



4 April 2014

The Chairman  
International Auditing and Assurance Standards Board  
529 5<sup>th</sup> Avenue, 6<sup>th</sup> Floor  
New York, New York 10017

## Submission via IAASB website

Dear Professor Schilder

### Consultation Paper: The IAASB's Proposed Strategy for 2015-2019, The IAASB's Proposed Work Program for 2015-2016

The Institute of Chartered Accountants Australia is pleased to respond to the Consultation Paper *The IAASB's Proposed Strategy for 2015-2019 The IAASB's Proposed Work Program for 2015-2016*.

Our overall comments on the proposed Strategy and Work Plan follow. Our detailed responses to your specific questions are set out in Appendix 1. Appendix 2 contains further information about the Institute and who we represent.

#### Overall comments

We support the IAASB's move to a five year timeframe for the Strategic Plan and Work Program. We believe taking a longer term view of the work of the board will better position it to be proactive rather than reactive in developing an appropriate standard framework for the audit profession.

In addition to taking a proactive view of priority matters, we believe the board must ensure that the principles set out in the Framework for Audit Quality (the Framework) are considered in identifying and prioritizing key projects. Projects should be considered through the lens of their contribution to enhancing audit quality as set out in the Framework. With this lens, we believe the priorities identified in the draft plan need to be revised in order to meet the objective of strengthening the financial reporting process and enhancing capital market confidence.

Yours sincerely

Lee White  
Chief Executive Officer

**Customer Service Centre**  
1300 137 322

**NSW**  
33 Erskine Street  
Sydney NSW 2000

GPO Box 9985  
Sydney NSW 2001  
Phone 61 2 9290 1344  
Fax 61 2 9262 1512

**ACT**  
L10, 60 Marcus Clarke Street  
Canberra ACT 2601

GPO Box 9985  
Canberra ACT 2601  
Phone 61 2 6122 6100  
Fax 61 2 6122 6122

**Qld**  
L32, Central Plaza One,  
345 Queen Street,  
Brisbane Qld 4000

GPO Box 9985  
Brisbane Qld 4001  
Phone 61 7 3233 6500  
Fax 61 7 3233 6555

**SA / NT**  
L29, 91 King William Street  
Adelaide SA 5000

GPO Box 9985  
Adelaide SA 5001  
Phone 61 8 8113 5500  
Fax 61 8 8231 1982

**Vic / Tas**  
L3, 600 Bourke Street  
Melbourne Vic 3000

GPO Box 9985  
Melbourne Vic 3001  
Phone 61 3 9641 7400  
Fax 61 3 9670 3143

**WA**  
L11, 2 Mill Street  
Perth WA 6000

GPO Box 9985  
Perth WA 6848  
Phone 61 8 9420 0400  
Fax 61 8 9321 5141

## Appendix One: Specific questions

### 1. Proposed Strategy 2015-2019

- (a) Whether the strategic objectives are considered appropriate for the period 2015-2019. If not, please explain.**

Yes, we believe that the strategic objectives identified are appropriate.

- (b) Whether the factors used 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.**

While the factors appear reasonable, we believe the IAASB should consider the relative weighting of the factors carefully. In particular, the 'perceived urgency' of an issue does not seem to reflect the impact or effect that acting on the issue will have on enhancing audit quality globally and on facilitating high quality financial reporting and enhancing public confidence.

We think that it is important that the board takes a proactive rather than a reactive position when prioritizing projects. This includes looking at all the factors of an issue, not just how urgent it may appear due to press or past events, when determining the priority of a project. It also includes considering how an issue will strengthen the audit quality framework.

### 2. Proposed Work Program for 2015-2016

- (a) The approach taken to the development of the Work Program for 2015-2106, in particular the IAASB's decision to focus on fewer key projects towards the goal of their completion by 2017**

We support the move to reduce the number of projects being undertaken in any given period so that they can be completed on a timely basis. However, with fewer projects being undertaken, it becomes even more important to ensure that the projects are prioritized correctly to obtain the greatest benefit for audit quality and the capital markets from the board's work.

We would note also that if a proactive review of issues highlights additional projects of equal priority, the IAASB should be considering additional resource rather than compromising their authority as the global standard setter.

- (b) The appropriateness of the topics chosen as the focus of the Work Program for 2015-2016 in light of the strategic objectives set out in the IAASB's Strategy for 2015-2019.**

We do not believe that the three top priorities identified are necessarily the most important areas to address. As stated above, we believe that the top priorities need to be proactive, not reactive and deliver the greatest benefit in the form of enhanced audit quality and enhanced financial reporting and capital market confidence. Our concerns with the three priorities identified are:

- Professional scepticism  
The need to exercise professional scepticism is already reflected within the standards. The embedding of the attitude of professional scepticism within auditors is a behavioural issue. We believe there is scope for further guidance and best practice examples or training on scepticism, through a Practice Note for example. We do not believe the issue is most effectively addressed through new or revised standards.
- Special audit considerations relevant to financial institutions.  
We do not support this being a top priority project. We appreciate that this project has been included in the wake of the banking failures which occurred during the global financial crisis however, this project is reactive, not proactive. We believe that, while auditors have an important role to play in the oversight of banks, the best way to strengthen the performance of banks is through the prudential regulation of banks.

