PIOB

Public Interest Oversight Board

IAASB Public Interest Issues to be discussed
PIOB Board meeting in September 2020

The purpose of this paper is to promote the debate, among PIOB Board members, on the most urgent and latest public interest issues on IAASB projects, as well as to conclude on the outstanding issues for projects which are close to finalization. New issues should be discussed to be possibly included in the PIOB's public interest issues lists.

This paper does not replace the Public Interest Issues lists published in the PIOB website and updated as of July 2020, which reflected the discussions held at the SSBs and at the PIOB Board meetings in June, with the information available at that time. The Briefing Memo for the last IAASB meeting (September) is accessible in the PIOB Intranet:

https://ipiob.org/intranet/index.php/oversight-documentation/iaasb-oversight-documentation

The PIOB Board should focus on the following IAASB projects:

- Quality Management Standards (QMS): ISQM 1, ISQM 2 and ISA 220
- Fraud and Going Concern initiatives

Quality Management Standards: ISQM 1, ISQM 2 and ISA 220

The objective of the discussion on the QMS is to:

- Provide an UPDATE on progress made and latest proposals in the standards
- Conclude on the STATUS of P.I. issues raised by PIOB, in view of PIOB approval in December (subject to IAASB discussion and approval in September)

The IAASB will discuss the latest proposals to the three QMS at the September meeting, with a view to approve them.

Among the main changes to the three standards, there are the following:

1. The introductory material on public interest has been relocated to the objective of the standard (consistently in ISQM1 and ISA 220);
2. The external Communications section has been enhanced in ISQM1;
3. The scope of Engagement Quality Reviews in ISQM2 has been aligned with ISQM1.

1. Public Interest reference moved to the objective of the standards (ISQM1 and ISA 220)

The IAASB has considered the PIOB's public interest issue on the objective of the standard, which continues to be compliance oriented rather than focused on audit quality. The

current proposals move the reference on the public interest (previously included in the introduction of the standard) to the objective of the standard (par. 15), aiming to give more prominence to the public interest and to clarify how performance of quality engagement is related to the objective.

We need to acknowledge that, at this stage, the objective will not include the focus on audit quality but we need to note that, at least the "proximity" of the public interest concept in the objective, is an enhancement of the objective itself.

2. External Communications and requirement to communicate with TCWG in ISQM1

The IAASB introduced a new requirement to communicate with TCWG when performing an audit of financial statements of listed entities about "how the System Of Quality Management (SOQM) supports the consistent performance of quality engagements". The PIOB recommended extending such requirement to external parties (e.g. investors, oversight bodies, regulators). The IAASB introduced in the standard, in par. 34 (e) ii, a requirement for firms to establish policies and procedures that "address when it is otherwise appropriate to communicate with external parties about the firm's system of quality management". Additionally, the application material (par. A129) states: "The firm's determination of when it is appropriate to communicate with external parties about the firm's system of quality management is a matter of professional judgment".

We acknowledged that Transparency Reports are provided as an example of external communication in ISQM1 in the Application Material and have not been elevated to a requirement. However, the requirements recently introduced on external communications can be seen as en enhancement of the standard.

3. Scope of Engagement Quality Reviews in ISQM2

The PIOB recommended to include all PIEs in the scope of Engagement Quality Reviews (EQRs).

EQRs, as aligned with ISQM1, are required in the following cases:

- audits of financial statements of listed entities;
- audits or other engagements for which an EQR is required by law or regulation;
- audits or other engagements for which the firm determines that an EQR is an appropriate response to address quality risks.

The ED of ISQM1 also included in the scope "audits of financial statements of entities that *the firm determines are of significant public interest*", which has been deleted in the final proposed text. However, in the application material, under the cases of EQRs required by law or regulation (par. A133), it is explained that "law or regulation may require an EQR to be performed… for entities that are *public interest entities as defined in a particular jurisdictions*". In the final text, the "judgment" of which entities are considered of public interest is moved from the "firm" (as drafted in the ED) to the particular jurisdictions which may have defined PIEs (as drafted in the proposed final text).

We need to acknowledge that the IESBA is currently working on the project of definition of PIEs and Listed Entities and that the ISAs refer to the listed entity concept rather than to the PIE concept. Coordination between the two SSBs is ongoing and, at this stage, provisions in ISQM2 do not include the PIE concept but rather leave to the discretion of jurisdictions to define what a PIE is and, consequently, when an EQR is required.

PIOB's Public interest issues as of September

The PIOB raised a number of public interest issues during the development of the QMS.

On ISQM1: the objective of a QMS should focus on high quality audits (and in ISA 220 as well); the firm's business model should not interfere with AQ; networks need to be addressed in ISQM1; transparency reports or other forms of external communication should be required in ISQM1; complexity and scalability of the standard should be achieved (please refer to the list published in the PIOB website, updated in July 2020).

Some of these issues have been addressed, or at least taken into account, in the standard (there is a reference to the firm's business model and how it may adversely impact audit quality; networks considerations have been embedded across the whole standard; scalability examples have been introduced in the Application Material).

As described above, the IAASB proposals include the public interest as a reference in the objective of the standard (both in ISQM1 and in ISA 220) and include as a requirement communication with TCWG on quality issues, as well as with external parties, subject to the exercise of professional judgement (in ISQM1).

On ISQM2: at this stage, the coordination with IESBA on ethical requirements (which was recommended by the PIOB), has been taking place; the requirements for EQRs have been clarified or enhanced in ISQM2. The issue which has been partially addressed is on the scope of EQR, as described above. The PIOB will need to follow the progress of the PIE definition project (developed by IESBA) and to what extent it will replace the concept of listed entities used in the ISAs.

Fraud and Going Concern initiatives

The objective of the discussion on Fraud and Going Concern (F&GC) is to:
- Provide an UPDATE on IAASB discussions during the August call and comments received from CAG representatives during the September CAG meeting
- Debrief PIOB on the Fraud and Technology Roundtable held by IAASB on 2 September, attended by PIOB Board members
- DELIBERATE and AGREE on PI issues identified that should be included in the PIOB's PI issues list

PIOB had identified Fraud and Going Concern as critical public interest issues that should be prioritized in the Strategy and Work Plan for 2020-2023. They were included in the

IAASB WP for 2021 with clear milestones: the project proposal for Fraud is expected to be approved by IAASB in Q2 of 2021 and for Going Concern in Q3 of 2021.

The Fraud and Going Concern (F&GC) WG has started information gathering activities on these two topics to identify key areas where additional targeted research needs to be focused.

