



For the attention of Prof Arnold Schilder  
Chairman  
International Auditing and Assurance Standards Board  
545 Fifth Avenue, 14th Floor  
New York, New York, 10017  
USA

[Submitted via IAASB website]

4 April 2014

**IAASB Consultation Paper – ‘The IAASB’s Proposed Strategy for 2015–2019’ and ‘The IAASB’s Proposed Work Program for 2015–2016’**

Dear Prof Schilder

We<sup>1</sup> appreciate the opportunity to comment on the IAASB’s proposed strategy for 2015-2019 and work program for 2015-2016.

**Overall comments**

We remain strongly supportive of the IAASB’s mandate to set high quality international standards that are accepted worldwide, thereby facilitating the convergence of international and national standards. As a global network, using the ISAs as the common policy base for our methodology helps us to support the quality of our audits across our network, to manage our multi-national audits, and to meet public interest and regulatory expectations regarding audit quality.

We support the IAASB’s decision to set out separately the Board’s strategy and work program, with a longer planning horizon for the strategy than the work program. Pending fairly significant events or developments, the Board’s vision and broad strategic objectives are likely to remain relatively stable over a 5 year horizon; whereas, it is appropriate to revisit shorter term project priorities so that the Board’s work program can be adjusted and realigned as project cycles play out.

We set out below our overriding comments on the proposed strategy and work program, which are intended to be constructive. We provide more detailed comments in response to the questions posed in the consultation in the Appendix.

**Importance of a clear vision and framework**

We believe that it is very important, for both the IAASB and its stakeholders, to clearly articulate how the Board views its role and what it wants to achieve. This provides a valuable “compass” for the Board as it deliberates its action plans and interacts with stakeholders.

The proposed strategic objectives for 2015-19 are broadly consistent with what we would expect at a high level. We found the discussion of them in the proposed strategy, however, more akin to a

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<sup>1</sup> This response is being filed on behalf of the network of member firms of PricewaterhouseCoopers International Limited and references to “PwC”, “we” and “our” refer to the PwC network of member firms.

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*PricewaterhouseCoopers International Limited*  
1 Embankment Place  
London WC2N 6RH  
T: 011 [44] (20) 7583 5000, F: 011 [44] (20) 7822 4652



discussion of a longer term work program than an articulation of what the IAASB wants to achieve. We encourage the Board to challenge itself further to set out what would define success in 5 years' time, what risks threaten achieving those goals, and what the Board believes it needs to do to manage those risks.

In the absence of a clearly articulated vision and critical success factors, there is a risk that the Board will react to the demands and expectations of individual stakeholder groups in a way that reduces the coherence of the Board's overall program. That may not be prove to be optimum to stakeholders as a whole and, therefore, in the best interests of society and the public interest. It also makes it difficult to judge whether the Board's current structure and operating model will be adequate to support the achievement of the strategy.

We have two observations in this regard.

### ***Maintaining ISAs remains the key priority***

**First**, the Clarity project was a catalyst for bringing the larger audit networks, the national auditing standards setters and regulators together around the common goal of shaping an established and credible set of high quality global auditing standards. It accelerated the adoption of the ISAs in jurisdictions around the world. The recognition of the ISAs in the EU audit reform speaks to the Board's success in having developed a high quality set of auditing standards for financial statement audits.

Retaining support for the ISAs as the basis for high quality financial statement audits that are adopted in national standards is, therefore, foremost to the IAASB's success and recognition as the global auditing standard setter. Maintaining the ISAs is also the enabler that lets the Board venture into setting standards for other assurance engagements and related services.

What is critical to the IAASB retaining its position as a global standard setter?

- Maintaining the ISAs/ISQCs so that they continue to be seen as setting an appropriate benchmark for audit quality.
- Continuing to support the adoption of ISAs where not already adopted.
- Being sufficiently responsive to emerging issues, and having robust mechanisms to get feedback on experiences in implementing and using the standards in practice, so that national standard setters are not compelled to "go it alone".
- Having sufficient engagement with key stakeholders to garner their support for the process and its output.

