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Public Interest Oversight Board (via electronic mail)

Madrid, Spain

Dear Public Interest Oversight Board,

I herewith submit my quarterly report on the IAASB's developments for your September 2020 meeting. The attached report details the IAASB's progress, including our outreach and "speaking out" activities.

In my last report to you, I described our COVID-19 approach as "Assist, Adapt, Coordinate."

At the start of Q2, the IESBA Chair, Stavros Thomadakis and I issued a joint message. In it, we reaffirmed our two Boards' commitment to continuing our work, albeit virtually, and seizing opportunities to adapt how we work, and what we work on, considering global needs and priorities. Now is not the time to relax the commitment to the public interest and the IAASB will continue to support the important role auditors must play in sustaining trust in financial and other external reporting.

In addition to the outputs of our "assist" activities, which are available on the IAASB's dedicated webpage, [Guidance for Auditors During the Coronavirus Pandemic](#), we have performed a comprehensive review and update of our Work Plan for 2020–2021 to account for COVID-19 related pressures on our volunteers, stakeholders and staff ("adapt"). We also remain closely linked with all our stakeholders ("coordination")—working with our national standard-setting partners and IESBA to coordinate efforts and having regular discussions with regulatory authorities and the PIOB. Our COVID-19 related activities during Q2 are detailed in the current report. We present our report in line with our agreed strategic objectives.

**Strategic Objective 1: Increase the emphasis on emerging issues to ensure that the IAASB's International Standards provide a foundation for high-quality audit, assurance and related services engagements**

*Standard-Setting and Related Activities:*


During Q2, **we published:**

- ISRS 4400 (Revised)<sup>1</sup> to update and enhance the requirements for agreed-upon procedures engagements in light of the growing demand for such engagements.
- Conforming amendments to align the IAASB's International Standards with the revisions to the IESBA Code,<sup>2</sup> so our standards can continue to be applied together with the IESBA Code.

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<sup>1</sup> International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*

<sup>2</sup> International Ethics Standards Board for Accountants (IESBA), *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

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- Exposure Draft (ED) of proposed ISA 600 (Revised),<sup>3</sup> which introduces an enhanced risk-based approach to planning and performing a group audit. In consideration of COVID-19's impact, the closing date for comments is October 2, 2020.

In June, we addressed a number of key outstanding issues on the **Quality Management (QM) standards**,<sup>4</sup> as well as coordination between the three QM Task Forces and with IESBA and agreeing on the proposed effective date of the standards. Our work on the QM projects is now substantially complete, and we plan to finalize the QM standards in September 2020.

*Information Gathering and Research Activities*

We made substantial progress in our activities leading toward formal standard-setting on the following topics:

- **Audits of Less Complex Entities (LCEs):** At our June 2020 meeting, the Board provided clear direction. The Standard for LCEs Working Group will begin development of the separate standard and prepare a project proposal for approval at the December 2020 IAASB meeting.

Furthermore, consistent with our multifaceted approach to complexity, we have established a separate Working Group to address issues related to complexity, understandability, scalability, and proportionality of the ISAs more broadly (i.e., the CUSP Working Group).

- **Audit Evidence:** After extensive information gathering and targeted outreach activities in response to the Board's direction in June 2019, the Board agreed at the June 2020 IAASB meeting with the recommendations of the Audit Evidence Working Group (AEWG) to prepare a project proposal for December 2020 and to evolve its approach to progress the revision of ISA 500<sup>5</sup> and conforming and consequential amendments to other standards.
- **Fraud and Going Concern:** These new workstreams focus on addressing issues and challenges related to fraud and going concern in audits of financial statements. Staff has undertaken significant information gathering and research activities to date, which has culminated in a number of planned activities for the remainder of 2020. To obtain further views, Staff is arranging global virtual roundtable discussions in Q3 and Q4 and is developing a discussion paper for publication in Q3. The discussion paper will focus on one aspect common to both fraud and going concern that is continually highlighted, namely the expectation gap.

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<sup>3</sup> ED, Proposed International Standard on Auditing (ISA) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>4</sup> The IAASB's proposed quality management (QM) standards comprise: Proposed International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, Proposed ISQM 2, *Engagement Quality Reviews*, and Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.

<sup>5</sup> ISA 500, *Audit Evidence*

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Staff and I have also focused on **technology transformation and disruption** and we are working with an organization, Founders Intelligence, to do foundational research on disruptive technology and its impact on standard setting. To position the IAASB for potential disruption, we need to be aware of how changes in technology are affecting the market and how standards may need to evolve to address / support these changes. This research should enable us to have discussions within our Board and with external stakeholders about potential actions.

#### *Activities to Support Implementation*

We finalized a number of non-authoritative materials in Q2 as part of our contribution to support the implementation of the IAASB's standards (which are detailed in the current report):

- [Staff Audit Practice Alerts](#) to highlight audit considerations for the impact of COVID-19 in relation to going concern, subsequent events, auditor reporting and auditing of accounting estimates.
- A publication by the Technology Working Group (TWG), [Technology – Audit Documentation](#), that provides support material related to audit documentation when using automated tools and techniques.
- [Illustrative examples](#) developed by the ISA 540 (Revised)<sup>6</sup> Implementation Working Group for auditing simple and complex accounting estimates.