Main outreach activities carried out/planned:

1. Meetings with UK and Japan NSS to discuss their national fraud and GC standards
2. Roundtables to further gather views and feedback on specific topics:
   a. Fraud and Technology – 2 September – PIOB attended as officinal observer the September 2 roundtable. ***PIOB members who attended, are invited to share their views on the roundtable.***
   b. Expectation gap (F&GC) - 28 September
   c. Fraud procedures for LCEs – 7 October
3. Staff Discussion Paper (DP) - to gather views on the "expectation gap" for both F&GC. The DP was issued on 15 September with a 120-day comment period. Issues addressed in the DP:
   - Fraud: use of forensic specialists, questions on enhanced controls on fraud and extending the auditors responsibility to report on these, and the importance of third-party fraud.
   - Going Concern: concept of GC, material uncertainty, and transparency in the audit report.
4. Continued coordination with IASB on Going concern

Public interest issues:

The initial draft of the DP presented to the IAASB in August was too technical, with a significant focus on technical aspects of ISA 240 and ISA 570. This risked limiting the contribution of stakeholders to those from the profession. This issue was raised by the PIOB Observer and by some of the IAASB board members during the August 11 call. The draft version of the DP circulated for the IAASB CAG had been improved, reorganizing the content for a better flow, removing technical references, and providing more open/general questions.

In the past, the PIOB's request that the audit report includes an explicit opinion on the GC for the audited entity was refuted on the grounds that the IFRS reporting framework does not explicitly require management to issue an attestation on GC. To bridge this gap**, clear coordination between the IAASB and IASB is necessary**. While this is highlighted as one of the activities the IAASB will carry out for this project, it is not clearly and prominently developed in the CP, to solicit feedback on the subject.

Q1. Are there any PI issues in relation to the F&GC initiatives that should be identified and communicated to IAASB at this point?
Q2. How can the PIOB contribute to address the GC issue and reinforce the IAASB-IASB collaboration?

PIOB's Public Interest issues: IAASB projects

The PIOB's recommendations are based on the proposals discussed by the IAASB as of June 2020.

For further information and details about the IAASB projects, please refer to the IAASB website: http://www.iaasb.org/consultations-projects

Update of this document: July 1st, 2020

ISQM1 "Quality Management for Firms that perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements"
The objective of a Quality Management System (QMS) should focus on high quality audits The standard should state clearly that the objective of the quality management system is to produce high quality audits. The PIOB continues to encourage the IAASB to be clear that the objective of a QMS is Audit Quality, not just compliance with standards and legal requirements. The objective should be outcome based, rather than focused on a process.
The firm's business model should not interfere with Audit Quality (AQ) The firm's business model includes the governance structure of the firm, adherence to ethical requirements by the firm's management and by the auditors, the incentive structure of partners and staff, auditor's accountability, non-assurance services provided to audit clients. All those elements should promote Audit Quality, not interfere with it. The PIOB acknowledges the inclusion, in the standard, of the business model as a factor which may adversely affect audit quality.
The IAASB should continue coordinating with the IESBA aspects related to ethical requirements The PIOB welcomes the coordination between the IAASB and the IESBA on aspects related to the Code of Ethics (e.g. ethical requirements, auditor independence and engagement quality control reviews).
Networks need to be better addressed in ISQM1

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ISQM1 "Quality Management for Firms that perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements"

Investors and those who use audit services from a global "branded firm" should receive uniform quality from that brand.

ISQM1 should contemplate coordinating at network level all of those aspects that affect the AQ of that brand.

The PIOB notes that provisions in the standard have been improved by introducing considerations of networks at different levels, as well as a requirement to obtain information about how network requirements have been appropriately implemented across the network firms.

Transparency Reports (TR) or other form of external communication should be required in ISQM1

Communicating externally the firm's quality management systems is in the public interest. The minimum content of TR (or alternative reporting) should be indicated in the standard, and include a description of the firms' quality management system, deficiencies found, and measures taken to remediate them.

The PIOB welcomes the current proposals to require communications to Those Charged with Governance for listed entities and the guidance on matters which may be communicated about the system of quality management (e.g. business model, strategy, results of the monitoring activities and remediation actions). The PIOB recommends extending such requirement to external parties (e.g. investors, oversight bodies, regulators). Transparency Reports are currently provided as an example of external communication in ISQM1 in the Application Material.

Complexity and scalability of the standard should be addressed

The length and complexity of the standard are major concerns, as they may impede the ability of smaller firms to implement the standard.

Scalability needs to be addressed as well and guidance should be provided for smaller firms. The PIOB notes that scalability examples have been provided throughout the standard.

ISQM2 "Engagement Quality Reviews"
Engagement Quality Reviews (EQRs) should be required for all PIEs EQRs should be required for all PIEs. The initial proposal by the IAASB to require EQRs for "significant public interest" entities, such as banks, insurance companies and pension funds, was withdrawn. The current proposals include in the scope: listed entities, EQRs required by law or regulations, EQRs when appropriate. The PIOB recommends using the PIE concept, taking into account the current IESBA project on the definition of PIEs, to ensure consistency with the Code of Ethics.
Coordination with the IESBA on aspects related to ethical requirements The PIOB welcomes and supports the ongoing coordination between the IAASB and the IESBA on topics overlapping with the Code of Ethics (e.g. auditor independence, objectivity, engagement quality reviews, cooling off period for Engagement Quality Reviewers, definition of PIEs).
The requirements for the Engagement Quality Reviewers' performance should be strengthened According to IFIAR's inspections Report in 2019, one of the most important findings on engagement performance and quality continues being related to the "insufficient depth/extent of engagement quality reviews." EQRs should be performed as the audit is being performed ("continuous quality control through the audit"), not at the end of the audit or after the auditor's report has been issued. The PIOB acknowledges the current IAASB proposals to review the audit documentation at appropriate points in time, throughout all the stages of the engagement and on or before the date of the engagement report.

ISA 220 "Quality Management for an Audit of Financial Statements"
The objective of a Quality Management System should focus on Audit Quality

ISA 220 "Quality Management for an Audit of Financial Statements"

The standard should state clearly that the objective of the quality management system is to produce high quality audits.

The PIOB acknowledges that the current proposals explicitly address the Engagement Partner's responsibility to act in the public interest when performing audit engagements, however the objective of the standard continues to be compliance oriented (with professional standards and regulatory requirements) rather than focusing on audit quality.

Engagement Partner's Responsibilities

The Engagement Partner needs to be satisfied not only that the firm's policies and procedures have been complied with, but also applicable rules and regulations. If necessary, the engagement may need to be discontinued.

The PIOB acknowledges that the current proposals make a reference to the applicable legal and relevant ethical requirements, as well as the possibility to withdraw from the engagement.