We believe that it would be valuable to reflect on these critical success factors in both defining the Board's strategic objectives and setting out the Board's work program, including the allocation of the Board, IAASB leadership and staff resources. Those factors have also provided the context in which we formed our comments on relative priorities in this response – in particular where we see challenges faced in practice being overlooked in favour of more conceptual projects that may not, in our view, have as much influence in enhancing audit quality.

### ***Importance of alignment and collaboration***

**Second**, audit and other assurance and related services standards are not an end in themselves; they serve to build trust and confidence in the information needed for decision making to support the effective functioning of markets and economies. To ensure that what the IAASB is doing remains relevant and effective, it is vitally important that the Board keep alert to developments in how organisations operate and the decisions they and their stakeholders make, and remain connected with other players in the corporate reporting supply chain.



At one level, this reinforces the importance of seeking to work collaboratively with the IASB, IESBA, IAESB, and other key standard setters and policy makers. In our view, this involves more than liaising on each other's activities. There is a need to align agendas where necessary, and to proactively collaborate to find optimal solutions. For example, we see disconnect in the IAASB's and IESBA's respective agendas (e.g., the IAASB's proposed priorities do not seem to be factoring in the need to be addressing the impact for ISA 250 (Consideration of Laws and Regulations) of IESBA's project on non-compliance with laws and regulations).

At another level, this also means judging how to set the IAASB's own agenda to best support both practice and future developments. There are three approaches that the Board can adopt to addressing any particular issue:

- Develop comprehensive standards setting out requirements for what is expected by auditors / practitioners (e.g., appropriate for mature services, such as the ISAs for financial statement audits).
- Develop a higher level framework that establishes the principles and thus the parameters for auditors / practitioners to apply judgment to determine an appropriate approach in particular circumstances (e.g., ISAE 3000 for assurance engagements).
- Keeping an active watching brief in areas of emerging corporate reporting (and other subject matters) to allow the market to innovate (which, for example, we believe is the right approach at this point for integrated reporting).

The risk in moving too quickly to develop comprehensive and detailed standards is that the standards may inhibit innovation, or embed an approach or service that may quickly lose relevance if the reporting on which it is based is itself still evolving (which we are already seeing to a certain extent in reporting on greenhouse gases). It is also important in the context of the ISAs and other more detailed standards that the Board keep an eye on the horizon to developments in the business environment and practice (e.g., advances in technology) to ensure that those standards continue to remain relevant and able to support best practice.

### **Implications for IAASB's proposed work program**

When we apply the above considerations to the Board's proposed work program:

- We support the focus on the ISAs and financial statement audits, and agree that the time is right to keep an active watching brief on the emergence of integrated reporting.
- We support the Board's outreach program and encourage even more proactive engagement with other standard setters and key stakeholders, including practitioners.
- We support post-implementation reviews on the Board's recently issued standards and monitoring experiences, and see this as being particularly important when the new auditor's reports start is issued. In doing so, however, the Board needs to be prepared to make changes if evidence shows there are areas that need adjustment.
- If there are specific changes to aspects of ISQC 1 that the Clarity ISA Implementation Monitoring project showed needed amendment (e.g., ECQRs), we support the IAASB looking at them. We are less convinced that a broader re-opening of ISQC 1 is warranted at this time. The Audit Quality Framework has just been released and will, in and of itself, focus attention on some of the other topics identified, many of which may not be easily influenced through revisions to the quality control standards in any case.
- As we noted in our response to the 2013 Survey, while we support focus on professional scepticism, we see the most significant benefit being through training and reinforcement in

practice. We can see merit in debating what constitutes sufficient appropriate audit evidence in particular circumstances, but that necessarily needs to be addressed on a topic by topic basis. We are not convinced that a broadly defined topic that may simply result in more references to scepticism in the standards will be effective in driving behaviour. Yet setting off on a project to address what appropriate scepticism means for obtaining audit evidence across the ISAs is too broad in scope to be handled effectively. Embedding professional scepticism should be inherent in all projects the IAASB undertakes, rather than a project in its own right.