#### **Strategic Objective 2: Innovate How We Work**

There are several actions or initiatives to highlight in this regard:


- Continuing to respond to the challenges amid the COVID-19 pandemic, including remote working arrangements for Staff and conducting all Board and Task Force / Working Group meetings, as well as stakeholder engagements, virtually until further notice.
- Updating our Work Plan for 2020–2021 to account for COVID-19's impact, as mentioned above.
- Progressing the development of our Framework for Activities – work regarding the following components were considered by the Planning Committee in Q2: Information gathering and research, and the development of non-authoritative materials.
- Noting that the work we are undertaking in relation to technology transformation and disruption (see Strategic Objective 1 above) would also be relevant in terms of innovating our ways of working, for example, in relation to the standard setting process and those involved in such process.

#### **Strategic Objective 3: Maintain and Deepen our Stakeholder Relationships**

Despite the effects of the COVID-19 pandemic on global travel, we continue to be connected with our stakeholders around the world through virtual outreach events. The IAASB's general outreach program and project-specific and other targeted outreach activities remain key to fulfilling our standard-setting mandate.

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<sup>6</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

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The “Speaking Out” section of **Appendix 1** details specific opportunities seized in this regard, and **Appendix 2** summarizes the IAASB’s outreach activities in Q2.


### **Looking Ahead to Q3**

The primary focus will be on the September 2020 IAASB meeting and the targeted approval of the QM standards, which will complete important quality enhancements at the firm and engagement levels to better enable the consistent performance of quality engagements. The IAASB will continue to monitor the impacts of the COVID-19 pandemic on our planned projects and activities and make further adjustments as needed. At the same time, we will begin work on transitioning and implementation of the recommendations in the Monitoring Group’s Paper, [\*Strengthening the International Audit and Ethics Standard-Setting System\*](#), including seeking the counsel of the PIOB and other key stakeholders on both of these matters.

Kind regards,



Tom Seidenstein  
IAASB Chair

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## Appendix 1

### International Auditing and Assurance Standards Board (IAASB) – Second Quarter 2020 Detailed Activity Report

<b>Major Achievements (in chronological order by date)</b>	
Standards and Guidance	<p><b>IAASB Enhances ISRS 4400 to Respond to Evolving Needs of Stakeholders</b></p> <p>On April 3, 2020, the IAASB released <a href="#">ISRS 4400 (Revised)</a>,<sup>7</sup> its revised standard for performing agreed-upon procedures (AUP) engagements. In addition to having been redrafted using the clarity drafting conventions to be consistent with other IAASB International Standards, some of the significant enhancements to ISRS 4400 (Revised) include:</p> <ul style="list-style-type: none"> <li>• Responding to the needs of stakeholders by broadening the scope of the standard to meet the demand for AUP engagements on both financial and non-financial subject matters, and addressing evolving engagement circumstances, such as the use of a practitioner's expert.</li> <li>• Providing transparency in the AUP report by clarifying whether or not the practitioner is required to comply with independence requirements and, if so, the determination and disclosure of the relevant independence requirements.</li> <li>• Enhancing consistency in the performance of AUP engagements, including in relation to engagement acceptance and continuance conditions, the exercise of professional judgment in an AUP engagement, and documentation.</li> </ul> <p>ISRS 4400 (Revised) will be effective for AUP engagements for which the terms of engagement are agreed on or after January 1, 2022.</p> <p>The IAASB also released an <a href="#">ISRS 4400 (Revised) Fact Sheet</a> to provide implementation support in relation to the more significant changes to the standard and to help practitioners navigate and apply the revised standard.</p>


<sup>7</sup> International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagement*

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	<p><b>IAASB Releases Conforming Amendments that Align International Standards More Closely with the Revised IESBA Code<sup>8</sup></b></p> <p>On April 8, 2020, the IAASB released <a href="#">conforming amendments to the IAASB's International Standards</a> as a result of the recently restructured and revised IESBA Code.</p> <p>The conforming amendments aim to align the IAASB's International Standards with the revisions to the IESBA Code, thus ensuring that they can continue to be applied together with the IESBA Code.</p> <p>The conforming amendments to the IAASB's International Standards became effective as of July 15, 2020.</p> <p><b>IAASB'S New Strategy and Work Plan Focuses on Increased Agility, Enhanced Coordination, and a Priority on Responding to Emerging Challenges</b></p> <p>On April 15, 2020, the IAASB published its <a href="#">Strategy for 2020–2023</a> (the Strategy) and <a href="#">Work Plan for 2020–2021</a> (the Work Plan).</p> <p>The strategy sets three strategic objectives to focus IAASB priorities and resources during 2020–2023:</p> <ul style="list-style-type: none"> <li>• Increase the emphasis on emerging issues to ensure that the IAASB International Standards provide a foundation for high-quality audit, assurance and related services engagements.</li> <li>• Innovate the IAASB's ways of working to strengthen and broaden our agility, capabilities, and capacity to do the right work at the right time.</li> <li>• Maintain and deepen relationships with stakeholders to achieve globally relevant, progressive and operable standards.</li> </ul> <p>The Work Plan describes, at the time of the December 2019 approval, how the IAASB intends to increase its focus on emerging issues, while completing the existing work already committed to and underway. In the Work Plan, the IAASB anticipates standard-setting projects on going concern, fraud, and audit evidence, and work to address the needs of auditors of less complex entities (LCEs), among other topics. To support an evidence-based and</p>
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<sup>8</sup> International Ethics Standards Board for Accountants (IESBA), *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