ISA 600 Group Audits

Importance of Group Audits

Group audits affect the most systematically important entities, so the project could better document the public interest issues that it intends to address.

The IAASB has clarified which key public interest issues are addressed in the project (e.g. encouraging quality management at the engagement level; fostering an independent and skeptical mindset of the auditor; reinforcing the communication during the audit between the group engagement team and the component auditors).

Cooperation between the group auditor and component auditors

The standards should make clear that close cooperation between the group auditor and the component auditors is required throughout the audit.

Documentation should address the interaction between the group auditor and the component auditors.

ISA 600 Group Audits
The ED includes a requirement that emphasizes the importance of communication between the group auditor and the component auditors on a timely basis and clarifies the relevant required documentation.

Extended External Reporting (EER)
Societal impact of EER
It is important for the public to understand the IAASB's work on EER, as EER has a very strong impact on groups that work for environmental, social and governance improvements. The non-authoritative guidance on EER should be understandable for these stakeholders to ensure that their important input is achieved.

Less Complex Entities (LCEs)
Scalability of standards for LCEs
The PIOB welcomes the IAASB initiative to explore the needs and concerns of LCEs and others. The LCEs project needs to deal with calls from Small and Medium Entities on scalability and, at the same time, ensure that assurance is not weakened.
Focus and prioritization of the workstreams on LCEs
The current proposals to revising ISAs and developing a separate standard for LCEs need to be carefully assessed. The IAASB may need to focus on one workstream (separate standard for LCEs) and prioritize it during the execution of its strategy. Resources need to be allocated efficiently to respond, on a timely basis, to the urgent needs expressed by LCEs and SMEs. The timing of the project may need to be reviewed accordingly.

Audit Evidence and Technology

Importance of Technology

Technology deserves deeper consideration. Standards should be revisited to reflect the impact of technology on the audit profession. Given the pace of change, a lengthy project is not in the public interest. Non-authoritative guidance could be considered as a solution for a timely response.

Professional Skepticism (PS)

Strengthening Professional Skepticism in the ISAs

At the time of the "Invitation to Comment", the PIOB recommended that the IAASB pay attention to PS, because it relates to going concern, auditor independence, and management bias.

The PIOB welcomes placing greater focus on PS across the projects currently or recently developed by the IAASB, such as ISA 540, ISA 315, the three Quality Management Standards and Extended External Reporting. The PIOB highlights the need to consider how auditors should document PS and encourages the IAASB to further strengthen the notion of PS throughout the standards.

IAASB International Auditing and Assurance Standards Board

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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)[1] 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,[2] so our standards can continue to be applied together with the IESBA Code.

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[1] International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*

[2] 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),[3] 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**,[4] 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[5] 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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[3]   ED, Proposed International Standard on Auditing (ISA) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

[4]   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.*

[5]   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)[6] 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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[6]   ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

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IAASB Chair's Report

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

PIOB Meeting (September 2020)
IAASB Chair's Report

Appendix 1

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

Major Achievements (in chronological order by date)	
Standards and Guidance	**IAASB Enhances ISRS 4400 to Respond to Evolving Needs of Stakeholders** On April 3, 2020, the IAASB released ISRS 4400 (Revised),[7] 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: • 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. • 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. • 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. ISRS 4400 (Revised) will be effective for AUP engagements for which the terms of engagement are agreed on or after January 1, 2022. The IAASB also released an ISRS 4400 (Revised) Fact Sheet to provide implementation support in relation to the more significant changes to the standard and to help practitioners navigate and apply the revised standard.

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[7]   International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagement*

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IAASB Releases Conforming Amendments that Align International Standards More Closely with the Revised IESBA Code[8]

On April 8, 2020, the IAASB released conforming amendments to the IAASB's International Standards as a result of the recently restructured and revised IESBA Code.

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.

The conforming amendments to the IAASB's International Standards became effective as of July 15, 2020.

IAASB'S New Strategy and Work Plan Focuses on Increased Agility, Enhanced Coordination, and a Priority on Responding to Emerging Challenges

On April 15, 2020, the IAASB published its Strategy for 2020–2023 (the Strategy) and Work Plan for 2020–2021 (the Work Plan).

The strategy sets three strategic objectives to focus IAASB priorities and resources during 2020–2023:

- 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.

- 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.

- Maintain and deepen relationships with stakeholders to achieve globally relevant, progressive and operable standards.

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

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[8] International Ethics Standards Board for Accountants (IESBA), *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

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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.

On May 18, 2020, the IAASB published a revised Detailed Work Plan Table for 2020-2021 to account for the impact of the COIVID-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.

IAASB Issues Support Material for Audit Documentation When Using Automated Tools and Techniques

On April 23, 2020, the IAASB's Technology Working Group (TWG) released *Technology – Audit Documentation,* 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.

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, *Audit Documentation*, and the documentation requirements of other relevant ISAs.

IAASB Proposes Modernization of Group Audits Standard in Support of Audit Quality

On April 27, 2020, the IAASB released the exposure draft (ED) of proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*. The proposed standard introduces an enhanced risk-based approach to planning and performing a group audit. In addition, the proposed standard:

- Clarifies the scope and applicability of the standard.

- Emphasizes the importance of exercising professional skepticism throughout the group audit.

- 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

proposed ISA 220 (Revised),[9] ISA 315 (Revised 2019)[10] and ISA 330.[11]

- Reinforces the need for robust communication and interactions between the group engagement team, group engagement partner and component auditors.

- Includes new guidance on testing common controls and controls related to centralized activities.

- Includes enhanced guidance on how to address restrictions on access to people and information.

- Enhances special considerations in other areas of a group audit, including materiality and documentation.

In consideration of COVID-19's impact, the ED of proposed ISA 600 (Revised) is open for public comment until October 2, 2020.

IAASB Publishes Four More COVID-19 Staff Audit Practice Alerts

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:

- Going Concern

  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.

- Subsequent Events

  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

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[9]   Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

[10] ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

[11] ISA 330, *The Auditor's Responses to Assessed Risks*

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date of the auditor's report and the effect, if any, of such on the entity's financial statements).

- **Auditor Reporting**

    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, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*).

- **Auditing Accounting Estimates**

    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.

ISA 540 (Revised)[12] Implementation: Illustrative Examples for Auditing Simple and Complex Accounting Estimates

On May 29, 2020, the IAASB's ISA 540 (Revised) Implementation Working Group issued non-authoritative support material, Simple and Complex Illustrative Examples, 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:

- A simple accounting estimate, in the context of a provision on inventory impairment; and

- A complex accounting estimate, in the context of a provision on property, plant and equipment impairment.

