Observation Memo: IAASB

New York, September 18-21, 2023

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Disclaimer: The observer applies her own judgment in identifying and communicating matters of public interest and due process at the meeting, and is responsible to the PIOB Technical Committee in doing so and in reporting on the observation. The views and opinions expressed in this Observation Memo are personal and belong solely to the observer and do not necessarily reflect or preclude the PIOB Board's position.

SUMMARY OF KEY ISSUES FROM THE MEETING:

- This meeting dealt with several important standard-setting projects, with one project reaching the final approval stage being the ISA for Less Complex Entities (ISA for LCE) standard. Furthermore, the responses received on the Board's 2024-2027 Strategy and Workplan (SWP) which will be up for approval at the December meeting were discussed.
- The Board devoted significant time at this meeting to the project on Fraud (ISA 240 Revised) and Audit Evidence (ISA 240 Revised), and a Roundtable was hosted by the IAASB to discuss matters relevant to the Exposure Draft (ED) of the ISSA 5000 International Standard on Sustainability Assurance standard which was approved at the IAASB Board meeting in June 2023.
- The ISA for LCEs was approved by the Board with one abstention motivated by the concern of insufficient guidance to ensure consistent application of the standard in practice. The effective date will be December 15, 2025. The main discussion during the meeting was about whether a period of stability should be granted to ease first time implementation, which means that the standard would be updated with relevant changes of current projects like Fraud and Going Concern after the period of stability has ended. There were differing views expressed, but majority supported a stability period of three years. It was agreed that the practical implications would be further explored. I indicated that the implications, including the pros and cons as also being expressed by several Board members, are important for the Board to consider going forward, in light of the decision taken today.

- The Board discussed a revised draft of **ISA 240 Fraud** and conforming amendments, which focused on further strengthening and clarifying the requirements, whilst ensuring that the requirements will not be weakened. The proposed deletion of the sentence 'Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine' was discussed as several were in favor of keeping it. I indicated that deleting this sentence is important, in view of further driving professional skepticism and different auditor behavior, which is the objective of revising the Fraud standard.
- The Board discussed the feedback received on the consultation of the **ED on ISA 500 Audit Evidence (Revised)**. I reiterated the important public interest issues and expectations for this standard as published by the PIOB which need to be addressed. This includes enhancing clarity and enforceability of relevance and reliability attributes which also should result from finding the right balance between requirements and AM to drive improved auditor behavior (including work effort).
- The Strategy and Workplan 2024-2027 was discussed. The main discussion was about whether Technology should be addressed in different standards (like ISA 500, ISA 330 and ISA 520) in separate standalone projects or as an integrated approach. There was majority support for the integrated approach which means that the standards referred to above will be finalized at the same time, which implies a delay in finalizing ISA 500. In this regard I commented that there should be clarity and transparency about which public interest issues will be solved and how expectations will be met by new projects aligned with the Public Interest Framework – either as standalone projects or in an integrated approach – together with the implications of an integrated approach to Technology.
- There was a **joint session** held with the full **IESBA** Board to discuss each other draft SWPs and to explore how coordination and cooperation could be strengthened. I commended both Boards with this valuable coordination session to align work efforts, explore opportunities for further cooperation on projects and workstreams that are overlapping or related, particularly around sustainability.
- The meeting was an **in-person meeting, with all members being present in person** in New York, although one technical advisor attended virtually. Three new Technical Advisors were introduced.
- There was generally **good attention** by the TFs and the Board **to public interest considerations** and to responding to stakeholders' input.
- The chair was effective in encouraging the participation of members, while helping to move the Board towards clear positions on the issues under consideration. Members actively participated in the discussions.
- The chairs of the TFs and the staff were well prepared and presented the issues clearly.
- The meeting was efficiently run, with flexibility exercised in adjusting the agenda to make efficient use of time.

