IAASB and IESBA Coordination

IESBA Meeting, June 6-8, 2022

Saadiya Adam, IESBA Liaison Member to IAASB
Objectives of the Session

To receive a brief update on IAASB-IESBA coordination activities in Q1 and Q2 2022 relating to:

• Current projects/initiatives with ongoing coordination

• Current projects/initiatives with potential coordination need
IAASB-IESBA Coordination Framework

- Liaison activities based on SSB Coordination Framework
- A more systematic and structured process
- Master Workbook: mechanism to inventory, capture and manage coordination needs
  - Process
  - Assigned responsibilities
  - Matters for discussion
  - Quarterly updates
- Prioritizing coordination topics
  - E.g. Fraud and Going Concern, Engagement Team – Group Audits
  - Periodic review by Board liaisons, Planning Committees
<table>
<thead>
<tr>
<th>Task reference</th>
<th>IAASB</th>
<th>IESBA</th>
<th>Stage</th>
<th>No. of hours</th>
<th>Status of Coord</th>
<th>Next Board discussion (Timing and Nature of Discussion)</th>
<th>What coordination needs may be coming up in the NEXT quarter (e.g., Q2 of 2022)</th>
<th>Suggested coordination approach for NEXT quarter</th>
<th>Key Deliberables</th>
<th>Link to Board Papers</th>
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<tbody>
<tr>
<td>AA1</td>
<td>Fraud</td>
<td>-</td>
<td>Issues development</td>
<td>6</td>
<td>In progress</td>
<td>Next Board Discussion: June 2022 - The Board will discuss the Fraud Task Force’s views and recommendations addressing selected topics on fraud in an audit of financial statements (i.e., introduction; definition of fraud; identifying and assessing the risks of material misstatement due to fraud; specialized skills; presumption of fraud risk in various recognition; journal entries; and communications with those charged with governance).</td>
<td>Discussion / consultation on the ethical implications of go-forward, and the Fraud Task Force’s proposed actions addressing the definition of fraud (to be consummated in July/August 2022) i.e., no drafting has occurred as of yet.</td>
<td>See Agenda Item 7 of the June 2022 IAASB Meeting.</td>
<td>n/a</td>
<td>See Agenda Item 7 of the June 2022 IAASB Meeting.</td>
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<tr>
<td>AA2</td>
<td>Going Concern</td>
<td>-</td>
<td>Issues development</td>
<td>1</td>
<td>In progress</td>
<td>Next Board Discussion: June 2022 - The Board will be presented with the Going Concern Task Force initial views and recommendations addressing selected topics on going concern in an audit of financial statements. In addition, the Board’s views will be sought on: (a) Preliminary drafting paragraphs for proposed ISA 570 (Revised) for the topics presented; (b) Draft non-authoritative guidance for reporting going concern matters in the auditor’s report.</td>
<td>Discussion / consultation about the GC Task Force proposals for inclusion of a new requirement (and supporting application material) in ISA 570 (Revised) for the auditor to communicate to an appropriate authority outside the entity. This extend to any linkages / references to the Code with respect to applying the principle of confidentiality of the Code.</td>
<td>n/a</td>
<td>See Agenda Item 5 of the IAASB Quarterly Board Meeting - June, 2022</td>
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<tr>
<td>AA3</td>
<td>Sustainability</td>
<td>-</td>
<td>Info gathering</td>
<td>-</td>
<td>In progress</td>
<td>Next Board discussion in June 2022. Direction on initial standard-setting work will be sought, in particular: 1. Which challenges are the most critical areas where more specificity is needed as part of development of a foundational standard; 2. Whether the IAASB’s foundational standard should only address limited assurance, or both limited and reasonable assurance; 3. The relationship of the foundational standard for assurance on sustainability / ESG reporting with ISAE 3000 (Revised).</td>
<td>Discussion and co-ordination on the application of the Code of Ethics, including independence; for non-accounts providing assurance on sustainability reporting. Coordination in outreach to key stakeholders to increase influence, leverage contacts and benefit from each Board’s thought leaders in pursing common objectives.</td>
<td>Continued co-ordination of key stakeholder outreach. Collaboration on planning of future outreach, such as webinars and roundtable where objectives are aligned or complimentary</td>
<td>n/a</td>
<td>See Agenda Item 4 of the IAASB Quarterly Board Meeting - June, 2022</td>
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Coordination Activities in Q1 and Q2 2022