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	<p>structured consideration of new topics, the IAASB Work Plan highlights a new Framework for Activities, comprising several key components, to help the IAASB develop informed and targeted responses to address emerging issues and topics of global relevance.</p> <p>On May 18, 2020, the IAASB published a revised <a href="#">Detailed Work Plan Table for 2020-2021</a> to account for the impact of the COVID-19 pandemic. Timelines for projects were reconsidered in the context of directing capacity to emerging public interest needs and to account for the capacity of our stakeholders, volunteer Board members, and Staff in the current evolving environment.</p> <p><b>IAASB Issues Support Material for Audit Documentation When Using Automated Tools and Techniques</b></p> <p>On April 23, 2020, the IAASB's Technology Working Group (TWG) released <a href="#">Technology – Audit Documentation</a>, a non-authoritative support material related to the auditor's documentation when using automated tools and techniques (ATT), such as data analytics, robotics automation processes, drone technology or artificial intelligence applications.</p> <p>The publication intends to assist auditors in understanding how the use of ATT during an audit engagement may affect the auditor's documentation in accordance with the International Standard on Auditing (ISA) 230, <i>Audit Documentation</i>, and the documentation requirements of other relevant ISAs.</p> <p><b>IAASB Proposes Modernization of Group Audits Standard in Support of Audit Quality</b></p> <p>On April 27, 2020, the IAASB released the <a href="#">exposure draft (ED) of proposed ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)</a>. The proposed standard introduces an enhanced risk-based approach to planning and performing a group audit. In addition, the proposed standard:</p> <ul style="list-style-type: none"> <li>• Clarifies the scope and applicability of the standard.</li> <li>• Emphasizes the importance of exercising professional skepticism throughout the group audit.</li> <li>• Clarifies and reinforces that all ISAs need to be applied in a group audit through establishing stronger linkages to the other ISAs, in particular to</li> </ul>
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	<p>proposed ISA 220 (Revised),<sup>9</sup> ISA 315 (Revised 2019)<sup>10</sup> and ISA 330.<sup>11</sup></p> <ul style="list-style-type: none"> <li>• Reinforces the need for robust communication and interactions between the group engagement team, group engagement partner and component auditors.</li> <li>• Includes new guidance on testing common controls and controls related to centralized activities.</li> <li>• Includes enhanced guidance on how to address restrictions on access to people and information.</li> <li>• Enhances special considerations in other areas of a group audit, including materiality and documentation.</li> </ul> <p>In consideration of COVID-19's impact, the ED of proposed ISA 600 (Revised) is open for public comment until October 2, 2020.</p> <p><b>IAASB Publishes Four More COVID-19 Staff Audit Practice Alerts</b></p> <p>A core element of the IAASB's COVID-19 response has been the development of a series of specific COVID-19 audit related resources to help our stakeholders, and the larger accountancy community, navigate the application of the ISAs in the current circumstances. From April 29 to June 26, the IAASB published four Staff Audit Practice Alerts which address the following topics:</p> <ul style="list-style-type: none"> <li>• <a href="#">Going Concern</a></li> </ul> <p>Highlights key areas of focus when undertaking procedures relating to, and concluding on, the appropriateness of management's use of the going concern basis of accounting in accordance with the ISAs, as well as reporting requirements where there are material uncertainties related to the entity's ability to continue as a going concern.</p> <ul style="list-style-type: none"> <li>• <a href="#">Subsequent Events</a></li> </ul> <p>Highlights key areas of focus when undertaking procedures relating to subsequent events in accordance with the ISAs (i.e., matters related to events occurring between the date of the financial statements and the</p>
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<sup>9</sup> Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

