

**Meeting:** IAASB Consultative Advisory Group  
**Meeting Location:** New York  
**Meeting Date:** March 11-12, 2014

## Agenda Item

# J

### IAASB Future Strategy for 2015–2019 and Work Program for 2015–2016

#### Objectives of Agenda Item

1. To provide a report back on proposals of the Representatives on this project as discussed at the September 2013 CAG Meeting.
2. To obtain the Representatives' views on key questions included in the December 2013 Consultation Paper (CP) in relation to the IAASB's future strategy and work program.

#### Project Status and Timeline

3. The IAASB approved its *Proposed Strategy for 2015–2019* and *Proposed Work Program for 2015–2016* at its December 2013 meeting. The document was released for public comment on December 18, 2013 and comments are requested by April 4, 2014. The CP is included as a CAG Paper at **Agenda Item J.1**. This paper makes reference to the most pertinent paragraphs / pages in **Agenda Item J.1** as a means of facilitating the CAG's discussions.
4. The IAASB is undertaking this consultation to obtain views on its forward strategic direction and work program, in order to build on the existing strong base of standards and address new topics where there is a demonstrated public interest need. The CP has been developed taking into account input received from the IAASB's March 2013 stakeholder survey, the results of the IAASB's recently completed post-implementation review of the clarified International Standards on Auditing (ISAs), and other input from stakeholders (including the CAG), along with consideration of relevant current developments.
5. **While CAG Representatives will have the opportunity to provide initial feedback on the Consultation Paper at the March 2014 meeting, Member Organizations are strongly encouraged to submit formal responses in advance of the deadline to enable the IAASB to further understand the rationale for their suggestions.**
6. The IAASB Steering Committee (SC), which serves as the Task Force (TF) for the project, will consider the significant comments received and to develop recommendations for a way forward, which will be presented to the IAASB at its June 2014 meeting. The CAG will have the opportunity to comment on the proposed final Strategy and Work Program at its September 2014 meeting, and the IAASB will be asked to approve the final Strategy and Work Program at its September 2014 meeting. The final document will then be submitted to the Public Interest Oversight Board (PIOB) as the IAASB's medium-term strategy and work program.

7. The Appendix to this paper provides a project history, including links to the relevant CAG documentation.

**September 2013 CAG Discussion**

8. Below are extracts from the draft minutes of the September 2013 CAG meeting,<sup>1</sup> and an indication of how the project Task Force or IAASB has responded to the Representatives' comments.

Representatives' Comments	Task Force/IAASB Response
<b>STRATEGIC THEMES</b>	
<p>Mr. Hemus welcomed the thrust of the document, but was of the view that the strategic themes could be further clarified. He noted that the first two themes deal with standards setting, while the third and fourth themes deal with outreach and implementation, but are split between specific projects. Mr. Hemus was of the view that the first theme could be characterized as "remaining relevant and supporting audit quality." He also suggested the third theme could be focused purely on implementation, with collaboration being an important aspect of this theme and the fourth theme could focus on promotion and outreach.</p>	<p>Point accepted.</p> <p>The IAASB agreed that further refinement of the strategic themes was necessary.</p> <p><i>See paragraphs 14–17 below.</i></p>
<p>Mr. Hemus encouraged the IAASB and its Staff to take a more holistic review of possible new channels for outreach and collaboration and evaluate which aspects of collaboration work best to achieve the IAASB's goals (e.g. roundtables in particular financial centers, etc.).</p>	<p>Point accepted.</p> <p>The proposed Strategy acknowledges the importance of outreach and communications, with this point specifically addressed in <i>paragraph 34 on page 15 of Agenda Item J.1.</i></p> <p>Leadership and Staff continue to refine the approach taken to outreach for 2014 and beyond, in particular in relation to auditor reporting and audit quality.</p>
<p>Mr. Lu suggested a focus on advocacy would be appropriate, in particular to understand the different regulatory and legal environments of those jurisdictions adopting or implementing the ISAs. He specifically noted advocacy in emerging markets would be useful to assist them in</p>	<p>Point accepted.</p> <p>Prof. Schilder explained that advocacy is an important part of the outreach program and highlighted plans to visit Vietnam and Myanmar later in 2013. Mr. Gunn also noted outreach held in collaboration with the IASB with the former</p>

<sup>1</sup> The September 2013 minutes will be approved at the March 2014 IAASB CAG meeting.