IAASB & IESBA Liaison Teleconference

Agenda discussed:

- General coordination approach, including the ‘IAASB-IESBA Coordination Activities’ master workbook; and
- Coordination activities at project level

IAASB & IESBA staff videoconferences

- Sustainability
- Audit Evidence
- Listed Entity/PIE
### Overview of Current Projects and Initiatives (May 2022)

<table>
<thead>
<tr>
<th>IAASB Projects/Initiatives</th>
<th>Status and matters for noting</th>
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<tbody>
<tr>
<td>Fraud</td>
<td><strong>TBD:</strong> Coordination on ethical implications of greenwashing. Liaison with IESBA is scheduled for Q3 as the Fraud Task Force further develops draft of the proposed ISA 240 (Revised), including the definition of fraud</td>
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<td>Sustainability</td>
<td><strong>Ongoing:</strong> Discussion and co-ordination on the application of the Code of Ethics, including independence, for non-accountants providing assurance on sustainability reporting</td>
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<td>Going Concern</td>
<td><strong>Ongoing:</strong> Initial discussions with the IAASB about a proposed new requirement (and application material) in ISA 570 (Revised) for reporting to an appropriate authority outside the entity in certain circumstances. The proposed application material provides for auditor considerations when it may be appropriate to report such matters unless precluded by the auditor’s duty of confidentiality under law, regulations, or relevant ethical requirements. A reference has been provided to Section 114 of the IESBA Code which sets out the requirements to comply with the principle of confidentiality</td>
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<td>Audit of Less Complex Entities (LCE)</td>
<td><strong>Ongoing:</strong> IAASB staff have been coordinating with IESBA staff on the PIE project on an ongoing basis. The definitions of PIE and listed entity may affect the scope and application of the Standard for Less Complex Entities</td>
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<tr>
<td>Listed Entity/PIE</td>
<td><strong>Ongoing:</strong> IAASB staff have been coordinating with IESBA staff on the PIE project on an ongoing basis</td>
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<td>Audit Evidence</td>
<td><strong>TBD:</strong> The first draft of proposed ISA 500 (Revised) was distributed to the IESBA in Q1 of 2022 for comments. IAASB Staff intends to provide the IESBA staff with an updated version of the draft in Q3 for comments before the targeted approval of Exposure Draft</td>
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### Overview of Current Projects and Initiatives (May 2022)

<table>
<thead>
<tr>
<th>IESBA Projects/Initiatives</th>
<th>Status</th>
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<tr>
<td><strong>Engagement Team – Group Audits</strong></td>
<td><strong>Ongoing:</strong> IESBA Task Force has been coordinating with IAASB Task Force on the ISA 600 (Revised) project. ET-GA Independence ED released in February 2022 with comment deadline of May 31, 2022. IESBA to discuss comments at September 2022 meeting. Further coordination activities to be organized after closing of ED consultation period</td>
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<td><strong>Sustainability</strong></td>
<td><strong>Ongoing:</strong> IESBA staff have been coordinating with IAASB staff on this new initiative launched with establishment of IESBA Sustainability Working Group at the March 2022 IESBA meeting</td>
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| **Technology** | **IESBA:** Technology ED released in February 2022 with comment deadline June 20, 2022. Board to discuss comments at September 2022 meeting. Further coordination updates to be organized after closing of ED consultation period  
**IAASB:** Disruptive Technology planned for plenary sessions in 2022. As per the latest forward plan, 2 hours in Q3 of 2022; and 2 hours in Q1 of 2023 |