- We are concerned that practice issues identified by auditors in the Clarity ISA Implementation Monitoring review may not begin to be addressed in a standard setting project until the next two year cycle, effectively resulting in no guidance being provided for at least 5 years. For example, evolving business models – such as, greater use of joint ventures, more extensive use of shared service centres and, in general, increasingly complex organisation structures – are posing real challenges in applying ISA 600 in practice. Looking at how best to embed audit quality in difficult cross border situations needs attention now. We also question whether waiting that long to evaluate the implications of the new COSO framework to the ISAs is appropriate.
- To ensure that the ISAs, and audit, remain effective in a digital environment which is fundamentally changing business operating models and controls, we believe that the IAASB needs to be thinking about how evidence obtained electronically regarding data and systems can contribute effectively to the auditor's risk assessment and substantive evidence. Is there a risk that today's ISA requirements may inadvertently inhibit innovation in this regard?

We also believe the IAASB needs to be analysing the new accounting standards on, for example, revenue to see if the ISAs can be readily applied to obtaining evidence regarding the judgments that will need to be made in the accounting. Ideally, the IAASB should be collaborating with the IASB on its projects, including, for example, the disclosure framework and going concern. We strongly support IAASB's IASB monitoring initiative and commenting on proposals, but encourage even more ongoing active collaboration between the accounting and auditing standard setters.

### **Board and staff structure and operating model**

We observe that the work program, in particular, has been premised on the current Board composition, staff complement and current operating model.

We have a couple of observations in this regard.

**First**, in principle, this seems to put the cart before the horse. If the current model and structure would not enable the IAASB to do what is necessary to maintain the ISAs as a credible body of high quality auditing standards, the IAASB will not succeed in achieving its vision. There has been evidence over the last few years that the model was stretched to its limits. If the Board believes that it can only deal with 3-4 focussed projects over a 2 year period, and, as a result, needs to defer work on issues that are posing difficulties in practice today, that may be evidence that a more fundamental look at the model is warranted.

**Second**, when a particular standard-setting project has attracted significant opposition from a range of stakeholders, as was the case with the ISA 720 (Other Information) project, there should be a mechanism by which lessons are learned. What went wrong and how? This could allow enhancements to be made to the standards development process that will improve future standards.



We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Diana Hillier, at [diana.hillier@uk.pwc.com](mailto:diana.hillier@uk.pwc.com), or me, at [richard.g.sexton@uk.pwc.com](mailto:richard.g.sexton@uk.pwc.com).

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Richard G. Sexton".

Richard G. Sexton  
Vice Chairman, Global Assurance

***Request for Specific Comments***

Proposed strategy for 2015-2019

***The IAASB is particularly interested in respondents' views on:******1. Whether the strategic objectives identified are considered appropriate for the period 2015– 2019. If not, please explain.***

We support the IAASB's three overall strategic objectives as the three key elements under, what we view as, the Board's overarching strategic objective described under the heading of "Our Commitment" on page 6 of the consultation document. As explained in our covering letter, we do think the Board can go further to better articulate and define future success as well as risks to achieving that success.

We strongly believe that developing and maintaining high quality ISAs that are accepted as the basis for high-quality financial statement audits is the IAASB's top priority. Addressing changes that maintain and increase national standard setters (NSS) support for the ISAs is key in avoiding the risk of a drift away from globally accepted standards and an increase in locally implemented solutions to perceived challenges. To that end, the IAASB's second strategic objective – Ensuring the IAASB's suite of standards continues to be relevant in a changing world by responding to stakeholder needs – is equally important. The standards will only continue to be accepted and adopted across territories if they remain relevant in today's developing technological world. We therefore support addressing changes to the ISAs to maintain their relevance and to address practical issues associated with auditing in an electronic world. We further expand on this in our response to question 3 related to the work program below.

And finally, in respect of being responsive to changes and maintaining the relevance of the ISAs and other standards issued, the Board's final strategic objective comes into play. Proactive outreach and collaboration, and engagement at the right level with key stakeholders to garner their support for the process and its output, as well as to seek valuable feedback regarding experiences in working with the Board's standards in practice, are vital in the IAASB being at the forefront in responding to emerging issues and the changing demands of stakeholders.