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IAASB Public Interest Issues

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Agenda Item 2. ISA for LCE's

Objective and Status: The IAASB is developing a stand-alone ISA for audits of financial statements of less complex entities (LCEs). The IAASB had previously discussed revisions to specific parts of the ISA for LCEs in light of feedback on the ED, most recently on Part 10 (Group audits). The IAASB aims to approve the final ISA for LCEs during this meeting (advanced from December 2023).

IAASB Key Discussion Points: This agenda item was dealt with over three days. On Monday, the TF Chair introduced the topic and highlighted input received from the IAASB Consultative Advisory Group (CAG). Then the TF Chair, along with other members of the TF and Drafting Team, walked through the topics highlighted in the Issues paper, including the effective date and implementation period. The main discussion was about how to maintain the standard to keep it up to date. These discussions were completed on Monday. On Tuesday an update was presented about the last proposed revisions to the final draft of the standard, and on Thursday the final draft with the last limited revisions was scheduled for approval. On Thursday also due process aspects including whether re-exposure of the standard should be warranted were discussed.

The Board did not raise any fundamental concerns about the full read of the final draft of the standard during the discussions. The Board provided input to the TF on several issues, including better alignment with requirements in the ISAs, further clarification of guidance which required further consideration or drafting refinements. Issues with potential public interest implications included:

- Regarding future updates and maintenance (revision of the ISA for LCEs standard) the TF proposed an initial period of stability. Current ISAs under revision including Fraud and Going Concern and those of any new projects would then be picked up in the first round of revision after the period of stability has ended. There would be a permanent TF for the ISA for LCEs. Early adoption of future revisions would be a decision to be made case by case. There were differing views expressed by several Board members who do not favor a period of stability as they are of the view that such a period causes confusion in the market due to important differences (particularly re Fraud and Going Concern) resulting between the ISA for LCEs and the full suite of ISAs. Concerns were raised that the ISA for LCEs may be perceived as outdated if not updated at the same time as the ISAs, which may affect jurisdictional adoption of the standard. The Chair asked for a vote on the length of the stability period. 5 years was considered too long and the Board voted with 13 out of 18 votes in favor of a 3-year stability period until 15 December 2028. It was agreed that a timing issues paper would be prepared to explore the consequences of this stability period. The need for transparency about the stability period and when revisions will be made from the current ISAs that are being revised was agreed.

- In light of proposed alternative wording for par. 3 which reads: 'When an audit engagement is undertaken using this standard, the International Standards on Auditing do not apply to the engagement', the TF Chair emphasized that this was debated at the Board before. The Board decided that the ISA for LCEs standard should be a standalone standard and indicated that the use of other wording referring to the ISAs would weaken the standalone character of the ISA for LCEs standard.

- Regarding implementation support and guidance, the TF proposes Factsheets, Supplemental Guidance on Authority and Reporting, a first-time implementation guide and other materials to be further decided.

- The effective date of the ISA for LCEs was set on the 15th of December 2025, which means an implementation period of more than 18 months after approval by the IAASB as well as after the PIOB certification process of the standard which is expected to be in December 2023. The option for early adoption of the ISA for LCEs was agreed. The CAG Chair indicated that there was general support at the CAG for this effective date.

During Thursday's session, the TF Chair highlighted the few final revisions that had been distributed to the Board and invited comments. During the session, the TF Chair walked through the final draft version and Board members had the opportunity to comment. There were no important comments with potential public interest implications raised.

The Technical Director confirmed that due process had been followed on this project and the Chair called for a vote to approve the standard. The Board approved the ED with 17 votes in favor and 1 abstention. The rationale for the abstention was explained as an internal conflict by, on the one hand, the ISA for LCEs meeting a clear PI objective, whilst, on the other hand, the risk of insufficient guidance for consistent application.

Lastly the Board voted on whether the standard needed to be re-exposed as part 10 on Group Audits was exposed separately from the other parts of the standard that had been exposed prior to that. As the Board is of the opinion that re-exposure will not lead to significant changes, it voted unanimously in favor of no re-exposure required.