While we appreciate that financial institutions are complex entities to audit, we believe that the development of an individual standard for financial institutions is not necessarily the best response. Rather, it would be better to look at areas of most concern for auditors of financial institutions and consider revisions to existing standards in these areas. For example risk assessment and the response to assessed risks, group audits, and impairments are standards likely to be of relevance. Addressing these for the lessons from financial institution audits will meet the objective and , in the process, enhance audit quality for all entities.

- Quality control.  
In our consultation with practitioners, they did not feel that there were significant issues with the requirements in ISQC 1 which require addressing. The board needs to carefully consider whether imposing additional requirements on firms will enhance quality or whether there are other outreach, guidance and training projects that may be more beneficial.

#### Concerns with other 2015-2016 projects

- Auditor reporting standards.  
Given the likely application date of the new suite of reporting standards, we believe that 2016 may be too soon to assess what the issues in practice associated with these standards may be. We agree that there will be a need to support practitioners through the adoption of the new standards but believe that the board needs to be careful as to what projects are related to this. Some level of guidance and support will be required in the first year of adoption, particularly to assist practitioners to explain the changes to clients. A timely Post Implementation Review process for these standards will be crucial.

***(c) 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.***

We believe the following areas should be priorities for the 2015-2016 timeframe instead of the three matters identified in the draft plan.

- Group Audits

Our consultation with members identified Group Audits as a top priority, noting that this standard requires clarification and further guidance rather than large revisions.

Dealing with auditors of equity accounted components and components in other jurisdictions were identified as key areas of difficulty in practice. We have also noted that some regulators appear to impose obligations on auditors in relation to group auditors that go beyond those set out in ISA 600.

Updating the standard will allow these issues to be considered and addressed, and will provide clarity in relation to obligations.

- Scalability of ISAs

A project looking at further guidance on scalability of ISAs and audits of SMEs should be given higher priority. One set of standards is the correct approach but our members often raise scalability as an area of concern. We believe that further guidance from the IAASB would enhance audit quality and financial reporting in the SME population.

- Impact of Technology

Our members also raised the issue of the impact of changing technology on how clients store data and how audits are performed as a key concern. As part of taking a proactive approach to standard setting, we recommend that the board considers the impact of changing technology when revising existing standards or developing new standards and guidance.

Issues such as jurisdictional challenges and other challenges of cloud computing, privacy, changing techniques such as data mining and data analytics were raised as issue that are transforming the way audits are performed. Some of these issues may require that other standards are revised (such as ISA 520 Analytical Procedures and ISA 530 Audit Sampling) while some may require further guidance for practitioners.

- Risk Assessment and Response

We believe that the reconsideration of ISA 315 should also be moved to the 2015-2016 timeframe. Risk Assessment is the core of the audit process and if there are issues to be addressed in this standard (and potentially flow-on changes to the response to risk assessment), they should be addressed as a priority.

Feedback from our members was that they viewed this as a top priority. The recent release of the revised Committee of Sponsoring Organisations of the Treadway Commission's 2013 *Internal Control – Integrated Framework* (the COSO Framework) also indicates that ISA 315 should be reviewed as the existing version of the standard was informed by the prior version of the COSO Framework.

- Audit of Internal Controls

A final project that should be considered for inclusion in the work program is an ISAE on the engagements to audit internal controls. There is increasing regulatory and client demand for these types of engagements and the guidance in ISAE 3000 is limited.

***(d) 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 constraints of available resources and the need for due process to be applied in the development or revision of standards.***

We have no comments on alternative approaches. We believe that having a robust, timely and effective Post Implementation Review process in place will be key to identifying and prioritizing future projects as will consideration of the Framework for Audit Quality in selecting, focusing and prioritizing projects. We recommend that the Board continues to consider the time requirements of the current due process and whether there are options to speed up the process for certain priorities.

## **Appendix Two: Institute of Chartered Accountants Australia**

The Institute represents accounting and business professionals in Australia (New Zealand) and around the globe. Members strive to uphold financial integrity through a commitment to ethics and acting in the public interest.

We focus on educating candidates through the Chartered Accountants Program and engage in advocacy and thought leadership underpinned by our members' knowledge and experience. We influence a range of policy areas impacting the Australian (New Zealand) economy and domestic and international capital markets.

A watershed member vote in 2013 set the course for the Institute to amalgamate with the New Zealand Institute of Chartered Accountants (subject to obtaining formal government approvals and effecting amendments to constituent documents), with the vision of becoming the trusted leaders in business and finance.

The proposed new institute – Chartered Accountants Australia and New Zealand – is expected to have more than 90,000 members in total with 17,000-plus candidates, giving us greater scale and influence on the world stage.

We are on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong GAA and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

[charteredaccountants.com.au](http://charteredaccountants.com.au)