<sup>10</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

<sup>11</sup> ISA 330, *The Auditor's Responses to Assessed Risks*



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	<p>date of the auditor's report and the effect, if any, of such on the entity's financial statements).</p> <ul style="list-style-type: none"> <li>• <a href="#">Auditor Reporting</a> Highlights key areas of focus relevant to auditor reporting in accordance with the ISAs, including modifications to the auditor's opinion, the 'material uncertainty related to going concern'-section, key audit matters, emphasis of matter and other paragraphs, as well as interim review reports (in accordance with International Standard on Review Engagements (ISRE) 2410, <i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>).</li> <li>• <a href="#">Auditing Accounting Estimates</a> Highlights key areas of focus when undertaking audit procedures relating to accounting estimates and related disclosures in accordance with the ISAs, in particular considering the significant impact of estimation uncertainty and subjectivity in the current environment on accounting estimates.</li> </ul> <p><b>ISA 540 (Revised)<sup>12</sup> Implementation: Illustrative Examples for Auditing Simple and Complex Accounting Estimates</b></p> <p>On May 29, 2020, the IAASB's ISA 540 (Revised) Implementation Working Group issued non-authoritative support material, <a href="#">Simple and Complex Illustrative Examples</a>, for auditing accounting estimates. The examples are designed to illustrate how the auditor could address certain requirements of ISA 540 (Revised), and developed to assist the auditor in understanding how ISA 540 (Revised) may be applied to:</p> <ul style="list-style-type: none"> <li>• A simple accounting estimate, in the context of a provision on inventory impairment; and</li> <li>• A complex accounting estimate, in the context of a provision on property, plant and equipment impairment.</li> </ul> <p>The examples illustrate accounting estimates with varying characteristics and degrees of complexity. Each example illustrates a selection of requirements from ISA 540 (Revised) – the requirements selected across each example vary to illustrate different aspects of ISA 540 (Revised) and to focus on those</p>
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<sup>12</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

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	<p>requirements that are most relevant to the example. This material assists in demonstrating how an auditor's work effort, to comply with the requirements of ISA 540 (Revised), may be scaled down and scaled up when auditing simple and complex accounting estimates.</p>
<p align="center">Adoption and Implementation</p>	<p>As of June 30, 2020, the number of jurisdictions that use the clarified ISAs, or are committed to using them, was 130 (130 – June 2019, 130 – March 2020).<sup>13</sup></p>
<p align="center">Speaking Out</p>	<p>No podcast was recorded for the June 2020 IAASB meeting, which was conducted virtually via videoconference. Audio recordings of the virtual plenary sessions for June 2020 are available on the <a href="#">IAASB website</a>.</p>
	<p><a href="#">Meeting highlights</a> were published for the June 2020 IAASB meeting (i.e., virtual plenary sessions held on June 15–19).</p>
	<p>See <b>Appendix 2</b> for the IAASB's outreach activities since March 2020 and up to the end of June 2020.</p>
	<p><b>Tom Seidenstein Speech: A Time to Rise Collectively to the Challenge and Restore Confidence</b></p> <p>On April 13, 2020, the IAASB published the IAASB Chair's speech delivered in a global webinar hosted by the Institute of Chartered Accountants of India (ICAI). The speech focused on the following three areas:</p> <ul style="list-style-type: none"> <li>• Working together on both national and international levels, with standard setters, regulators, accounting and audit practitioners, preparers, and other stakeholders to make a meaningful difference in helping the economy get back on its feet.</li> <li>• Standing ready to support the public interest and the external reporting community by creating targeted guidance, where appropriate, adapting ways of working to be flexible to rapidly changing circumstances and coordinating with key parties.</li> </ul>


<sup>13</sup> These numbers have been determined from publicly available information about jurisdictions using, or committed to using, the ISAs, and are subject to change.

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	<ul style="list-style-type: none"> <li>• Enhanced considerations by the profession in relation to standards on going concern, auditor reporting and the auditing of accounting estimates.</li> </ul> <p><b>Two IAASB Webinars Providing Guidance on Proposed ISA 600 (Revised) And Proposed Guidance on Extended External Reporting (EER) Assurance</b></p> <p>On June 15, 2020, the IAASB released the recordings of the following two webinars.</p> <ul style="list-style-type: none"> <li>• The <a href="#">first webinar</a> was hosted on June 10, 2020 and covered the current public consultation on <a href="#">Proposed Non-Authoritative Guidance: Extended External Reporting (EER) Assurance</a>. This webinar was attended by 328 participants.</li> <li>• The <a href="#">second webinar</a> was hosted on June 11, 2020 and covered the ED of proposed ISA 600 (Revised). This webinar was attended by 624 participants.</li> </ul> <p><b>IAASB's Press and Social Media Engagement in Q2 of 2020, by the Numbers</b></p> <p>In Q2 of 2020, the IAASB:</p> <ul style="list-style-type: none"> <li>• Had around 33 press mentions (15 in Q1 of 2020) in key publications such as <i>Accountancy Daily</i>, <i>Accounting Today</i> and <i>Journal of Accountancy</i>. Details of press mentions and interviews in key publications are in <b>Appendix 2</b>.</li> <li>• Saw increased social media engagement on Twitter and Linked-In. <ul style="list-style-type: none"> <li>○ The @IAASB_News Twitter handle had 6,307 total followers (5,684 in Q1 of 2020). <ul style="list-style-type: none"> <li>- 599 new followers (252 in Q1 2020).</li> <li>- 76,000 impressions (54,000 in Q1 2020).</li> <li>- 2,737 profile visits (1,250 in Q1 2020).</li> </ul> </li> <li>○ The IAASB Linked-In profile had 962 total followers (275 in Q1 of 2020). The LinkedIn engagement rate<sup>14</sup> for the IAASB's Q2 posts was 8.11%. Engagement rates of similar organizations range from</li> </ul> </li> </ul>
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<sup>14</sup> Defined by LinkedIn as "Clicks + Likes + Comments + Shares + Follows) / Impressions."