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

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[12]   ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

PIOB Meeting (September 2020)
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	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.
Adoption and Implementation	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).[13]
Speaking Out	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 IAASB website.
	Meeting highlights were published for the June 2020 IAASB meeting (i.e., virtual plenary sessions held on June 15–19).
	See **Appendix 2** for the IAASB's outreach activities since March 2020 and up to the end of June 2020.
	Tom Seidenstein Speech: A Time to Rise Collectively to the Challenge and Restore Confidence 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: • 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. • 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.

[13] 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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- Enhanced considerations by the profession in relation to standards on going concern, auditor reporting and the auditing of accounting estimates.

Two IAASB Webinars Providing Guidance on Proposed ISA 600 (Revised) And Proposed Guidance on Extended External Reporting (EER) Assurance

On June 15, 2020, the IAASB released the recordings of the following two webinars.

- The first webinar was hosted on June 10, 2020 and covered the current public consultation on Proposed Non-Authoritative Guidance: *Extended External Reporting (EER) Assurance*. This webinar was attended by 328 participants.

- The second webinar was hosted on June 11, 2020 and covered the ED of proposed ISA 600 (Revised). This webinar was attended by 624 participants.

IAASB's Press and Social Media Engagement in Q2 of 2020, by the Numbers

In Q2 of 2020, the IAASB:

- Had around 33 press mentions (15 in Q1 of 2020) in key publications such as *Accountancy Daily*, *Accounting Today* and *Journal of Accountancy*. Details of press mentions and interviews in key publications are in **Appendix 2**.

- Saw increased social media engagement on Twitter and Linked-In.

  o The @IAASB_News Twitter handle had 6,307 total followers (5,684 in Q1 of 2020).

    - 599 new followers (252 in Q1 2020).

    - 76,000 impressions (54,000 in Q1 2020).

    - 2,737 profile visits (1,250 in Q1 2020).

  o The IAASB Linked-In profile had 962 total followers (275 in Q1 of 2020). The LinkedIn engagement rate[14] for the IAASB's Q2 posts was 8.11%. Engagement rates of similar organizations range from

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[14] Defined by LinkedIn as "Clicks + Likes + Comments + Shares + Follows) / Impressions."

	1.65% to 9.03%. • Launched its own YouTube channel and livestreamed the June 2020 IAASB meeting that was held virtually.
Explanations of Changes to Project Plan	
Standards and Guidance	The *First Quarter 2020 Detailed Activity Report* 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 IAASB Revised Detailed Work Plan Table for 2020–2021 as at May 18, 2020.
Environmental Issues	

Update on the IAASB's COVID-19 Response

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.

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.

IAASB Outreach Activities

See **Appendix 2** 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.

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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.

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[15]

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[16]

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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Quality Management at Engagement Level – ISA 220 (Revised)

The Board discussed amendments to proposed ISA 220 (Revised) to clarify how to treat component auditors that are not directly engaged by the firm.

The ISA 220 Task Force will present a full draft of proposed ISA 220 (Revised) for IAASB approval via videoconference in September 2020.

Audit Evidence

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,[17] 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.

Other Matters

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).

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[15]   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*

[16]   Proposed ISQM 2, *Engagement Quality Reviews*

[17]   ISA 500, *Audit Evidence*

Appendix 2

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

COVID-19 Response

- **April 2020**

  o Meeting with the Monitoring Group Co-Chair and U.S. Securities and Exchange Commission (SEC) Chief Accountant – By Videoconference (Seidenstein)

  o Meeting with Global Public Policy Committee (GPPC) Representatives – By Videoconference (Seidenstein)

  o Meeting with the Chief Executive of the International Federation of Accountants (IFAC) – By Videoconference (Seidenstein)

  o Two meetings with National Auditing Standards Setters (NASS) Representatives – By Videoconference (Seidenstein, Gunn, Botha, Bahlmann, Donnelly)

  o Meeting with the Chair and Staff of the International Accounting Standards Board (IASB) – By Videoconference (Seidenstein, Sharko, Botha, Bahlmann)

  o Meeting with the Executive Director and Staff of the Centre for Audit Quality (CAQ) – By Videoconference (Seidenstein, Botha, Bahlmann)

  o Speech at the Global Webinar Hosted by the ICAI: *"A Time to Rise Collectively to the Challenge and Restore Confidence"* – By Videoconference (Seidenstein)

  o Meeting with the Chair of the Public Interest Oversight Board (PIOB) – By Videoconference (Seidenstein)

  o Meeting with the Head of Financial Reporting Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW) – By Videoconference (Seidenstein)

  o Meeting with GPPC Representatives – By Videoconference (Seidenstein)

  o Meeting with the Chief Auditor of the U.S. Public Company Accounting Oversight Board (PCAOB) – By Videoconference (Seidenstein)

  o 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**

  o Meeting with GPPC Representatives – By Videoconference (Botha, Bahlmann, Klonaridis, Donnelly)

PIOB Meeting (September 2020)
IAASB Chair's Report

o Video of Interview with IAASB Chair on the IAASB's Strategy and COVID-19 Response (Seidenstein)

o 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)

o Meeting with the Monitoring Group Co-Chair and U.S. SEC Chief Accountant – By Videoconference (Seidenstein)

o Meeting with the Executive Director and Staff of the CAQ – By Videoconference (Seidenstein, Botha, Bahlmann, James)

o Meeting with GPPC Representatives – By Videoconference (Seidenstein)

- **June 2020**

o Meeting with NASS Representatives – By Videoconference (Seidenstein, Gunn, Botha, Bahlmann, Klonaridis, Donnelly)

o Meeting with GPPC Representatives – By Videoconference (Seidenstein)

Stakeholder Engagement—General Outreach Program

- **April 2020**

o Meeting with the Outgoing and the Incoming Chairs of the Financial Accounting Standards Board – By Videoconference (Seidenstein)

o Participated in the IFAC-ASEAN Federation of Accountants Meeting – By Videoconference (Chiew)

- **May 2020**

o 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)

o 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)

o 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)

PIOB Meeting (September 2020)
IAASB Chair's Report

- o   Meeting with Founders Intelligence Representatives on Technology Transformation of Audit and Assurance – By Videoconference (Seidenstein, Gunn, Botha, James)

- o   Meeting with KPMG's Global Audit Leadership – By Videoconference (Seidenstein, Jui, Botha)

- **June 2020**

  - o   Meeting with the IFAC's Technology Advisory Group – By Videoconference (Seidenstein, James)

  - o   Meeting with Edinburgh Group Representatives – By Videoconference (Seidenstein, Hagen, Gunn, Botha)