We also believe it is important that the IAASB aim to define success and measure its progress towards achieving it. We are encouraged, therefore, by the Board's attempt to articulate some metrics. However, we encourage the Board to reflect on the critical success factors that we set out on page 2 of our cover letter. If there is acceptance that those factors are critical to the IAASB achieving its strategy and vision, it would be valuable to shape the Board's performance metrics around them, as what gets measured influences behaviour.

***2. Whether the factors included in Appendix 2 on page 19 represent a reasonable basis for the IAASB to use in developing its Work Programs beyond the Work Program for 2015–2016.***

We believe the factors outlined in appendix 2 to guide the identification of potential priorities and actions in future work programs provide an appropriate starting point in setting out a basis to use in establishing the Board's future work program. As explained in our cover letter and above, however, we believe that these guidelines need to be applied in the context of clearly articulated critical success factors. It is through clearly articulating what the Board wants to achieve, and reflecting on the risks that threaten that achievement and what the Board needs to do to manage those risks, that the Board will have the "compass" needed to help choose among competing demands.



In addition, in our response letter to the earlier Strategy survey, we set out a series of principles that we believe complement the factors outlined in appendix 2:

- Any changes should consider the impact on audit quality, value of audit, and costs versus benefit.
- Revisions to standards for “change sake” should be avoided, by being based on empirical evidence and focused at any point in time on a few areas likely to result in significant improvement.
- Auditing and assurance standards should remain principles-based, given that overly prescriptive standards can lead to a “check the box” approach, and well-reasoned judgement is a critical element to effectively applying standards.
- The ultimate aim is for a single-set of high quality, global auditing and assurance standards, capable of being applied in a consistent, effective and efficient manner for audits of different sizes of entities and across the world.

Once a topic is identified as a priority, the Board must also determine how to address it, which could be to:

- Develop comprehensive standards setting out requirements for what is expected by auditors / practitioners (e.g., appropriate for mature services, such as the ISAs for financial statement audits).
- Develop a higher level framework that establishes the principles and thus the parameters for auditors / practitioners to apply judgment to determine an appropriate approach in particular circumstances (e.g., ISAE 3000 for assurance engagements).
- Keeping an active watching brief in areas of emerging corporate reporting (and other subject matters) to allow the market to innovate (which, for example, we believe is the right approach at this point for integrated reporting).

We note the IAASB’s acknowledgment that groups established to promote collaboration in regulatory activity and to focus on audit quality and related matters, such as the International Forum of Independent Audit Regulators (IFIAR), are becoming more coordinated and seeking to continuously enhance audit quality. We agree that the IAASB has a role to play in this regard, in particular when changes to the ISAs or new standards may be necessary to respond to concerns about audit quality. Maintaining and developing interactions with the wide range of global audit and accounting regulators, and IFIAR, should remain a key focus. As we highlight in our covering letter, strong working relationships with those groups is vital in maintaining consensus behind a set of globally consistent auditing and assurance standards.

As we explain in our comments on the proposed work program below, however, it is important that in setting the strategy and work program priorities, the views of all stakeholders are considered and that projects do not solely reflect a regulatory driven focus. In our response to the IAASB’s request for input on stakeholder engagement, later in this appendix, we set out our further views on why input is needed from all participants in the financial reporting supply chain.



Proposed work program for 2015-2016

***The IAASB is particularly interested in respondents' views on:***

***1. The approach taken to the development of the Work Program for 2015–2016, in particular the IAASB's decision to focus on fewer key projects towards the goal of their completion by 2017.***

A number of the IAASB's ongoing projects, including the auditor reporting project and, in particular, the disclosures project, call for a number of existing ISAs to be opened for revision. It seems inevitable that demands from stakeholders, including practitioners, will give rise to calls in the future for further 'enhancements' to one or more ISAs. We believe the IAASB needs to develop a process to co-ordinate and prioritise the requests for such changes, which will recur in one shape or another on a continued basis.

As mentioned in our response to question 2 below, we believe audit quality is best met through the IAASB focusing at any particular point in time on a few areas where there are challenges in practice and where change is likely to result in significant improvement, rather than widespread change across many standards. Significant numbers of ad hoc improvements or conforming amendments across a variety of standards can be both difficult to implement successfully and, over time, undermine the integrity of individual standards.