<p>understanding and implementing the ISAs.</p>	<p>Soviet Union countries and commented that the IAASB welcomes further opportunities for collaboration.</p> <p><i>See also paragraph 31 on page 14 of Agenda Item J.1.</i></p>
<p>SPECIFIC PROJECTS INCLUDED IN THE DRAFT WP</p>	
<p>Mr. Dalkin suggested the work on the audit quality project and review of audit inspection findings may assist the IAASB in determining appropriate revisions to ISQC 1.</p> <p>Mr. Fukushima noted IOSCO has identified the need for root cause analysis to understand issues affecting audit quality.</p>	<p>Point accepted.</p> <p>Prof. Schilder agreed, noting the IAASB hopes in the future to have more structured dialogue with regulators as a continuous part of its outreach agenda and continues to learn from practitioners implementing the ISAs. He raised the example of the European Audit Inspection Group (EAIG), which has been able to collect findings from national inspections and provide this feedback to the IAASB. Prof. Schilder noted the discussions on audit quality indicated there may be further work to do in collaboration with others to enhance audit quality.</p> <p><i>See the table on page 26, as well as paragraphs 20–23 on pages 30–31, of Agenda Item J.1. in relation to the project to address quality control.</i></p>
<p>Mr. Ratnayake agreed with the project to address auditing issues relating to financial institutions, noting that this topic is an important area for the IAASB to address. He specifically suggested the IAASB should take into account the IASB’s proposals for changes to the impairment standard dealing with the expected loss model, as this had additional challenges for auditing that may warrant changes to the auditing standards, in particular ISA 540.<sup>2</sup> However, Mr. Ratnayake was of the view that the approach taken in ISA 540 to deal with all fair value accounting estimates should be maintained in light of the IASB’s evolving and increasing guidance on fair value in International Financial Reporting Standards</p>	<p>Point accepted.</p> <p>Prof. Schilder commented that the IAASB’s Working Group monitoring IASB activities continually highlights, in comment letters to the IASB’s exposure drafts, the need for greater documentation of why management had arrived at certain judgments in relation to accounting estimates, including fair values, in order to facilitate the auditor’s work in this area.</p> <p><i>See the table on page 27, as well as paragraphs 27–31 on pages 32–33 of Agenda Item J.1. in relation to the project to address special audit considerations relating to financial institutions.</i></p>

<sup>2</sup> ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

(IFRS), particularly IFRS 13. <sup>3</sup>	
<p>While supporting the project to evaluate auditing issues relating to financial institutions, Mr. Hines suggested it should have a broader scope than banking to address issues related to other types of financial institutions, such as insurance companies. In his view, issues with fair value accounting estimates have wider applicability than the banking industry.</p>	<p>Point accepted.</p> <p>Prof. Schilder suggested the IAASB would be in a better position to respond to the concern if the IAIS was able to be more specific about what issues need to be addressed relating to insurance.</p> <p><i>See paragraph 29 on page 32 of Agenda Item J.1.</i></p>
<p>Mr. Thompson suggested an International Auditing Practice Notes (IAPN) may be a useful vehicle for the IAASB to use to respond to calls to address audit issues specific to the banking and insurance industries, rather than attempting to change the ISAs. He noted such vehicles were used in the UK to concentrate of specific industry areas.</p>	<p>Point taken into account.</p> <p>Prof. Schilder explained the IAASB had been challenged in developing IAPN 1000<sup>4</sup> that such material was not authoritative, but noted that correspondence from the Basel Committee indicated an IAPN could be a possibility.</p> <p>The proposed Work Program acknowledges the possibility that an IAPN could be developed. <i>See the table on page 27 of Agenda Item J.1.</i></p>
<p>Mr. Ahmed agreed with the thrust of the strategy document, especially in relation to financial institutions and noted key projects had been treated in sufficient scope and detail. He expressed the view that the proposed WP responded to concerns expressed by the Basel Committee in good detail.</p>	<p>Support noted.</p>
<p>Mr. Ahmed welcomed the concept of “limited amendments” to the standards to respond to developments in a more timely manner. He noted the IFSB has also been challenged to act more rapidly. Mr. Thompson understood why such amendments could be a possible option, but suggested the IAASB would need to consider the implications of frequently introducing changes to key standards such as ISA 315.<sup>5</sup></p>	<p>Point taken into account.</p> <p>Prof. Schilder agreed, noting this concern was raised in the context of the Disclosures project and would need to be taken into account.</p> <p>The IAASB’s subsequent discussions further highlighted the practical challenges of “limited amendments” and the IAASB was of the view that it would be preferable to focus on more robust</p>