  - o   Joint IAASB-IESBA Presentation to the IFAC's Board – By Videoconference (Seidenstein, Thomadakis)

  - o   Meeting with the Executive Vice President, Public Practice of the American Institute of Certified Public Accountants – By Videoconference (Seidenstein)

  - o   Meeting with PIOB Representatives – By Videoconference (Seidenstein)

  - o   Meeting with the Chief Executive of the IFAC and the Chair of the IESBA – By Videoconference (Seidenstein)

  - o   Participated in a Joint Webinar Hosted by the Indonesian Institute of Certified Public Accountants and the Association of Chartered Certified Accountants – By Videoconference (Chiew)

  - o   IAASB Update at Forum of Firms Meeting – By Videoconference (Seidenstein)

  - o   Participation at the PIOB Quarterly Meeting – By Videoconference (Seidenstein, Gunn, Botha)

Project Specific Outreach

ISA 600 (Group Audits)

- **April 2020**

  - o   Meeting with CPA Australia Representatives – By Videoconference (Jui)

  - o   Meeting with Chinese Institute of Certified Public Accountants (CICPA) Representatives – By Videoconference (Jui)

- **May 2020**

  - o   Meeting with Chinese Ministry of Finance Representatives – By Videoconference (Jui)

  - o   Meeting with China Securities Regulatory Commission Representatives – By Videoconference (Jui)

PIOB Meeting (September 2020)
IAASB Chair's Report

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

- **June 2020**

    o   Meeting with IOSCO's Committee 1 Representatives – By Videoconference (Jui, van den Hout, Montgomery)

    o   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)

    o   Meeting with CICPA Representatives – By Videoconference (Jui)

    o   Participated in the ISA 600 Webinar Held by the Hong Kong Institute of Certified Public Accountants – By Videoconference (Jui, Montgomery, van den Hout)

    o   Meeting with Basel Committee on Banking Supervision Representatives – By Videoconference (Jui, Jackson)

Quality Management Projects

- **May 2020**

    o   Meeting with GPPC Representatives – By Videoconference (Botha, Bahlmann, James, Klonaridis, Donnelly)

    o   Meeting with Representatives from Crowe Global - Americas Region – By Videoconference (Klonaridis)

- **June 2020**

    o   Meeting with PIOB Representatives – By Videoconference (Seidenstein, Gunn, Botha)

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

Audits of LCEs

- **June 2020**

    o   Presentation to the Edinburgh Group – By Videoconference (Seidenstein, Hagen, Botha)

    o   Meeting with the Head of Financial Reporting Faculty of the ICAEW – By Videoconference (Seidenstein, Bahlmann)

PIOB Meeting (September 2020)
IAASB Chair's Report

Audit Evidence

- **April 2020**

  o Meeting with Financial Executives International Representatives – By Videoconference (Dohrer, Minnaar)

  o Meeting with Deloitte Representatives – By Videoconference (Dohrer, van den Hout, Minnaar)

- **May 2020**

  o Meeting with U.S. Government Accountability Office Representatives – By Videoconference (Dohrer, Minnaar)

  o Meeting with International Organization of Supreme Audit Institutions Representatives – By Videoconference (Dohrer, Minnaar)

IAASB-IASB Liaison

- **May 2020**

  o Meeting with IASB Representatives – By Videoconference (Sharko, Turner, Hasty, Bahlmann, Talatala, Donnelly)

- **June 2020**

  o Meeting with IASB Representatives – By Videoconference (Sharko, Turner, Hasty, Botha, Bahlmann, Talatala, Donnelly)

IAASB Videos and Webinars

- **April 2020**

  o 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**

  o Hosted June10, 2020 Webinar on the Proposed Non-Authoritative Guidance on EER Assurance – (Provost)

  o Hosted June 11, 2020 Webinar on the Proposed ISA 600 (Revised) ED – (Jui, Jackson, Jones, van den Hout, Montgomery)

IAASB Press Mentions and Interviews in Key Publications

- **April 2020**

  o Accounting Today: *Coronavirus affecting plans at IAASB*

  o Accounting Today: *IAASB proposes to improve group audits*

  o CAAU:*IAASB strategy priorities – consideration public interests by auditors, innovations implementation, and flexibility*

  o CPA Australia: *The IAASB on International Auditing and Assurance Standard Setting*

  o Crowe: *IAASB Guidance on Audit Implications Arising from COVID-19*

  o EY: *US Week in Review: Week ending 16 April 2020*

  o CAASB: *Group Audits*

  o IAS Plus: *Group Audits [ED]*

  o ICAS: *IAASB's Technology Working Group publishes non-authoritative support material related to technology: Audit documentation when using automated tools and techniques*

  o IFIAR: *Annual Report 2019*

  o WPK: *IAASB: Draft ISA 600 (Revised), Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors) published*

- **May 2020**

  o Accountancy Daily: *IAASB consults on revised group audit standard*

  o Accounting Today: *IAASB offers guidance on auditor reporting during coronavirus*

  o AUASB Newsletter: *May Update*

  o CAQ: *Public Policy and Technical Alert, April 2020*

  o CPA Practice Advisor: *IAASB Proposes Modernization of Group Audits Standard*

  o Croner-i: *IAASB provides examples for auditing accounting estimates*

  o Croner-i: *IAASB releases revised work plan*

  o Journal of Accountancy: *IAASB addresses pandemic issues in audit practice alert*

  o Journal of Accountancy: *What CPAs should consider before deferring ASB reporting standards*

  o MICPA: *IAASB Addresses Pandemic Issues In Audit Practice Alert*

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IAASB Chair's Report

- **June 2020**

  o Accountancy Europe: *Public letter to the IAASB: progress on draft standard for auditing less-complex entities*

  o AUASB Newsletter: *June Update*

  o Audit Office of New South Wales: *Professional Update April - June 2020*

  o CAQ: *Public Policy and Technical Alert, May 2020*

  o EUARICA: *Join IAASB to Host June 11th Webinar on the Proposed ISA 600 Exposure Draft*

  o EXRB: *IAASB CP - Proposed guidance on Extended External Reporting (EER) Assurance*

  o EXRB: *NZAuASB Meeting 3 June 2020*

  o IAS Plus: *IAASB Meeting Highlights – June 2020*

  o ICAEW: *Support SME audits with new standard for less complex entities*

  o ICAP: *IAASB Staff Alerts – Audit Considerations for the Impact of COVID-19*

  o IRBA: *Newsletter Issue 50*

  o SAICA: *COVID-19 Hub*

To: **The Public Interest Oversight Board**
From: **James Dalkin, IAASB CAG Chair**
Date: **August 24, 2020**
Re: **Report of the IAASB CAG Chair,** *Period Ending August 31, 2020*

Dear PIOB members,

I submit the following report related to the IAASB CAG activities for the period, April 15 – August 31, 2020. I draw your attention to the following matters:

IAASB Teleconference – August 11, 2020

I attended the IAASB Board conference call meeting on the date referenced above.