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	<p style="text-align: center;">1.65% to 9.03%.</p> <ul style="list-style-type: none"> <li>Launched its own YouTube channel and livestreamed the June 2020 IAASB meeting that was held virtually.</li> </ul>
<b>Explanations of Changes to Project Plan</b>	
Standards and Guidance	<p>The <i>First Quarter 2020 Detailed Activity Report</i> provided relevant details about how the IAASB calibrated its efforts to account for the impact of the COVID-19 pandemic on our capacity to deliver, and the capacity of our stakeholders to absorb what we deliver, including an assessment of priorities, upcoming Board meeting agendas, and project timelines. No further changes were made to the forward project plan for this quarter. See the <a href="#">IAASB Revised Detailed Work Plan Table for 2020–2021</a> as at May 18, 2020.</p>
<b>Environmental Issues</b>	
<p><b>Update on the IAASB's COVID-19 Response</b></p> <p>On April 3, 2020, the Chairs of the IAASB and the IESBA issued a joint message signaling the commitment of both Boards to doing their part to support a strong global response in the public interest, albeit virtually, and seizing opportunities to adapt how they work, and what they work on, considering global needs and priorities. Both Chairs recognized that the unprecedented crisis arising from the COVID-19 pandemic brings unprecedented challenges, which need a decisive and timely response, with a priority on remaining closely linked with all their stakeholders and continuing to review their response.</p> <p>On April 17, 2020, the IAASB Technical Director updated stakeholders on the progress of support material under development, in the form of a series of specific COVID-19 Staff Audit Practice Alerts, and the evolution of thinking on the IAASB's Work Plan. The goal is to support the public interest and the role auditors must play in sustaining trust in financial and other external reporting in the current environment.</p> <p><b>IAASB Outreach Activities</b></p> <p>See <b>Appendix 2</b> for the IAASB's outreach activities since March 2020 and up to the end of June 2020. This includes IAASB stakeholder engagements as part of our regular outreach program, as well as project-specific outreach, IAASB press mentions and interviews, and videos and webinars.</p>	

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### Project Updates

The summaries below are the meeting highlights from the June 2020 IAASB meeting (i.e., virtual plenary sessions held on June 15–19). For more information on any of the IAASB's projects or initiatives currently underway, please visit the IAASB [workplan](#) webpage, which lists and links to the individual project pages .

#### **IAASB's COVID-19 Response Update**

The IAASB Chair and the IAASB Technical Director highlighted the measures undertaken to assist, adapt and collaborate with the IAASB's key stakeholders in the current evolving environment.

Board members were generally supportive of the efforts to date and were pleased with the flexible way that the IAASB had quickly responded to the more immediate needs of its stakeholders (see the IAASB's [Guidance for Auditors During the Coronavirus Pandemic](#) webpage). Board members on balance supported the changes in the timelines of certain projects or workstreams, as well as the current periods for consultations and effective dates of standards that have been finalized or are in the process of being finalized. It was also agreed that the environment would continue to be monitored for any further changes that may be needed.

It was noted that senior Staff would continue to monitor the environment for indicators that more support may be needed in the immediate future, for example, through the development of Staff Audit Practice Alerts.


#### **Technology**

The TWG shared an update of progress on the Technology Workstream plan. The Board provided certain suggestions, but generally supported the TWG's approach going forward, including the addition of explanatory text at the front of each non-authoritative support material publication that provides overall context for addressing, in such materials, the use of ATT in applying the ISAs.

#### **Audits of LCEs**

The Board discussed the LCE Working Group's recommendations for developing a separate standard for audits of LCEs on the basis of overarching principles outlining how the separate standard could be developed.

Notwithstanding the support for some of the overarching principles outlined, the Board requested the LCE Working Group to further consider how the separate standard could be developed so that it is standalone, while also clarifying the linkage back to the ISAs as appropriate. In doing so, the Board also encouraged further consideration of materials to help apply the separate standard, either within the standard (as application material) or outside as support materials.

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The Board highlighted the importance of the description of an LCE to help in developing the content of the separate standard. The Board encouraged a more prescriptive definition for the application of the standard, although the Board recognized there would always be a level of judgment in making this determination. On this basis, the Board supported that the LCE Working Group commence development of the separate standard as well as prepare a project proposal for approval at the December 2020 IAASB meeting.

### **Quality Management Projects**

The Board discussed the coordination between the quality management task forces, the implementation support activities planned for the quality management standards, and the effective date of the standards. The Board agreed with the recommendation that the effective date of the quality management standards be December 15, 2022.