<sup>3</sup> IFRS 13, *Fair Value Measurement*

<sup>4</sup> IAPN 1000, *Special Considerations in Auditing Financial Instruments*

<sup>5</sup> ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

	<p>changes to a smaller list of topics for the 2015–2016 period.</p> <p><i>See paragraphs 22–27 below.</i></p>
<p>Mr. Koktvedgaard questioned whether Integrated Reporting will warrant a faster pace than is anticipated in the IAASB’s work program, as well as whether research has shown whether there is a need for a specific assurance standard on the topic or whether proposed ISA 720 (Revised)<sup>6</sup> would be sufficient.</p> <p>Ms. Lopez noted the WB would support the IAASB’s planned approach, as they view Integrated Reporting as an important topic that the IAASB should have on its agenda.</p>	<p>Point taken into account.</p> <p>Prof. Schilder explained that the IAASB first needed to understand the outcome of the IIRC’s work to develop an integrated reporting framework before considering whether to develop a new assurance standard addressing integrated reporting. He noted the Innovation, Needs, and Future Opportunities (INFO) Working Group planned to monitor the IIRC’s work and that an IAASB member (Ms. Merran Kelsall) had been identified as the IAASB’s liaison to the IIRC’s Assurance Working Group. Mr. Gunn agreed, noting the need for the IAASB to be proactive in monitoring what is emerging in relation to integrated reporting so as to be in a position to respond effectively at the appropriate time.</p> <p><i>See the table on page 28, as well as paragraph 45 on page 36, and page 40, of Agenda Item J.1.</i></p>
<p>Mr. N. James suggested that the topic of professional skepticism should be a priority sooner than 2016 as anticipated in the draft. In his view, because of the uncertainty relating to integrated reporting, the IAASB should focus on those areas where known problems exist and audit quality could be improved, such through more consistent application of professional skepticism.</p>	<p>Point accepted.</p> <p>Mr. Gunn explained that other projects prioritized before 2016 are likely to provide opportunities for the IAASB to increase the consistent application of professional skepticism (for example, through enhancements to the auditor’s work to identify significant risks in accordance with ISA 315, work on going concern, key aspects of ISQC 1 relative to tone at the top, auditor competencies, etc. and work on ISA 540). Prof. Schilder suggested the interaction between these projects and the later planned project on professional skepticism could be better articulated in a revised WP.</p> <p>At its December 2013 meeting, the IAASB agreed that work on the topic of professional skepticism</p>

<sup>6</sup> Proposed ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements, and the Auditor’s Report Thereon*

	<p>should be prioritized for 2015–2016.</p> <p><i>See the table on page 27, and paragraphs 24–26 on pages 31–32, of Agenda Item J.1.</i></p>
<p>OTHER MATTERS RELEVANT TO THE FUTURE STRATEGY AND WP</p>	
<p>Mr. N. James noted IOSCO’s support for the Board’s focus on audit, as IOSCO believes work on assurance and other services should not overshadow its work on audit. He noted that some IOSCO members have strong views that the IAASB needs to develop further guidance with respect to sample sizes, as they are of the view that emphasis on sample sizes will have a profound impact on audit quality.</p>	<p>Point taken into account.</p> <p>While acknowledging IOSCO’s concern, Mr. Gunn noted that the issue of sample sizes was not a pervasive matter noted throughout the ISA Implementation Monitoring project and decisions on priorities have had to be made.</p> <p>The IAASB agreed that the possibility of further work on ISA 530<sup>7</sup> in 2017 and beyond is acknowledged in the CP.</p> <p><i>See Appendix 1 on page 40 of Agenda Item J.1.</i></p>
<p>Mr. Fukushima noted that IOSCO believes education and training is essential to audit quality. He explained that the concern of the Japanese Financial Services Agency is that more needs to be done to encourage auditors, in particular junior staff, to go beyond the audit checklists and manuals that had been developed and engage with their clients to understand their businesses and how it works. In JFSA’s view, this is important to enhance audit quality.</p>	<p>Point noted.</p> <p>Mr. Sylph noted that the IAASB’s remit, and the skills and competencies of its members, relates to standard setting rather than the development of education and training initiatives. While he acknowledged the concern for the IAASB to be doing more than its current mandate to encourage the adoption and implementation of its standards, he noted a shift from this mandate would require significantly more resources to be able do so effectively on a global basis.</p>
<p>Ms. Lang noted the issue related to education and training, but asked about whether there was merit in directing IOSCO’s comments to the International Accounting Education Standards Board (IAESB).</p>	<p>Point noted.</p> <p>Mr. Sylph explained that the mandate of the IAESB was not to educate accountants, but to set competency requirements for persons wishing to become professional accountants.</p>
<p>Mr. Koktvedgaard suggested there was a need for the IAASB to consider whether its standards could be drafted in a less complicated, more readable manner. Mr. Dalkin noted that this issue was</p>	<p>Point noted.</p> <p>Mr. Gunn acknowledged that continued emphasis on simple language is important. Prof. Schilder also acknowledged the concern about complexity</p>