PIOB Observer's Comments: During the various sessions I raised the following observations:

- The Board agreed on a three-year stability period. Practicalities need to be worked out by the TF as per the IAASB Chair. A three-year period of stability will result in diverging requirements between the ISA for LCEs and the ISAs re important PI projects like Fraud and Going Concern, where requirements are strengthened and the auditor report is expected to be extended with specific paragraphs on fraud and going concern which will not be the case in an LCE audit during the period of stability. I memorized that the PI objective of the ISA for LCEs is to address the jurisdictional fragmentation which is occurring. A period of stability could however have unintended consequences which may impact adoption decisions at jurisdictional level. The consequences of the Board decision may not be fully clear as of yet as there was no discussion paper with pros and cons of a stability period. I indicated that the practicalities including the pros and cons as being expressed by several Board members are important for the Board to consider going forward.
- I raised a question about the guidance that the TF would add as discussed during the previous IAASB meeting, regarding the determination of when it is appropriate to use a component auditor as inconsistent application in practice was raised as risk by many respondents. Differing interpretations and lack of guidance may create diversity in practice and could be more difficult to enforce. The changes to the standard since the July meeting do not reflect any additions on this specific point. It was explained by the IAASB Chair that it was decided that no further guidance was necessary.
- A couple of respondents (e.g. IRBA and AICPA) provided feedback about the need for re-exposure of the full standard. In the issues paper the TF included a detailed analysis with the elements considered and the conclusions reached, however, for the purpose of completeness and transparency, I suggested to include the arguments raised by these respondents in the Basis for Conclusions which will accompany the final standard, including an explanation why no re-exposure was deemed necessary by the Board.

At the end of Thursday's discussion, I congratulated the Board with the approval of the ISA for LCEs standard, which is an important step for the potential it has in addressing and preventing jurisdictional fragmentation. I recommended the IAASB to continue its dialogue with stakeholders also after its approval, especially those who have not been in favor of the standard, in view of its implementation.

The CAG Chair congratulated the TF and Board with the approval of the Standard.

Agenda Item 3. FRAUD

<u>Objective and Status:</u> The objective of the Fraud project is to enhance and clarify the role and responsibilities of the auditor in relation to fraud in an audit of financial statements, through the enhancement of ISA 240 and conforming amendments to other ISAs. The IAASB approved the project proposal in December 2021 and discussed proposed changes to ISA 240 at previous meetings, most recently in June 2023. At this meeting, the TF presented a revised draft of ISA 240 and conforming amendments for discussion. Based on the input received, the TF will present an updated draft of ISA 240 in December 2023, with the aim of having the Board approve an ED in December 2023. The TF will also continue to collaborate with the IESBA and other TFs and will develop an outreach plan.

<u>IAASB Key Discussion Points:</u> The TF discussed with the Board proposed changes since the June 2023 meeting in proposed ISA 240 (Revised) that are intended to promote consistent practice and change in auditor behavior. The Board's discussion raised several issues to further apply the specific fraud lens, strengthen and clarify the standard with potential public interest implications, including:

- Why auditors should be focussed on fraud could be explained better in the Introduction.
- Specific fraud lens should be about what the auditor needs to do in addition to what is already in the standard. There are many cross references to other ISAs, which are useful. However, the incremental requirements related to fraud should be made clearer. In applying the fraud lens a new requirement was proposed to obtain an understanding of control activities that prevent or detect fraud, other than only 'controls over journal entries'.
- Some clarification was requested as to whether its intent is to change the auditors' responsibility for third party fraud or not. The TF responded that this was not its intent.
- The need to be clearer regarding the differences between fraud, suspected fraud, and alleged fraud by using these terms in a consistent manner was raised.
- Comments were made about the wording 'identified by the auditor', which is used throughout the standard, whilst the auditor is often not the one who identifies the fraud. Fraud is often brought to the attention of the auditor, which is different than 'identifying fraud'.
- In par 19 of ISA 240, the TF proposed to delete the extant first sentence 'Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine'. The proposed requirement 19 now only reads 'If conditions identified during the audit cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further'. The same consequential amendment

was proposed to paragraph A24 of ISA 200 by the TF to align it with the proposed par 19 of ISA 240 (Revised). Comments were made to put the deleted sentences back in. The TF explained that it feels this needed to be modernized. I indicated that deleting the first sentence is important in view of driving professional skepticism and different auditor behavior, which is the objective of revising the Fraud standard.