#### *Quality Management at the Firm Level – ISQM 1<sup>15</sup>*

The Board discussed revisions to certain areas of proposed ISQM 1, including the firm's risk assessment process, resources, relevant ethical requirements, monitoring and remediation, and the evaluation of the system of quality management. The Board also discussed external communications, in particular to promote transparency with those charged with governance (TCWG) by adding an additional requirement for firms' communication with TCWG when performing an audit of financial statements of a listed entity.


The Board supported the proposals, and encouraged the ISQM 1 Task Force to further simplify the approach to human resources, in particular the application material explaining the firm and engagement team responsibilities in addressing the competence and capabilities of individuals assigned to the engagement team. The Board also provided varying comments on external communications, although was generally supportive of the direction proposed by the ISQM 1 Task Force.

The ISQM 1 Task Force will present a full draft of proposed ISQM 1 for IAASB approval via videoconference in September 2020.

#### *Engagement Quality Reviews – ISQM 2<sup>16</sup>*

The ISQM 2 Task Force updated the Board about the IESBA Engagement Quality Reviewer (EQR) Task Force's proposed revisions to the IESBA Code addressing the objectivity of EQRs. The Board agreed that the proposed revisions to the IESBA Code addressing the objectivity of appropriate reviewers align with the provisions relating to the objectivity of EQRs in proposed ISQM 2.

The ISQM 2 Task Force will present a full draft of proposed ISQM 2 for IAASB approval via videoconference in September 2020.

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<p><i>Quality Management at Engagement Level – ISA 220 (Revised)</i></p> <p>The Board discussed amendments to proposed ISA 220 (Revised) to clarify how to treat component auditors that are not directly engaged by the firm.</p> <p>The ISA 220 Task Force will present a full draft of proposed ISA 220 (Revised) for IAASB approval via videoconference in September 2020.</p> <p><b>Audit Evidence</b></p> <p>The Board discussed the outcome of the Audit Evidence Working Group's (AEWG) information gathering and targeted outreach activities. Based on the feedback, the Board agreed with the AEWG's conclusion that the listing of audit evidence related issues, as presented, is appropriate. The Board supported the AEWG's recommendation to develop a project proposal to revise ISA 500,<sup>17</sup> including conforming and consequential amendments to other standards, for approval at the December 2020 IAASB meeting, and to continue in the interim to evolve its approach, as presented, to progress the revision of ISA 500 (and conforming and consequential amendments to other standards). The Board also recommended that the AEWG publish a project update to inform stakeholders about the activities undertaken to date.</p>
<p><b>Other Matters</b></p>
<p>There have been no changes in Staff to report during the quarter. Two Board members have outstanding appointments in terms of their Technical Advisors (which is unchanged from Q1).</p>

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<sup>15</sup> Proposed International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control (ISQC) 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>16</sup> Proposed ISQM 2, *Engagement Quality Reviews*

<sup>17</sup> ISA 500, *Audit Evidence*

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## Appendix 2

### IAASB – Outreach Activities Since March 2020 and Up to the End of June 2020

#### COVID-19 Response

- **April 2020**
  - Meeting with the Monitoring Group Co-Chair and U.S. Securities and Exchange Commission (SEC) Chief Accountant – By Videoconference (Seidenstein)
  - Meeting with Global Public Policy Committee (GPPC) Representatives – By Videoconference (Seidenstein)
  - Meeting with the Chief Executive of the International Federation of Accountants (IFAC) – By Videoconference (Seidenstein)
  - Two meetings with National Auditing Standards Setters (NASS) Representatives – By Videoconference (Seidenstein, Gunn, Botha, Bahlmann, Donnelly)
  - Meeting with the Chair and Staff of the International Accounting Standards Board (IASB) – By Videoconference (Seidenstein, Sharko, Botha, Bahlmann)
  - Meeting with the Executive Director and Staff of the Centre for Audit Quality (CAQ) – By Videoconference (Seidenstein, Botha, Bahlmann)
  - Speech at the Global Webinar Hosted by the ICAI: "[A Time to Rise Collectively to the Challenge and Restore Confidence](#)" – By Videoconference (Seidenstein)
  - Meeting with the Chair of the Public Interest Oversight Board (PIOB) – By Videoconference (Seidenstein)
  - Meeting with the Head of Financial Reporting Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW) – By Videoconference (Seidenstein)
  - Meeting with GPPC Representatives – By Videoconference (Seidenstein)
  - Meeting with the Chief Auditor of the U.S. Public Company Accounting Oversight Board (PCAOB) – By Videoconference (Seidenstein)
  - Presentation in a Webcast Hosted by the South African Institute of Chartered Accountants (SAICA): "Audit and Assurance Requirements Affected by COVID-19" – By Videoconference (Botha)
  
- **May 2020**
  - Meeting with GPPC Representatives – By Videoconference (Botha, Bahlmann, Klonaridis, Donnelly)