<sup>7</sup> ISA 530, *Audit Sampling*

<p>particularly significant for developing countries, in part because accounting standards are becoming more complex.</p>	<p>in the clarified ISAs, but noted the IAASB had received positive comments on the recent auditor reporting documents (the Invitation To Comment and the exposure draft) as being readable and accessible.</p>
<p>ARTICULATION OF IAASB'S WORK PROGRAM</p>	
<p>Mr. Hemus was of the view that the WP is very ambitious and expressed concerns that, in light of the IAASB's resources, there could be difficulties should certain projects take longer than anticipated.</p>	<p>Point accepted.</p> <p>Prof. Schilder noted the Steering Committee routinely considers the balance of the IAASB's priorities and the IAASB has the ability to stop projects in order to reallocate resources, as it did with the Auditor Reporting project.</p> <p>Reflecting on feedback from the CAG and its own discussions, the IAASB considered the overall balance of the plan and was of the view that it would be preferable to focus on more robust changes to a smaller list of topics for the 2015–2016 period.</p> <p><i>See paragraphs 22–27 below.</i></p>
<p>Mr. Koktvedgaard also challenged the IAASB to ensure that what it had produced at the end of the strategic period would be appropriate in light of the findings of audit inspections and the drivers of audit behavior. He suggested the IAASB should reserve capacity in the latter portion of the five-year period to anticipate new matters arising. Finally, he suggested the IAASB should seek to identify the costs associated with particular projects, including the amount of time a project might take at the Board level.</p>	<p>Point taken into account.</p> <p>Prof. Schilder noted the purpose of the consultation was to invite comments as to whether the Board is setting the right priorities and that the proposed WP reflects the IAASB's best attempt at the current time of having the appropriate standards in place at the end of the strategic period. He agreed that the IAASB will learn over time if its efforts are needed in other areas, but suggested the Board first needs to have a plan in place based on what it knows at present and commit to such a plan.</p>
<p>Mr. Belatik questioned whether the IAASB would consider performance metrics to monitor the implementation of the WP to ensure it achieves its intended objectives. He also suggested the IAASB should seek to monitor consistency of implementation of its standards.</p>	<p>Point taken into account.</p> <p>Prof. Schilder remarked that the IAASB closely monitors whether it is doing what it has promised to do and reports this on a routine basis to the PIOB. He acknowledged that the IAASB could reflect on doing so in a more systematic way.</p> <p><i>See paragraphs 35–36 on page 15 of Agenda</i></p>