● There were some comments made about the risk that there would always be a key audit matter (KAM) regarding enhanced transparency regarding fraud, which is not intended, or boilerplate language indicating the risk of management override of internal controls. The IAASB Chair indicated that the required statement that there is no KAM related to fraud is important from a mindset perspective of the auditor to think carefully about this.

● There will be targeted questions re the use of technology to be included in the Explanatory Memorandum (EM) of the ED as there were already many comments re technology related to ISA 500 (Revised) and the SWP.

PIOB Observer's Comments: I noted the good discussion and comments made for further consideration by the TF in view of applying the fraud lens and further clarifying requirements, driving professional skepticism and enhanced auditor behavior, which is important to meet public expectations, whilst at the same time not unintendingly weakening extant ISA 240 requirements. We look forward to the upcoming consultation of the ED (which approval is scheduled for the December meeting) which will provide valuable feedback, also whether the transparency option with fraud under KAM will meet stakeholders' needs.

(The CAG Chair said that at the CAG meeting there were different topics being discussed and much more about the transparency through the proposed Key Audit Matters (KAM).)

Agenda Item 4. Audit Evidence

Objective and Status: The objective of the project is to clarify auditor's responsibility regarding information used as audit evidence (AE). The project aims to adapt and modernize ISA 500 (as a consequence of changes to information used by auditors), clarifying its relationship with other standards, as well as the concept of sufficient appropriate audit evidence and fostering professional skepticism. The IAASB approved the project proposal in December 2020 and the ED of ISA 500 (Revised) in September 2022. The comment period was open until April 2023. At this meeting, the TF presented an overview of responses, as well as its initial proposals on specific topics. The final standard is targeted for approval in June 2024.

IAASB Key Discussion Points: The Board's discussion raised several issues with potential public interest implications, including:

- General support 'with some caution' by the Board for the TF's proposal to further modernize ISA 500 (Revised) re technology, to enhance the scope of the project (conscious that not all can be addressed in this standard), include a principle based conditional requirement when the auditor uses Automated Tools and Techniques (ATT), and enhance examples in application material as well as in further non-authoritative guidance. This may affect the effective date of ISA 500 (Revised). The main discussion was about the link with the SWP and how technology affects other standards (like ISA 330 and ISA 520) and whether there is a need for a more integrated approach.
- Support was expressed for keeping the proposed definition of audit evidence and the input-output model, but to provide further clarification by incorporating the principles of the input-output model in the objectives and address scalability aspects in new AM.
  After long discussion, there was general support not to define persuasiveness as 'how much' persuasiveness is required, as it is a matter of judgment and therefore cannot easily be defined. The AM should give direction. It was agreed that the TF needs to consider how to address the respondents concerns and expectations expressed in relation to further clarify persuasiveness of audit evidence and related work effort. I indicated that providing further clarity may not always be easy but there could be merit in exploring whether a flow chart could be helpful in the AM, which could further explain relevance and reliability and their attributes in relation to sources of information and persuasiveness etc. as there is also a kind of hierarchy that can be distinguished too. For example, if information is not relevant, the reliability is no longer applicable as the information cannot be used as audit evidence.
- An important discussion was about the attributes of relevance and reliability. To address respondents' concerns that it is not clear when an attribute is applicable in the circumstances and enable a consistent evaluation of the relevance and reliability of information intended to be used as audit evidence, the TF proposed to use as threshold 'significant in the circumstances' instead of 'applicable in the circumstances'. Several Board members were in favor and several indicated that they thought the bar 'significant' was too high and proposed instead 'appropriate in the auditor's judgement or in the circumstances'. I indicated that respondents also referred to increased work effort but that given the objective of strengthening the standard, more work effort may be required and be expected regarding relevance and reliability and as such there is not necessarily a need for a higher bar. In relation to the relevance and reliability of information, the Board discussed the comments received from respondents on the work effort step-up from 'consider' to 'evaluate' which was proposed in the ED. Views expressed by the Board were that it is conditional and not required in all circumstances. Furthermore, a need to enhance clarity around documentation requirements and the authenticity of information was discussed.
- Regarding the conditional requirement for accuracy and completeness there were two options proposed by the TF to address the concerns raised by the respondents,