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- Video of Interview with IAASB Chair on the IAASB's Strategy and COVID-19 Response (Seidenstein)
- Presentation to the International Organization of Securities Commissions' (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1) – By Videoconference (Seidenstein, Campbell, Jui, Botha, Bahlmann, James)
- Meeting with the Monitoring Group Co-Chair and U.S. SEC Chief Accountant – By Videoconference (Seidenstein)
- Meeting with the Executive Director and Staff of the CAQ – By Videoconference (Seidenstein, Botha, Bahlmann, James)
- Meeting with GPPC Representatives – By Videoconference (Seidenstein)
- **June 2020**
  - Meeting with NASS Representatives – By Videoconference (Seidenstein, Gunn, Botha, Bahlmann, Klonaridis, Donnelly)
  - Meeting with GPPC Representatives – By Videoconference (Seidenstein)

### **Stakeholder Engagement—General Outreach Program**

- **April 2020**
  - Meeting with the Outgoing and the Incoming Chairs of the Financial Accounting Standards Board – By Videoconference (Seidenstein)
  - Participated in the IFAC-ASEAN Federation of Accountants Meeting – By Videoconference (Chiew)
- **May 2020**
  - Joint IAASB-IESBA Annual Meeting with National Standard Setters – By Videoconference (Seidenstein, Campbell, Dohrer, Jackson, Jui, Kai, Ruiz, Simnett, Turner, Vanker, Bauer, Bohm, Field, van Dyk, Gunn, Botha, Montgomery, Bahlmann, Klonaridis, Savovska, Thurgood, Chan, Talatala, Kotze, Donnelly)
  - IAASB Annual Meeting with NASS – By Videoconference (Seidenstein, Campbell, Dohrer, Jackson, Jui, Kai, Ruiz, Simnett, Turner, Vanker, Bauer, Bohm, Field, Hasty, van Dyk, Gunn, Botha, Montgomery, Bahlmann, James, Klonaridis, Savovska, Thurgood, van den Hout, Talatala, Chan, Kotze, Donnelly)
  - IESBA Meeting with International Forum of Independent Audit Regulators' (IFIAR) Standards Coordination Working Group (SCWG) Representatives (Definitions of “listed entity” and “public interest entities” project) – By Videoconference (representing IAASB, Jackson and Botha)

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- Meeting with Founders Intelligence Representatives on Technology Transformation of Audit and Assurance – By Videoconference (Seidenstein, Gunn, Botha, James)
- Meeting with KPMG's Global Audit Leadership – By Videoconference (Seidenstein, Jui, Botha)
- **June 2020**
  - Meeting with the IFAC's Technology Advisory Group – By Videoconference (Seidenstein, James)
  - Meeting with Edinburgh Group Representatives – By Videoconference (Seidenstein, Hagen, Gunn, Botha)
  - Joint IAASB-IESBA Presentation to the IFAC's Board – By Videoconference (Seidenstein, Thomadakis)
  - Meeting with the Executive Vice President, Public Practice of the American Institute of Certified Public Accountants – By Videoconference (Seidenstein)
  - Meeting with PIOB Representatives – By Videoconference (Seidenstein)
  - Meeting with the Chief Executive of the IFAC and the Chair of the IESBA – By Videoconference (Seidenstein)
  - Participated in a Joint Webinar Hosted by the Indonesian Institute of Certified Public Accountants and the Association of Chartered Certified Accountants – By Videoconference (Chiew)
  - IAASB Update at Forum of Firms Meeting – By Videoconference (Seidenstein)
  - Participation at the PIOB Quarterly Meeting – By Videoconference (Seidenstein, Gunn, Botha)

### **Project Specific Outreach**

#### **ISA 600 (Group Audits)**

- **April 2020**
  - Meeting with CPA Australia Representatives – By Videoconference (Jui)
  - Meeting with Chinese Institute of Certified Public Accountants (CICPA) Representatives – By Videoconference (Jui)
- **May 2020**
  - Meeting with Chinese Ministry of Finance Representatives – By Videoconference (Jui)
  - Meeting with China Securities Regulatory Commission Representatives – By Videoconference (Jui)

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- Meeting with Representatives from the External Reporting Centre of Excellence of CPA Australia – By Videoconference (Jui)

- **June 2020**

- Meeting with IOSCO's Committee 1 Representatives – By Videoconference (Jui, van den Hout, Montgomery)
- Participated in the ISA 600 Webinar Jointly Held by the Australian Auditing and Assurance Standards Board, the New Zealand Auditing and Assurance Standards Board, and CPA Australia – Webinar (Jui, Herman, Van Dyk)
- Meeting with CICPA Representatives – By Videoconference (Jui)
- Participated in the ISA 600 Webinar Held by the Hong Kong Institute of Certified Public Accountants – By Videoconference (Jui, Montgomery, van den Hout)
- Meeting with Basel Committee on Banking Supervision Representatives – By Videoconference (Jui, Jackson)

### **Quality Management Projects**

- **May 2020**

- Meeting with GPPC Representatives – By Videoconference (Botha, Bahlmann, James, Klonaridis, Donnelly)
- Meeting with Representatives from Crowe Global - Americas Region – By Videoconference (Klonaridis)