The IAASB meeting included the following topic for discussion and presentation:

- Fraud and Going Concern

The purpose of the call was to discuss a draft discussion paper highlighting the differences between public perceptions and the role of the auditor. In our March CAG meeting, members expressed strong support to explore the fraud and going concern issue in light of recent failures.

IAASB Teleconference – July 22, 2020

I attended the IAASB Board conference call meeting on the date referenced above.

The IAASB meeting included the following topic for discussion and presentation:

- Public Interest Entities

The issue of Public Interest Entities has not been significantly discussed within the CAG. There has been support for aligning the definitions between the two standard setting boards. However, determining the entities that fall within the definition has not yet been discussed. I believe that the current inconsistency should receive priority to resolve and demonstrate effective coordination between the Boards.

PIOB Meeting – Virtual – June 25, 2020

- I prepared for and virtually attended the meeting of the PIOB Board Meeting. Various topics were discussed including the CAG's input to the Board.

IAASB Board Meeting – Virtual – June 15 - 19, 2020

I attended the IAASB Board meeting on the dates referenced above.

The IAASB meeting included the following topics for discussion and presentation:

- COVID-19 Response
- Technology
- Audits of Less Complex Entities
- ISQM 1
- ISA 220
- Audit Evidence
- QM2 Coordination

During the IAASB meeting the following significant CAG perspectives were provided:

- The CAG had previously expressed mixed reaction to the effective dates of QM standards. Several CAG members expressed concern on the length of time that would be required for audit organizations to update their internal policies.

- The CAG has been supportive of the LCE project with more members supporting one set of standards and then layering additional guidance for the more complex members rather than a separate set.

- The CAG has encouraged the LCE Task Force to focus on the principles and to determine why the ISAs have become a challenge for small firms to implement as a basis for moving forward.

Other Events and Notes

The next CAG meeting will be in September and will be held virtually. The IAASB meeting will follow a week later also virtual.

As CAG chair, I have been satisfied with the IAASB board's responsiveness to CAG feedback.

Respectfully submitted,

James Dalkin

James Dalkin
CAG Chair

2020			
JANUARY			
23	Teleconference	IAASB	Markus Grund
FEBRUARY			
11	Teleconference	IAASB	Markus Grund
27-28	New York	IFAC Board	Jules Muis
MARCH			
9	New York	IESBA CAG	Shigeo Kashiwagi
10-11	New York	IAASB CAG	Shigeo Kashiwagi
16-20	Virtual	IAASB	Markus Grund
16-18	Virtual	IESBA	Jules Muis
26- 27	Virtual	NOM COM	Aileen Pierce
30-31	**Virtual**	**PIOB BOARD**	**ALL**
APRIL			
1	Teleconference	IAASB	Markus Grund
8	Teleconference	IAASB	Markus Grund
14	Teleconference	IAASB	Markus Grund
16	meeting	IESBA	Jules Muis
MAY			
JUNE			
3-5	Virtual meeting	IFAC Board	Linda de Beer
8-9	Virtual	NOM COM	Aileen Pierce
8-12 + 15	Virtual	IESBA	Jules Muis
15-19	Virtual	IAASB	Karen Stothers
22	Virtual	NOM COM	Aileen Pierce
24-26	**Virtual Meeting**	**PIOB BOARD**	**ALL**
JULY			
15	Virtual meeting	NOM COM	Aileen Pierce
22	Teleconference	IAASB	Karen Stothers
22	Virtual Meeting	IESBA	Robert Buchanan
AUGUST			
11	Teleconference	IAASB	Markus Grund
SEPTEMBER			
1	Virtual	NOM COM	Aileen Pierce
3-4	Virtual	IFAC Board	Aileen Pierce
SEPTEMBER			
1 + 10	Virtual	IESBA CAG	Shigeo Kashiwagi
8-9	Virtual	IAASB CAG	Shigeo Kashiwagi
1	Virtual	IESBA	Robert Buchanan
14-18, 21, 23	Virtual	IAASB	Markus Grund
28-30	**Virtual**	**PIOB BOARD**	**ALL**
29	**Virtual**	**Anniversary**	**ALL**
OCTOBER			
1	Virtual	IESBA	Robert Buchanan
13	Virtual	CAGs	Shigeo Kashiwagi
22	AM (EST)	NOM COM	Aileen Pierce

NOVEMBER			
10	Teleconference	IAASB	Karen Stothers
11	Teleconference	IAASB	Karen Stothers
11-12	Virtual	IFAC Council	Karel van Hulle
13	Virtual	IFAC Board	Karel van Hulle
30 NOV-4 DEC	Virtual	IESBA	Jane Diplock
DECEMBER			
7-11	Virtual	IAASB	Karen Stothers
14-15	**Madrid TBC**	**PIOB BOARD**	**ALL**
2021			
JANUARY			
26	Teleconference	IAASB	
FEBRUARY			
10-11	Teleconference	IAASB	
MARCH			
4-5	New York	IFAC BOARD	
8-10	New York	CAG	
15-17	New York	IESBA	
15-19	offices)	IAASB	
31 - 1 April	Virtual	NOM COM	
APRIL			
21	Teleconference	IAASB	
22-23	**Madrid TBC**	**PIOB**	**ALL**
MAY			
5-6	New York	NOM COM	
11	Teleconference	IAASB	
JUNE			
3-4	New York	IFAC Board	
7-8	New York	NOM COM	
9-11	New York	IESBA	
14-18	New York	IAASB	
JULY			
8-9	**Madrid TBC**	**PIOB**	**ALL**
21	Teleconference	IAASB	
AUGUST			
4	Teleconference	IAASB	
SEPTEMBER			
7-9	New York	CAG	
8	Virtual	NOM COM	
9-10	New York	IFAC Board	
13-16	offices)	IESBA	
13-17	New York	IAASB	
OCTOBER			
14-15	**Madrid TBC**	**PIOB**	**ALL**
20	Teleconference	IAASB	
22	Virtual	NOM COM	

NOVEMBER			
TBC	TBC	IFAC Council	
TBC	TBC	IFAC Board	
10	Teleconference	IAASB	
DECEMBER			
1-3	New York	IESBA	
6-10	New York	IAASB	
13-14	**Madrid TBC**	**PIOB**	**ALL**

TO: PUBLIC INTEREST OVERSIGHT BOARD

FROM: JAMES GUNN, MANAGING DIRECTOR, PROFESSIONAL STANDARDS

DATE: SEPTEMBER 2, 2020

RE: TIMETABLE FOR FINAL IAASB & IESBA STANDARDS, AND DUE PROCESS STATUS REPORT

Section 1   Final IAASB & IESBA Standards for 2020, and Anticipated for 2021

1.1.   The approvals of final Standards in accordance with the IAASB's and IESBA's current work programs for the remainder of 2020, and those anticipated for 2021, are set out in Appendix I. For reference purposes, the following matters are highlighted:

- The anticipated timing of approvals by the IAASB and IESBA.