We therefore support the IAASB's proposal to address certain limited topics on an accelerated basis. We recommend that the Board progress these topics on a 'best speed' basis, but avoid rushing projects through the process. Our views on which areas in the ISAs we believed warranted further consideration on a priority basis were set out in our response to the Post-Implementation Review of the Clarity ISAs. We also comment further in our response to question 2 below.

***2. The appropriateness of the topics chosen as the focus for the Work Program for 2015–2016 (see paragraph 4 of the Work Program and Table A on pages 26–29) in light of the strategic objectives set out in the IAASB's Strategy for 2015–2019.***

We note the strong focus on regulatory feedback in determining the three priority topics outlined in the 2015-2016 work program. We recognise the importance of ISQC1 and ISA 220 to achieving audit quality and would support specific changes to aspects of ISQC 1 that the Clarity ISA Implementation project showed needed amendment (e.g., ECQRs). However, we are not fully convinced of challenges in practice requiring priority revision of the broader quality control standards at this time. We note that the IAASB has only recently finalised and issued its "Framework for Audit Quality". The Board has therefore devoted significant time to the topic of audit quality in the most recent strategy period and may wish to monitor reactions to this publication and seek further feedback on the need for change in this area before commencing a project to revise the quality control standards.

On the other hand, the ISA Implementation Monitoring project showed that there are a number of practical issues faced by auditors today in applying the ISAs, which we believe could have a direct impact on audit quality.

In particular, we note the Board's statement with respect to revision of ISA 600 that "*The IAASB considered prioritizing the topic of group audits before the topics of quality control, professional skepticism and financial institutions, but was of the view that the latter three topics could be addressed on a more accelerated basis than group audits.*" In our view, the expediency with which a project can be progressed to finalisation needs to be balanced against the respective priority of projects and benefits to be gained. We comment further on the need to revise ISA 600 in our response to question 3 below.





With respect to professional scepticism, we acknowledge this is of critical importance in delivering an effective and high quality audit and remains an area of regulatory focus. We therefore support measures that can help auditors in the practical application, and documentation, of professional scepticism. However, we do not believe it is a topic that can be addressed effectively through a single project at a point in time – it is a topic that is pervasive to auditing practice and cannot be easily ‘codified’ in a particular auditing standard or standards. We are not convinced that a broadly defined topic that may simply result in more references to scepticism in the standards will be effective in driving behaviour.

Furthermore, we think the more important question is not whether the auditor has demonstrated sufficient scepticism (on which we think good progress has been made in recent times) but whether the auditor has obtained sufficient appropriate audit evidence. In our view, given particularly complex accounting and changes in technology, it is not a lack of scepticism that gives rise to regulatory questions but often a lack of consensus on the nature and extent of audit evidence that is appropriate in the circumstances. We are therefore unconvinced that the addition of simply further emphasis on the need to exercise scepticism in the ISAs will achieve the desired outcome. We also note that the Board issued a detailed Staff Paper on this topic in February 2012.

If, after consideration of responses to this consultation, both revision of ISQC 1 and professional scepticism remain as priority topics to be addressed in the 2015-2016 work program, we would recommend that careful consideration be given to how the projects are defined and what the objectives and outcomes of each should be to keep them focussed and avoid scope creep.

Regarding the final priority project, we support addressing special audit considerations relevant to financial institutions. The scope and output of such a project – be that revisions to one or more ISAs or an IAPN – will need careful consideration to determine what would be most appropriate and effective. It is important that any changes are incremental and do not result in different auditing approaches being applied in the audit of a financial institution compared to non-financial institution. It is also important that appropriate subject-matter expertise be sought and, to that end, we would highlight that the IAASB may not be best placed to drive forward revised guidance without involving practitioners with expertise in such audits and working closely with external bodies, such as the Basel Committee.

Lastly, given the significance of the changes being made to the auditor’s report, supporting the effective adoption of the new auditor reporting model, and monitoring and seeking reaction to the implementation of the new and revised standards will also be important. We therefore support the planned activities to both support the rollout and begin preparations for an implementation monitoring review.