including those from regulatory bodies. The TF concluded the discussion that par. 10 contains a conditional requirement and when making this clearer, the responses do not require change. The TF Chair summarized the way forward being to emphasize the conditionality of the requirement and that there was most support for option 1 (Removing paragraph 10 of ED- 500 and adding essential material to par. 9 of ED- ISA 500 (Revised) explaining that accuracy and completeness are significant attributes for information from sources internal to the entity). The TF Chair indicated that it will further consider how to proceed.

● Given the overlap with ISA 330 and unclear work effort regarding the 'stand back' requirement in par. 13, there was general support for removing the stand back requirement in ISA 500 (Revised) and to keep the stand back requirement in ISA 330 par. 26.

PIOB Observer's Comments: I noted that today's discussion reflects the core of public interest (PI) issues as published by the PIOB related to ISA 500. In line with the objective of the revision of the standard, there is a clear need for further strengthening, enhancing clarity of certain requirements and modernization of ISA 500 Revised, which I liked to repeat for the TF to keep in mind and to address going forward, more specifically:

● Strengthening the auditors' role regarding the relevance and reliability of information in view of possible fraudulent information or unreliable sources of information;
● Encouraging auditors, where appropriate, to seek external sources of specific information, which could contradict or corroborate audit evidence obtained from the client;
● Addressing new technologies (digital information) and the risk of overreliance not only in ISA 500 but also in other relevant standards as a more integrated approach which was also discussed;
● Strengthening professional skepticism in evaluating whether there is sufficient appropriate audit evidence obtained to support the opinion and regarding the reliability of information which will be used as audit evidence;
● Clarifying the minimum level of audit evidence resulting from internal control testing and its impact on audit evidence needed from substantive testing, and last but not least;
● Giving consideration to the balance between Application Material (AM) and Requirements in view of driving improved auditor behavior, clarity and enforceability.

(CAG Chair: discussion was reflective with CAG discussion).

Agenda Item 5. Strategy and Work Plan

<u>Objective and Status:</u> The IAASB needs to finalize its upcoming 2024-2027 Strategy and Work Plan (SWP). The Consultation Paper (CP) of the 2024-2027 SWP closed its comment period back in April 2023. Comments from respondents were analyzed and discussed for the first time by the IAASB at this meeting, with a view to approve the final document in December 2023.

<u>IAASB Key Discussion Points:</u> The IAASB Chair explained the proposed changes made in the updated draft SWP compared to the SWP Consultation Paper which were discussed by the Board. The discussions with potential public interest impact were about:

- Whether in the 'our goal' section in which it is stated that standards should enable the consistent performance of quality engagements, 'high' should be put back in, regarding high quality engagements to meet public expectations. It was explained that it was proposed to be removed to align with the current wording used in the ISQM1 and ISA 220 standards. It was agreed to add public transparency on how the Board operates.
- The impact of the MG reforms given the transition period the IAASB is in and the challenges it may create for its SWP in the coming period, amongst other things moving to a more strategic Board and more staff led projects.
- The proposal to assign approximately 70% of the resources to audit (related) standard setting projects and 30% to sustainability and other assurance standard setting projects which was supported.
- The main discussion was about how to deal with addressing Technology in the relevant standards (mostly in the 500 series). Two options were discussed by the Board which generally favored option 2. They are:
  - ISA 330 project and a technology project focused on standards in the ISA 500 series; or
  - Expanded audit evidence (ISA 500), a risk response (ISA 330) project and a technology project focused on other targeted standards (integrated approach), meaning that ISA 500, 330 and 520 (analytical procedures) would be revised and completed simultaneously. It was noted that such approach may require a different approach to how the Board works.