	<i>Item J.1.</i>
<p>Mr. Ahmed was of the view that the longer the time frame, the more difficult it becomes to have a complete set of issues at hand. He was of the view that a five-year program was appropriate, but suggested the WP should be viewed as a “living” strategy.</p>	<p>Point taken into account.</p> <p>Prof. Schilder explained that the PIOB did not find concern with a five-year strategy, subject to a mid-period assessment by the IAASB to reflect on its progress and the state of the environment in which it operates.</p> <p><i>See paragraph 17 below.</i></p>
<p>Mr. Hemus suggested the IAASB should consider including in its five-year program capacity to evaluate what the IAASB might look like in 2020.</p>	<p>Point taken into account.</p> <p>The Board believes that using strategic objectives as a means of developing its more detailed work programs will maintain the strong position of the IAASB and its standards going into 2020.</p> <p>As explained in <i>Appendix 1 on pages 17–18 of Agenda Item J.1</i>, the proposed Strategy and Work Program is predicated on the assumption that the Board will continue to operate under its current funding and membership structure.</p>
<p>Mr. Koktvedgaard questioned how the independent standard setting boards interact within IFAC and coordinate their strategic plans.</p>	<p>Point noted.</p> <p>Prof. Schilder noted that while the IAASB’s WP is set independently of the other boards, the IAASB is continuing to grow its liaisons with the IESBA and will undertake other liaison as appropriate.</p> <p><i>See, for example, paragraph 43 on page 36 of Agenda Item J.1.</i></p>
<p>Mr. Hemus expressed the view that the IAASB’s WP should take its starting point from the PIOB’s strategic plan. In Mr. Hemus’ view, the PIOB should consider the trade-off of resources required in prioritizing particular activities across the standard setting boards, and should have oversight of the congruence of standard setting activities on an overall basis.</p>	<p>Point noted.</p> <p>Mr. Hafeman explained that that PIOB’s strategic plan addresses the oversight of the standard setting boards and the Compliance Advisory Panel and how that is executed, but does not tie to their work programs. He noted that one of the mandates of the PIOB is to assess the resources that are available to the boards and that the PIOB has previously raised concerns about the need for additional resources. Mr. Hafeman further explained the PIOB also assesses the completeness of the strategies and work programs of the boards in the public interest and</p>

	observation of the CAG meetings provides the PIOB an excellent opportunity to understand other issues that may need to be taken into account.
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### Matters for CAG Consideration

9. The Representatives are asked to note the Report Back above and respond to the Matters for CAG Consideration outlined below.

#### *The IAASB's Proposed Strategy for 2015–2019 – The IAASB's Vision for the Next Five Years*

10. In the past, the IAASB's Strategy and Work Programs have been developed using a three-year time period, with the current Strategy and Work Program covering 2012–2014. The IAASB has decided to change its strategy period to five years commencing in 2015 (i.e., 2015–2019), as previously discussed with the CAG. Responses to the Stakeholder Survey indicated broad support for this change.
11. In embarking on its plans for the next five years, it is crucial that the IAASB identify its strategic objectives for this period, as a means for our stakeholders to understand how their needs are being addressed in a changing environment and, importantly, as a means for the PIOB to confirm that the IAASB is fulfilling its public interest mandate appropriately. Doing so is also necessary to assist the IAASB in determining which initiatives should be prioritized in its Work Program for 2015–2016 and subsequent work programs during the five-year period. Appendix 1 (on pages 17–18 of **Agenda Item J.1**) explains important considerations that have been taken into account in setting the Work Program for 2015–2016, most notably the constraints of a Board comprised largely of volunteers who are asked to contribute approximately 600 hours per year as members. Over the five-year period, the Board is committed to reviewing whether there are ways to ensure that it is operating in the most efficient and effective manner and will also look to capitalize on opportunities to expand its capacity in light of growing demands from all types of stakeholders.
12. The most significant strategic issue facing the IAASB is how to ensure continued credibility and confidence in its work as a global standard setter, both in terms of its ability to identify the most pertinent public interest issues and respond appropriately to them in a timely manner. An essential element to the IAASB's success is broad public consultation on its agenda and ongoing collaboration and cooperation with stakeholders, while adhering to a rigorous due process to ensure their varied perspectives are factored into the IAASB's work.<sup>8</sup> The strategic objectives provide further context to this overarching issue in the context of the IAASB's mandate and outputs.

#### *The IAASB's Strategic Objectives*

13. Stakeholders internationally expect the IAASB to not only produce high-quality standards that enhance audit and assurance practice, but also to carry out its efforts in coordination and collaboration with key stakeholders so that the standards the IAASB develops can achieve global

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<sup>8</sup> Appendix 3 on pages 20–21 of **Agenda Item J.1** provides further information about the objectives of the IAASB's outreach activities and how the Board liaises and communicates with its key stakeholders.

acceptance and work, and can be seen to work, internationally. The IAASB, and the relevance of its work, therefore is highly influenced by the international environment in which it operates.