**3. *Whether there is an action(s) or project(s) that has not been included in the Work Program for 2015–2016 that you believe the IAASB should address during that period. For example, should any of the topics in Appendix 1 (on pages 39–41) be prioritized sooner? If so, which initiative(s) identified in Table A (on pages 26–29) do you believe should be replaced by this action(s) or project(s). Please provide an explanation of your views.***

As noted in our covering letter, we believe that addressing practical auditing issues is the most effective way of enhancing audit quality. In our view, the IAASB’s overall priority must be to maintain acceptance and adoption of the ISAs. To that end, two projects in particular, from those listed in Appendix 1, are of sufficient priority that they need to be addressed, in our view, sooner than envisaged under the IAASB’s proposed timetable. Those projects are revision of ISA 600 and Audit Evidence. We explain our views further below.

With respect to ISA 600, we acknowledge the Board’s recent discussions at the March 2014 meeting on “letterbox” audits and the plans to further research practices in this area. In light of

the issues being faced in practice and differences in views that appear to exist on how best to embed audit quality in difficult cross-border situations, we believe that revision of ISA 600 to address these issues needs to be included in the 2015-2016 work program. Deferral until 2017 or beyond does not appear to be a satisfactory solution. Given the Board's initial investigations into this topic, we believe information gathering could be completed during the remainder of 2014 and early 2015 with a view to commencement of a project in late 2015.

Similarly, the topic of audit evidence is an important one, in particular in light of ongoing developments in technology, both in how entities develop and use technology in their corporate reporting systems and controls, and in how auditors can develop and apply automated techniques to interrogate those systems as part of the audit process. The ability to more effectively harness technology to analyse data means that the way evidence can be obtained is also evolving. There is likely to be growing challenge about whether the standards issued by the IAASB adequately address those developments and what is seen as constituting sufficient appropriate audit evidence arising from such 'automated audit procedures'. We believe it is important that the ISAs embrace, rather than constrain, developments that are in the best interests of audit quality and directly addresses the IAASB objective of 'ensuring the IAASB's suite of standards continues to be relevant in a Changing World'.

We also support ongoing consideration and planning, during the next work program period, of how best to address demand from certain users of financial reporting for assurance over certain aspects of 'other information' that an entity reports – in particular, assurance over key performance measures, as distinct from reporting by auditors on the *consistency* of that other information with the audited financial statements (currently being addressed by the project to revise ISA 720) – be that through ISAE 3000 (Revised), a subject-matter specific ISAE, or some other means.

**4. *Whether there are alternative approaches for the IAASB to consider in order to enhance the IAASB's ability to address calls from stakeholders for IAASB efforts on a variety of important topics, in light of the constraints of available resources and the need for due process to be applied in the development or revision of standards.***

*Engagement with stakeholders*

It is extremely important that the IAASB continue efforts to seek input and views from the full spectrum of stakeholders.

When a particular standard-setting project has attracted significant opposition from a range of stakeholders, as was the case with the ISA 720 project, there should be a mechanism by which lessons are learned. It is important, in this regard, to consider whether the Board's current mechanisms to engage with stakeholders could be improved.

We recognise that the Board seeks regular input, in terms of due process, from the Consultative Advisory Group. This group is predominantly drawn from the regulatory and oversight community, which can result in the Board receiving substantive input and advice from that subset of stakeholders only. We believe there would be value in the IAASB finding a structured mechanism through which it can seek input from relevant user groups, including investors, preparers and audit committee members (individuals in addition to representative bodies), to establish whether the planned direction being taken on specific projects is both relevant and appropriate for the needs of users as a whole. While we appreciate the challenges of adhering to due process, to do that effectively might require tailoring the outreach to them in ways that will facilitate their ability to contribute effectively, recognising that they are not always able to invest the time needed to wade through Exposure Drafts in order to understand the implications of proposals that may be relevant to them.



We also believe it is important for the Board to seek to understand the practical implications of matters under consideration. For a variety of reasons, current processes seem to discourage that input from practitioners. Such input is sometimes perceived as being self-serving and putting up barriers to change. To the extent that is true, there are lessons for practitioners to learn in how to present practical considerations constructively. Such perceptions appear to have prevented valid concerns about whether proposals were practicable from surfacing during the Boards' deliberations. As a result, both the IAASB and IESBA have experienced unfortunate missteps. It is in the best interests of the Boards and practitioners that we find a constructive way to guard against that happening in future.