  There was consensus in the room that understanding what the issues are to be solved should be a first step going forward, maybe through a roundtable, to make sure the Board understands the public interest issues. The main discussion was about how ISA 500 (Revised) fits into the integrated approach. The question was raised why not first finalizing ISA 500 (Revised). The IAASB Chair pointed to the interlinkage between ISA 500 and ISA 330. He proposed to move ISA 500 to a nearly complete status whilst at the same time working on the other standards which may require changes to ISA 500 (Revised) as well. This integrated approach

(option 2) may delay project ISA 500 (Revised) due to the proposed reprioritization. Comments were made by several Board members that there may be a different approach to technology, by addressing Technology a layer above the standards, which would enable maintenance as Technology aspects may be outdated soon and that some do not see why ISA 500 (Revised) would need to wait for ISA 330. The IAASB Chair concluded the discussions that there is majority support for the integrated approach for ISA 500, 330 and 520 which will be the direction to take. He indicated that there is a need to further understand the implications. The direction was explained by moving ISA 500 (Revised) but not to approve it until the proposed new projects ISA 330 (Revised) and ISA 520 (Revised) will be completed. This means that the TF ISA 500 will not be bound by the project plan given the expansion of scope resulting from the proposed integrated approach. Technology elevated to a higher level as suggested during the discussions, may accelerate the timeliness of completing ISA 500 and ISA 330.

- The updated draft SWP should also include the first round of revisions of the ISA for LCE's standard after the period of stability as well as include the need to further clarify the relationship between ISSA 5000 and ISAE 3410 and include flexibility for a future project re sustainability assurance (suite of ISSA 5000), which was supported by the Board.
- Apart from the above new projects, also the revision of ISA 320 (materiality) will be proposed to be included in the updated draft SWP as well as the revision of ISRE 2410 review of interim financial information and ISA 620 (the use of experts). There will also be post-implementation reviews of ISA 315 (revised) and ISA 540 (estimates) to be included in the updated draft SWP for which there was strong support. Joint audits and XBRL did not qualify to come on the Workplan.

PIOB Observer's Comments: I commented that it was a long but good discussion.

- The joint session with IESBA will be an important element to consider as well as both SWPs require close coordination between the two SSBs for several topics which overlap and the expected consistency in the outcome of projects, like sustainability, fraud, use of experts etc.
- We think that the process and criteria applied to determine prioritization need to be made transparent to stakeholders by making it public and accessible on a continuous basis.
- Flexibility recognized in the SWP according to emerging needs and priorities as well as reference to MG funding, implications of the MG reforms transition including projects

increasingly led by staff with a more strategic involvement of Board members are essential elements of transparency in the SWP.

- Which public interest issues should be solved and expectations should be met by the new projects – either as standalone projects or in an integrated approach - together with the qualitative characteristics from the PIF, should become clear, as well as the approach and direction and timelines to best address these issues and the overarching topic of Technology.
- We would like to encourage the Board to consider an overarching project on Internal Controls, as this is foundational to the application of many standards, including the proposed new project on ISA 330, and to drive high quality engagements that meet public expectations.
- We welcome further consideration how and when narrow scope projects can be used to enhance timely responsiveness by the Board.

Joint IAASB-IESBA session

Objective: The objective of this session is to receive a high-level update on the development of the two Standards-Setting Boards' (SSBs) Strategies and Work Plans 2024-2027 (SWPs), including discussing feedback received on coordination between the two SSBs from respondents to the two SWP consultation papers (CPs) and to share views on opportunities to optimize efforts of coordination for the next strategy period (2024- 2027) from a strategic perspective.