14. The IAASB's strategic objectives are intended to illustrate how the IAASB intends to focus its activities over its 2015–2019 strategy period, taking into account the strong platform of standards the IAASB has developed over the last ten years, the current environment, and feedback from stakeholders. They provide the basis for decisions about actions and projects to be undertaken, and for setting priorities, both in the near term and in the later part of the strategy period. The IAASB believes these objectives are relevant to engagements for entities of all sizes. Appendix 2 of the proposed strategy (on page 19 of **Agenda Item J.1**) provides further guidance on factors that the IAASB believes need to be considered in determining the appropriateness of including specific initiatives on the IAASB's work program and their relative priority.
15. The proposed Strategy for 2015–2019, titled *Fulfilling our Public Interest Mandate in an Evolving World*, sets out three strategic objectives:
  - (i) Develop and Maintain High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statement Audits (see paragraphs 15–19 / pages 11–12 of **Agenda Item J.1**)
  - (ii) Ensure the IAASB's Suite of Standards Continues to Be Relevant in a Changing World by Responding to Stakeholder Needs (see paragraphs 20–27 / pages 12–14 of **Agenda Item J.1**)
  - (iii) Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed (see paragraphs 28–34 / pages 14–15 of **Agenda Item J.1**)
16. While the IAASB anticipates that the strategic objectives will remain relevant over the strategy period, we recognize that the environment in which its standards operate can rapidly change, and new developments and other influences can affect the IAASB's objectives and priorities. Accordingly, the IAASB will continue to actively monitor global developments, and a mid-period review of the Strategy will be undertaken to determine whether the identified objectives remain relevant or if they need to be adjusted, in particular as the Board determines the specific initiatives to be prioritized in 2017 and beyond. The Board believes that using these strategic objectives as a means of developing its more detailed work programs will maintain the strong position of the IAASB and its standards going into 2020.

#### **Matters for CAG Consideration**

1. The IAASB is particularly interested in the Representatives' views on:
  - (a) Whether the strategic objectives identified are considered appropriate for the period 2015–2019? If not, please explain.
  - (b) Whether the factors included in Appendix 2 on page 19 of **Agenda Item J.1** represent a reasonable basis for the IAASB to use in developing its Work Programs beyond the *Work Program for 2015–2016*?

*The IAASB's Proposed Work Program for 2015–2016 – Enhancing Audit Quality and Preparing for the Future*

17. The IAASB's planned priorities and actions for 2015–2016 have been identified taking into account:
- The IAASB's strategic objectives as set out in the 2015–2019 Strategy.
  - Certain factors guiding the identification of potential priorities and actions in its work program<sup>9</sup>
  - Available resources.<sup>10</sup>

While recognizing calls from stakeholders for IAASB effort on a variety of important topics, an overarching consideration in prioritizing planned actions has been how best to deploy the IAASB's resources in a way that has the greatest potential to serve the public interest.

18. The IAASB's proposed 2015–2019 Strategy acknowledges the Board's strong commitment to meeting the expectations of stakeholders regarding the application of the ISAs and International Standard on Quality Control (ISQC) 1,<sup>11</sup> both of which serve a fundamental role in underpinning audit quality, for both private and public sector audits. Accordingly, the IAASB intends to invest significant effort in 2015–2016 to respond to some of the key implementation issues identified from its ISA Implementation Monitoring project and address auditing issues of importance to supporting global financial stability, in particular in relation to financial institutions, and finalizing important initiatives that are already underway.
19. While standard setting remains a priority, the IAASB also recognizes the importance of preparing for the future, both in supporting the effective implementation of its new and revised Auditor Reporting standards<sup>12</sup> and undertaking outreach and other activities to lay the foundation for important initiatives to be undertaken in 2017 and beyond in support of the five-year Strategy.
20. In particular, the IAASB proposes that the following topics be prioritized in 2015–2016 in the public interest:
- Quality control (see paragraphs 20–23 / pages 30–31 of **Agenda Item J.1**).
  - Professional skepticism (see paragraphs 24–26 / pages 31–32 of **Agenda Item J.1**).
  - Special audit considerations relevant to financial institutions (see paragraphs 27– 31 / pages 32–33 of **Agenda Item J.1**).