- The anticipated timing of the PIOB's review.

The timeframes for approvals are subject to change depending on input received throughout a project's development and decisions on the need for re-exposure. They may also be adjusted to reflect changes in priorities due to other unforeseen circumstances.

Section 2   Status of Application of Due Process

2.1.   For information purposes, the status of due process for current standard-setting projects of the IAASB and IESBA is summarized in Appendix II.

Timetable for Reporting to PIOB—2020 and 2021
(As of September 2, 2020)

IAASB

Standards Planned for Approval	Date of Planned Approval	PIOB Meeting
ISQM 1, Quality Management for Firms	September 2020	December 2020
ISQM 2, Engagement Quality Reviews	September 2020	December 2020
ISA 220 (Revised), Quality Management for an Audit of Financial Statements	September 2020	December 2020
ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)	September 2021	December 2021
Conforming Amendments to Other Standards Arising from Quality Management Standards	September 2021	December 2021

IESBA

Standards Planned for Approval	Date of Planned Approval	PIOB Meeting
Objectivity of Appropriate Reviewer (formerly, Objectivity of Engagement Quality Reviewer)	September 2020	December 2020
Non-Assurance Services	December 2020	March 2021
Fees	December 2020	March 2021
Definition of Listed Entity / Public Interest Entity	December 2021	March 2022

PIOB
Public Interest Oversight Board

64th MEETING OF THE
PIOB TECHNICAL COMMITTEE
28-30 SEPTEMBER 2020
VIRTUAL MEETING

Agenda Item

7.6

Appendix II

Status of Due Process as of September 3, 2020

IAASB

Project	Due Process Element (Change from last report (June 2020) for ongoing projects shown in black)					IAASB's Approval / Planned Approval - Final Document
	A. Project proposal (Elements A1–A4)[i]	B. Development of Pronouncement (Elements B1–B6)[ii]	C. Public Exposure (Elements C1–C3)[iii]	D. Consideration of Comments on Exposure (Elements D1–D9)[iv]	E. Approval (Elements E1–E4)[v]	
ISQM 1 (Revised), Quality Management for Firms	▓	▓	▓	▓		September 2020
ISQM 2, Engagement Quality Reviews	▓	▓	▓	▓		September 2020
ISA 220 (Revised), Quality Management for an Audit of Financial Statements	▓	▓	▓	▓		September 2020
ISA 600 (Revised), Audits of Group Financial Statements	▓	▓	▓			September 2021
Conforming Amendments to Other Standards Arising from Quality Management Standards	■					September 2021

PIOB Public Interest Oversight Board

IESBA

Project	Due Process Element (Change from last report (June 2020) for ongoing projects shown in black)					IESBA's Planned Approval of Final Document
	A. Project proposal (Elements A1–A4)	B. Development of Pronouncement (Elements B1–B6)	C. Public Exposure/ Re-Exposure (Elements C1–C3)	D. Consideration of Comments on Exposure (Elements D1–D9)	E. Approval (Elements E1–E4)	
Role and Mindset						June 2020
Objectivity of Appropriate Reviewer (formerly, Objectivity of Engagement Quality Reviewer)						September 2020
Non-Assurance Services						December 2020
Fees						December 2020
Definition of Listed Entity/ Public Interest Entity						December 2021
Engagement Team – Group Audit Independence						March 2022

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i **Due Process Element A:**
   A1 – Project proposal prepared
   A2 – Project proposal circulated
   A3 – Project proposal approved
   A4 – CAG consulted
ii **Due Process Element B:**
   B1 – Public forum, roundtable or consultation paper considered
   B2 – Field test considered
   B3 – Decision on B1/B2 minuted
   B4 – Results from B1/B2 considered (if applicable)
   B5 – CAG consulted
   B6 – Standard approved for public exposure
iii **Due Process Element C:**
   C1 – Exposure draft posted on website
   C2 – Explanatory memorandum provided
   C3 – Comments received posted on the website
iv **Due Process Element D:**
   D1 – Significant issues raised with Board
   D2 – Board deliberation on significant issues
   D3 – Consideration by Board of whether there are any other issues raised on exposure for deliberation
   D4 – CAG consulted
   D5 – Significant matters raised by CAG brought to Board attention and report-back provided to CAG
   D6 – Re-exposure voted on
   D7 – Re-exposure approved (if applicable)
   D8 − Basis for decision to re-expose minuted
   D9 – Explanatory memorandum provided on re-exposure draft (if applicable)
v **Due Process Element E:**
   E1 – Due process confirmed
   E2 – Board approval of final standard
   E3 – Effective date set
   E4 – Basis for conclusions provided

IAASB International Auditing and Assurance Standards Board

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IAASB Planning Committee

The ~~Steering~~ Planning Committee is a standing committee of the International Auditing and Assurance Standards Board (IAASB).

The ~~Steering~~ Planning Committee's objectives and responsibilities include:

- Developing the Strategy and Work Plan for Board consideration and approval;

- Monitoring the execution of the agreed Strategy and Work Plan, including the development of metrics for Board consideration;

- ~~Establishing the IAASB's action plan,~~Proposing priorities~~, actions,~~ and related initiatives, in accordance with its charter~~the terms of reference~~ and the agreed Strategy and Work Plan, for approval by the IAASB;

- ~~Establishing and approving~~Proposing changes to the IAASB's working procedures so that high-quality standards are developed and issued in the public interest in a transparent, efficient, and effective manner;~~ and

- Counseling and advising the IAASB Chair and Technical Director on matters and activities relating to achievement of the objectives of the IAASB;

- ~~Formulating policies that facilitate and promote global acceptance of IAASB standards and international convergence; and~~

- ~~Identifying and responding to significant developments in the environment and issues raised by key stakeholders.~~

The ~~Steering~~ Planning Committee's purpose, objectives, responsibilities~~,~~ and composition~~, operating procedures, and membership~~ are set below.