In reality, the public interest is not owned by any particular stakeholder group. It is achieved through considering the legitimate views and perspectives of all stakeholders in order to weigh what is in the best interests of society as a whole, with the ultimate aim of building trust in society and the confidence in the corporate reporting information system necessary to support healthy, successful and growing economies.

It may be helpful for the IAASB to prepare and publish a coordinated program (timetable) of planned research, communication and outreach activities as a separate and stand-alone document that can complement the strategy and work program. With sufficient forward planning, this might allow for better coordination in seeking and obtaining input from stakeholders on potentially related topics and across geographical regions.

#### *Engagement with other standard setters*

We commend the IAASB on the efforts the Board has made to actively monitor and contribute views on the auditing implications of new accounting standards. Ideally, however, the IAASB would be able to have even more active liaison with the IASB. There are many challenges, both today and in the near future, in addressing complex accounting standards. It is important that those issues are raised early in the IASB's deliberations. At the same time, the IAASB can be anticipating whether changes to the ISAs are needed, or new standards or guidance needed, when new accounting standards are issued. We believe the IAASB has an active role to play in identifying and highlighting practical auditing issues arising from proposed accounting standard setting initiatives and anticipating the implications of them, rather than having to attempt to address these issues after they have been borne out in practice 'after the event' e.g., auditing fair values.

We also believe that there needs to be a better coordination process between IAASB and IESBA. There is a need for strong linkage between the ISAs and other IAASB standards and the IESBA Code in relation to current and future projects, including having a process that ensures that thought is given early enough in each Board's deliberations to the possible implications of proposed standards on the other Board's standards. We do not believe that everything needs to go through both Boards but it would require agreement on which Board has primary responsibility where there is overlap. For example, the IESBA project to consider changes to the IESBA Code to address non-compliance with laws and regulations has a number of significant consequences for ISA 250. A dual consultation that addressed proposed changes to the Code and the related ISA would present a more coherent package that stakeholders could provide comment on. Similarly, the changes that were made to the Code (effective 1 April 2014) in relation to breaches of the Code appear to warrant a review of relevant sections of ISQC 1. We believe that both these matters should be on the Board's forthcoming work program. There may be others going forward. Such collaboration requires coordination on the timing and priority of the projects and we appreciate that this may create some practical challenges, but it is important to the integrity of both the Code and the IAASB's standards that they are kept appropriately aligned.



### *Convergence*

The Board's mandate includes facilitating the convergence of international and national standards. We believe this is an important aim but one that is not entirely in the IAASB's control. In this regard, we note that the IASB has established a new Accounting Standards Advisory Forum (ASAF) comprised of representatives of national standard setters. The IAASB similarly has its annual meeting of national standard setters. Perhaps the NSS group could be used even more to enable the IAASB to tap into gauging how proposals will be perceived by different stakeholders in different jurisdictions. Doing so could not only provide another means by which the IAASB can reach more stakeholders, but also as a way to further foster convergence.

### *Determining priorities based on resources*

Lastly, we note at the end of our covering letter that the proposed work program has been premised on the current Board composition, staff complement and current operating model. As the question itself notes, the Board faces challenges in its ability to address calls for the Board to address topics "in light of the constraints of available resources". If the Board believes that it can only deal with 3-4 focussed projects over a 2 year period, and, as a result, needs to defer work on issues that are posing difficulties in practice today, that may be evidence that a more fundamental look at the operating model is warranted.

As we stated in our covering letter, in principle, this seems to put the cart before the horse. If the current model and structure would not enable the IAASB to do what is necessary to maintain the ISAs as a credible body of high quality auditing standards, the IAASB will not succeed in achieving its vision. There has been evidence over the last few years that the model was stretched to its limits. If the Board believes that it can only deal with 3-4 focussed projects over a 2 year period, and, as a result, needs to defer work on issues that are posing difficulties in practice today, that may be evidence that a more fundamental look at the model is warranted.