IAASB and IESBA Key Discussion Points:

- Opening remarks by both Chairs of the Boards related to the importance of discussing interconnectedness to leverage each other work and to build a strong IFEA. Goal is emphasis on meeting key public interest objectives through, amongst others, effective and agile project delivery and continued robust and transparent IAASB-IESBA coordination. The coordination of projects needs to be on both strategic and operational level.
- The IAASB Chair informed the meeting about the outcomes of the IAASB SWP discussions. The IESBA Chair noted that respondents indicated that sustainability is a top priority. Suggestions were made that preparers of sustainability information that are not professional accountants may also be explored by the Board. MG members requested IESBA to intensify efforts on enhancing quality and clarity and independence. IESBA sees firm culture and governance as important, given persistence of ethical failures in firms. Business relationships (commercial arrangements) with their audit firm clients and more generally addressing the audit client relationship further in the Code,

including the question whether the reference to 'audit client' is still appropriate, were discussed at the Board.

- Comments received re coordination between IAASB and IESBA were presented amongst which a systemic approach to coordination, aligning timetables and effective dates for related projects and leveraging outreach activities were the most common. It was explained that already more coordination also regarding outreach events have taken place, although intensifying working together on projects which overlap or on joint projects at TF level was concluded by both Boards as possible next steps. Projects mentioned were:
    - o Technology will remain an important area for continued coordination
    - o Communication with management and TCWG in audit standards provides opportunity to work together as Boards, as IESBA is exploring a profession agnostic Code
    - o Client acceptance and continuance in relation to IESBA topics like governance, culture and role of CFO
    - o Opportunity to further coordinate and align timelines of related projects and implementation guidance
- High- level feedback was shared on the IAASB Roundtable on ED ISSA 5000 which was held on Wednesday in NY with different stakeholder groups, like sustainability assurance practitioners (both PA and non-PA firms), preparers and investors. The key topics which were mentioned are:
    - o Great support for at least as demanding ethical and quality management requirements; who decides on equivalence.
    - o Materiality process / double materiality that the company should apply versus materiality that the auditor needs to determine for providing assurance.
    - o Estimates / forward looking information.
    - o Value chain piece outside the boundaries of what is controlled by the entity.
- Based on the Roundtable topics, both Boards discussed possible issues to be further explored and addressed jointly like the value chain issue which is also very challenging from an independence perspective. The independence of audit firms when they also help their audit clients to prepare and provide (some) advice in view of providing assurance on sustainability reporting. Ideas were brought to the table how both Boards could work more closely together on stakeholder outreach, implementation guidance and FAQ. Also, the different definitions and difference in whether or not addressing group sustainability assurance aspects was being discussed.

PIOB Observer's Comments: I commended both Boards with this valuable coordination session to align work efforts, explore any projects and workstreams which may require a joint effort or further coordination, particularly around sustainability. Very good ideas were shared how cooperation could be strengthened further, specifically for public interest issues to be

addressed in new or future projects and particularly for the sustainability work stream with a view to enhancing the effectiveness in addressing important PI issues in standard setting by both Boards.

Closing Comments

PIOB Observer's Comments (on the Meeting Overall):

I commented that it was a good meeting with a lot of good input, well prepared and led. The sustainability assurance roundtable on ED ISSA 5000 was very valuable with good food for thought also to give direction to the TF on where to focus, ahead of the ED responses to be received of which the ethics and independence related topics re group consolidated and value chain reporting are very important to cooperate closely on with the IESBA Board. As PIOB, we are very interested in the final proposal of the SWP for the December meeting on the integrated approach implications to Technology in relation to ISA 500, ISA 330 and other standards in the 500 series. We are also looking forward to the further changes to clarify and strengthen the ED on fraud for consultation purposes, which approval is scheduled for the December meeting, which will provide valuable feedback, also whether the transparency option with fraud under KAM will meet stakeholders' needs. Finally, congratulations again with the LCE approval. In that respect we would like to encourage a continued dialogue with stakeholders, including those who have not been in favor of the LCE standard, in view of its implementation.