- **June 2020**

- Meeting with PIOB Representatives – By Videoconference (Seidenstein, Gunn, Botha)
- Meeting with IFIAR's SCWG and Global Audit Quality Working Group Representatives – By Videoconference (Seidenstein, Botha, James, Klonaridis)

### **Audits of LCEs**

- **June 2020**

- Presentation to the Edinburgh Group – By Videoconference (Seidenstein, Hagen, Botha)
- Meeting with the Head of Financial Reporting Faculty of the ICAEW – By Videoconference (Seidenstein, Bahlmann)

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## **Audit Evidence**

- **April 2020**
  - Meeting with Financial Executives International Representatives – By Videoconference (Dohrer, Minnaar)
  - Meeting with Deloitte Representatives – By Videoconference (Dohrer, van den Hout, Minnaar)
- **May 2020**
  - Meeting with U.S. Government Accountability Office Representatives – By Videoconference (Dohrer, Minnaar)
  - Meeting with International Organization of Supreme Audit Institutions Representatives – By Videoconference (Dohrer, Minnaar)

## **IAASB-IASB Liaison**

- **May 2020**
  - Meeting with IASB Representatives – By Videoconference (Sharko, Turner, Hasty, Bahlmann, Talatala, Donnelly)
- **June 2020**
  - Meeting with IASB Representatives – By Videoconference (Sharko, Turner, Hasty, Botha, Bahlmann, Talatala, Donnelly)

## **IAASB Videos and Webinars**


- **April 2020**
  - Videos Courtesy of Chartered Accountants Australia and New Zealand: Spotlight on IAASB Future Projects and Priorities - A Discussion with the IAASB Chair and Deputy Chair ([Part 1](#), [Part 2](#) and [Part 3](#)) – Melbourne, Australia (Seidenstein, Campbell)
- **June 2020**
  - Hosted June 10, 2020 Webinar on the Proposed Non-Authoritative Guidance on EER Assurance – (Provost)
  - Hosted June 11, 2020 Webinar on the Proposed ISA 600 (Revised) ED – (Jui, Jackson, Jones, van den Hout, Montgomery)

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### **IAASB Press Mentions and Interviews in Key Publications**

- **April 2020**
  - Accounting Today: [Coronavirus affecting plans at IAASB](#)
  - Accounting Today: [IAASB proposes to improve group audits](#)
  - CAAU: [IAASB strategy priorities – consideration public interests by auditors, innovations implementation, and flexibility](#)
  - CPA Australia: [The IAASB on International Auditing and Assurance Standard Setting](#)
  - Crowe: [IAASB Guidance on Audit Implications Arising from COVID-19](#)
  - EY: [US Week in Review: Week ending 16 April 2020](#)
  - CAASB: [Group Audits](#)
  - IAS Plus: [Group Audits \[ED\]](#)
  - ICAS: [IAASB's Technology Working Group publishes non-authoritative support material related to technology: Audit documentation when using automated tools and techniques](#)
  - IFIAR: [Annual Report 2019](#)
  - WPK: [IAASB: Draft ISA 600 \(Revised\), Special Considerations - Audits of Group Financial Statements \(Including the Work of Component Auditors\) published](#)
  
- **May 2020**
  - Accountancy Daily: [IAASB consults on revised group audit standard](#)
  - Accounting Today: [IAASB offers guidance on auditor reporting during coronavirus](#)
  - AUASB Newsletter: [May Update](#)
  - CAQ: [Public Policy and Technical Alert, April 2020](#)
  - CPA Practice Advisor: [IAASB Proposes Modernization of Group Audits Standard](#)
  - Croner-i: [IAASB provides examples for auditing accounting estimates](#)
  - Croner-i: [IAASB releases revised work plan](#)
  - Journal of Accountancy: [IAASB addresses pandemic issues in audit practice alert](#)
  - Journal of Accountancy: [What CPAs should consider before deferring ASB reporting standards](#)
  - MICPA: [IAASB Addresses Pandemic Issues In Audit Practice Alert](#)

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- **June 2020**

- Accountancy Europe: [Public letter to the IAASB: progress on draft standard for auditing less-complex entities](#)
- AUASB Newsletter: [June Update](#)
- Audit Office of New South Wales: [Professional Update April - June 2020](#)
- CAQ: [Public Policy and Technical Alert, May 2020](#)
- EUARICA: [Join IAASB to Host June 11th Webinar on the Proposed ISA 600 Exposure Draft](#)
- EXRB: [IAASB CP - Proposed guidance on Extended External Reporting \(EER\) Assurance](#)
- EXRB: [NZAuASB Meeting 3 June 2020](#)
- IAS Plus: [IAASB Meeting Highlights – June 2020](#)
- ICAEW: [Support SME audits with new standard for less complex entities](#)
- ICAP: [IAASB Staff Alerts – Audit Considerations for the Impact of COVID-19](#)
- IRBA: [Newsletter Issue 50](#)
- SAICA: [COVID-19 Hub](#)