IAASB PLANNING COMMITTEE CHARTER~~TERMS OF REFERENCE AND OPERATING PROCEDURES~~

Purpose

1. The International Auditing and Assurance Standards Board (IAASB) ~~Steering~~ Planning Committee (~~Steering~~ Planning Committee) is a standing committee of the IAASB. The purpose of the ~~Steering~~

IAASB Planning Committee Charter

Planning Committee is to formulate views and advise the IAASB on matters of strategic and operational importance to the IAASB, while also relieving the IAASB of the need to address certain administrative matters that do not necessarily require deliberation by the IAASB. In addition, the Planning~~Steering~~ Committee acts as counsel and advisor to the IAASB Chair and Technical Director on matters and activities relating to achievement of the objectives of the IAASB.

2. The ~~Steering~~ Planning Committee reports to the IAASB.

Objectives

3. The objectives of the ~~Steering~~ Planning Committee are as follows:

- To identify and respond to strategic opportunities, threats and other developments in the environment in which audit, assurance and related services are performed, and in which standards for such services are set so that the work of the IAASB continues to be effective in protecting the public interest and strengthening public confidence in audit, assurance and related services engagements ~~the accounting profession~~.

- To identify and respond to the need for change to IAASB's working procedures and practices so that they continue to support the development of ~~high quality~~high-quality standards in the public interest in a transparent, efficient and effective manner.

- To counsel and advise the IAASB Chair and Technical Director on matters and activities relating to achievement of the objectives of the IAASB.

Responsibilities

4. To achieve its objectives, and after appropriate consultation with the IAASB as it ~~necessary~~ deems appropriate, the ~~Steering~~ Planning Committee:

- ~~Establishes~~ Develops and, as necessary, revises the strategy, work~~action~~ plan and related initiatives of the IAASB in accordance with its stated terms of reference ~~and within the context of the International Federation of Accountants' (IFAC) overall strategy,~~ for approval by the IAASB.

- Monitors the effective execution of the Strategy and Work Plan.

- Provides guidance on the initiation of~~Prioritizes the~~ projects to be undertaken by the IAASB (including, as appropriate, recommending to the Board either that a project proposal be approved or that no new project be initiated). ~~and approves new project proposals for recommendation for approval by the IAASB~~.

- Provides guidance on, and recommends to the Board, ~~Establishes and approves on behalf of the IAASB~~ changes to the IAASB's working procedures, as necessary, for the development and issuance of standards or other publications, ~~so that high quality standards are developed and issued~~ in the public interest in a transparent, efficient and effective manner. ~~This~~

IAASB Planning Committee Charter

~~responsibility includes, amongst others, determining whether a public hearing should be held on a particular standard~~.

- Provides advice on task force or working group compositions.

- Provides reflections, views or input on the management and conduct of IAASB meetings to improve effectiveness.

- Approves on behalf of IAASB ~~an~~ Public~~Annual~~ Report outlining the IAASB work program, activities and progress made in achieving its objectives during the period under review~~year~~.

- Addresses other matters at the request of the ~~IFAC~~ Public Interest Oversight Board (PIOB), the IAASB Consultative Advisory Group (CAG), or the IAASB.

- Monitors the effectiveness of liaison activities with other Standard Setting Boards.

5. The ~~Steering~~ Planning Committee counsels, advises and supports the IAASB Chair and Technical Director in identifying and responding to other matters relating to achievement of the objectives of the IAASB, including but not limited to the execution of the IAASB standard-setting and related activities, the Board's policies, processes and procedures, and the IAASB's liaison arrangements and engagement with stakeholders. ~~This responsibility includes, amongst others, supporting the IAASB Chair and Technical Director in:~~

- ~~Establishing and maintaining liaison arrangements between the IAASB and national standard setters, regulators, the IFAC PIOB, the IAASB CAG and other organizations and stakeholders.~~

- ~~Formulating policies that facilitate and promote global acceptance of IAASB standards and international convergence.~~

- ~~Identifying and responding to significant developments in the environment, issues raised by key stakeholders and other pertinent matters.~~

- ~~Approving changes, as necessary, relating to the publication of IAASB pronouncements.~~

6. The Chair of the Planning Committee provides feedback to the IAASB on matters discussed by the Planning Committee.

Composition

76. The ~~Steering~~ Planning Committee is chaired by the IAASB Chair.

87. The ~~Steering~~ Planning Committee comprises four to six members of the IAASB and ~~includes~~ the IAASB Technical Director. Members of the ~~Steering~~ Planning Committee are appointed by the IAASB Chair. The IAASB CAG may also appoint one of its members as an observer to the Planning~~Steering~~ Committee. ~~Steering~~ Planning Committee members are not ordinarily accompanied at meetings by a technical advisor.

9~8~. The Chair of the Planning~Steering~ Committee may invite other persons to attend Planning~Steering~ Committee meetings as observers (for example, the Chair of a task force may be invited if issues related to that project are to be discussed).

10~9~. A member of the IAASB's staff provides administrative and technical support to the Planning~Steering~ Committee.

~Operating Procedures~

~10.~ ~The Chair of the Committee acts as liaison between the Steering Committee and the IAASB and is responsible for reporting to the IAASB on decisions made by the Steering Committee.~ <mark>[moved to paragraph 6]</mark>

~11.~ ~The Steering Committee meets as necessary, but at least twice a year. Members appointed to the Steering Committee are expected to attend all Steering Committee meetings. Steering Committee meetings are not open to the public.~

~12.~ ~For purposes of approving matters specifically identified as being on behalf of the IAASB, each member of the Steering Committee has one vote. The affirmative vote of at least three-fourths of members present at the meeting or by simultaneous telecommunications link or by proxy, but not less than four, is required for decisions of the Steering Committee made on behalf of the IAASB.~

~13.~ ~The Chair of the Steering Committee, or identified designee, approves other matters that are not specifically identified as being made on behalf of the IAASB.~

~14.~ ~The Chair of the Steering Committee solicits the views of the IAASB on any matter the Steering Committee deems appropriate.~

Other

11. The Planning Committee will engage or interact through written communication or will meet in-person or via video- or teleconference to discharge its responsibilities, as directed by the Chair of the Planning Committee or by the Technical Director, in consultation with the Chair of the Planning Committee.

12~15~. The membership~,~ and charter~terms of reference and operating procedures~ of the ~Steering~ Planning Committee are to be posted on the IAASB website.

13~16~. The charter~terms of reference and operating procedures~ of the ~Steering~ Planning Committee is~are~ to be reviewed by the IAASB from time to time, as deemed necessary~at least every three years~.