 315 (Revised)¹⁶ (Agenda Item J)

- To *REPORT BACK* on the March 2018 meeting
- To *PROVIDE* Representatives with a presentation on the approved ISA 315 (Revised) Exposure Draft (ED-315)

Ms. Zietsman provided Representatives with a presentation about ED-315, with particular reference to the flowcharts and those areas discussed by the CAG during its meeting in March 2018, as also included in the report back (**Agenda Item J**). Ms. Zietsman responded to questions on the difference between 'material' and 'significant,' as well as the major differences between extant ISA 315 (Revised) and ED-315.

ISA 540¹⁷ – Accounting Estimates (Agenda Item K)

- To *REPORT BACK* on the March 2018 meeting

Mr. Montgomery explained the Task Force's activities since the March 2018 CAG meeting and informed the Representatives that the Board approved ISA 540 (Revised) in June 2018 and voted against re-exposure.

Mr. N. James questioned how the Board addressed the views of those CAG representatives who were of

¹⁶ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

¹⁷ International Standards on Auditing (ISA) 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

the view that the standard should be re-exposed. He added that re-exposing ISA 540 (Revised) would have been good for the perception. Mr. Dalkin was of the view that the Representatives expressed mixed views on re-exposure in March 2018 and that the IAASB had a thoughtful discussion on the topic in June 2018. Mr. Montgomery explained that the changes made after exposure were structural and were in response to comments received. Mr. Gunn added that the public interest would not be served by re-exposure as this would delay the important improvements to the auditing of accounting estimates and related disclosures. Prof. Schilder noted that the ISA 540 Task Force, as was suggested in the CAG's March 2018 meeting, also looked at the IAASB's re-exposure criteria and concluded that under those criteria re-exposure was also not needed.

Strategy and Work Plan (Agenda Item L)

To *PROVIDE* Representatives with an overview about how the IAASB is considering approaching its consultation on its Strategy for 2020–2023 and *OBTAIN* Representatives' views about matters relating to the IAASB's future Strategy (**Agenda Item L.1**)

Mr. Montgomery introduced the topic, summarizing the feedback from the IAASB's Strategy Survey and explaining the proposed direction for the way forward. Mr. Montgomery further explained that the directional discussions at both the CAG meeting and the upcoming IAASB meeting would help the Steering Committee develop the IAASB's Consultation Paper on its future strategy and work plans for discussion with Board in December 2018 and targeted approval in January 2018.

CAG Representatives broadly supported the direction, but noted some matters for further consideration. With regard to shifting work efforts to implementation activities, CAG Representatives commented as follows:

- Mr. Dalkin noted that it would be important to be clear what 'implementation activities' means. Ms. Bahlmann noted that further consideration would need to be given to what this would mean in context for the IAASB, in light of resources needed to undertake the IAASB's core activities, as well as what others may be able to assist with in this regard. Prof. Schilder noted that this would be further considered in light of all of the IAASB's activities and its focus as determined by the development of the future strategy and work plans. Mr. Gunn added that the Board would need to consider where the most value would be gained from implementation activities, for example, stakeholders would likely benefit most from IAASB implementation activities in the period directly after when a new or revised standard has been published. He added that the nature of the implementation activities would change over time. Ms. Ovuka supported Mr. Gunn's comments, and added that implementation activities may also help inform future standard-setting activities of the Board.
- Mr. Rees supported the proposed shift to implementation activities, highlighting that the International Accounting Standards Board (IASB) had also shifted the focus of its activities in light of the significant efforts that had been made developing recently published significant accounting standards. He also acknowledged that the IASB had also considered how others, in particular national standard setters, could assist in recognition that the IASB could not undertake all the necessary activities itself.
- Ms. Meng noted support for the shift to implementation activities, noting that this change in focus reflect the changing environment, in particular in light of increasing complexity in the standards. She added that the quality of the audit is related to how the new and revised standards are implemented,

and therefore there is a responsibility of the IAASB to support the implementation. She also asked that further consideration be given to the development of the standards to help with implementation, such as simplifying how the standards are written, using flowcharts and graphics and providing explanations about why certain decisions relating to the revisions are explained. Prof. Schilder explained that the Task Forces have been focusing on some of these matters, and would continue to further consider how best to assist with implementation of the standards, for example setting up a group to focus on implementation of specific standards, such as the ISA 540 Implementation Working Group.

- Mr. Dalkin cautioned about the need for sufficient resources to be able to undertake the implementation activities, noting that these could be resource intensive. Mr. Montgomery acknowledged the caution, and agreed that further consideration would need to be given to how these activities are undertaken.

Other comments regarding the proposed direction, Representatives commented as follows:

- Mr. Fortin emphasized the importance of the IAASB focusing on its purpose and objective related to standard-setting, particularly in light of many competing demands for IAASB attention.
- With regard to research activities, Mr. Fortin highlighted the importance of research activities, noting that this would help with the scoping of projects.
- Mr. Ruthman highlighted the importance of being transparent about the Board's activities in relation to technology in the future work plan. Ms. Bahlmann noted that aspects of this would be addressed by the planned future project on Audit Evidence, and that further consideration would be given to technology as the future strategy and work plans are developed. Prof. Schilder added that the IAASB still needs to consider what the scope of the planned future project on Audit Evidence would be.
- Mr. Nicholson emphasized the need for collaboration, in particular with national standard setters, but also with others who are global standard setters. He added that collaboration could be undertaken in a variety of ways, including that it may be as simple as a conversation.

PIOB REMARKS

Ms. Diplock acknowledged that the feedback that had been received in regard to the Strategy Survey was consistent in many areas that the PIOB considered important, in particular data analytics and technology, noting that this had been previously highlighted at the June 2018 IAASB meeting. She also highlighted the need for consideration about assurance on non-financial information.

Ms. Diplock added that other matters of importance for the PIOB included the importance of considerations about how evolving business models are impacting the auditing profession, for example the required competencies that will be required. She noted other matters of significant public interest included the auditor's consideration of fraud as well as going concern considerations. She encouraged that the IAASB further consider how it prioritizes its work, in particular in light of the many significant projects still being worked on. She also added that the IAASB has a responsibility for how the standards are implemented, and therefore welcomed further consideration about implementation activities, including how others, such as the International Federation of Accountants, could help.

Closing Remarks

IAASB CAG CHAIRMAN REMARKS

Mr. Dalkin thanked the CAG Representatives for their preparation and participation during the meeting. In his view, the contributions were significant and provided good feedback and direction for the IAASB going forward.

IAASB CHAIRMAN REMARKS

Prof. Schilder thanked the Representatives for their exchanges and challenges as these are helpful and necessary for the work done by the IAASB in the public interest. He further noted that the projects undertaken by the IAASB have been challenging and complex and appreciated the Representatives' support for and input provided for these projects.

PIOB OBSERVER'S CLOSING REMARKS

Ms. Diplock noted that she was pleased with the level of discussion and participation by the Representatives, and noted that it served in the public interest.