In addition, the IAASB has prioritized:

- Liaison and dialogue with key stakeholders about audit quality and other topics (see paragraphs 46–53 / pages 36–37 of **Agenda Item J.1**).
- Efforts in support of adoption and implementation of the IAASB's new and revised Auditor Reporting standards (see paragraphs 32–33 / page 33 of **Agenda Item J.1**).

<sup>9</sup> See Appendix 2 on page 19 of **Agenda Item J.1**.

<sup>10</sup> See Appendix 1 on pages 17–18 of **Agenda Item J.1**.

<sup>11</sup> ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

<sup>12</sup> Expected to be completed in 2014

- Development of a process for post-implementation reviews of the IAASB's other assurance and related services standards (see paragraphs 34–35 / pages 33–34 of **Agenda Item J.1**).
- Information-gathering related to certain topics, in particular Integrated Reporting and group audits (see paragraphs 36–41 and 45 / pages 34–36 of **Agenda Item J.1**).

#### The IAASB's Approach to Progressing Projects during 2015–2016

21. The IAASB has learned from experience on its Auditor Reporting project of the benefits of progressing a significant standard-setting project rapidly, in a coordinated manner, towards a global solution that responds to calls for change. The approach taken to that project reflected the strong consensus of the Board's stakeholders about the public interest importance of moving forward quickly. By devoting a significant proportion of Board resources to the Auditor Reporting project, the IAASB was able to progress to an Exposure Draft on a timely basis, while consulting broadly and adhering to due process. However, in order to do so, other important initiatives had to be reprioritized, resulting in some delay before their completion.
22. In determining which projects should be prioritized in 2015–2016, the Board therefore considered whether its historical approach – addressing a wide range of important topics concurrently – remained appropriate or, in light of its successful approach to Auditor Reporting, whether devoting more resources to fewer topics, to move forward more quickly on those deemed most important, would be more appropriate.
23. Although the IAASB's historical approach would enable Board deliberation on a number of topics earlier in the strategy period, it results in slower overall progress on all of the topics on the Board's agenda. As a result, the IAASB is of the view that there are distinct benefits to focusing on a smaller set of active projects, completing those projects on a timely basis, and then addressing the next priorities.
24. The Board also considered whether it could address a few specific issues related to an aspect(s) of a standard under revision on a rapid basis through so-called “narrow scope” amendments. The remainder of the project to revise the standard would progress following the typical process and timeline for revision of a standard, resulting in a change to the standard over two (or more) phases.
25. Notwithstanding the potential benefits of this approach – namely, responsiveness to a specific issue – concern was expressed about the ability for both the Board and respondents to its consultations to accept, and thereby restrict comment only to, the limited issue as defined in any such narrow scope amendment. Further, drawbacks were noted in relation to having a standard under revision for a considerable period of time and subject to change twice during the period.
26. Having considered different approaches, the IAASB has concluded it would be most appropriate to devote a significant majority of its resources to progress certain ISA- and ISQC-related topics on an accelerated basis in the period 2015–2016. The goal is to complete the development of new or revised standards and guidance that respond to significant public interest issues by mid-2017 and have them come into effect as soon as practicable thereafter.
27. The IAASB also believes that regular and structured dialogue with regulators, in particular the International Forum of Independent Audit Regulators (IFIAR), is essential to assist in sharing of relevant information and perspectives on a timely basis. In addition to standard setting and

outreach, in 2015–2016 the IAASB proposes to devote efforts in support of effective implementation of its new and revised Auditor Reporting standards, and begin the development of a process for post-implementation reviews of the IAASB's other assurance and related services standards.

28. Table A on pages 26–29 of **Agenda Item J.1** sets out a summary of the IAASB's 2015–2016 Priorities and Actions, including possible outputs. A further description of the proposed priorities and actions follows the table. It is envisaged that discussion on these topics would substantially consume the IAASB's agenda through their planned completion in mid-2017.

#### Other Potential Topics and Actions to Support the 2015–2019 Strategy

29. Appendix 1 on pages 39–41 of **Agenda Item J.1** sets out the topics that the IAASB intends to prioritize in 2017 and beyond in support of the IAASB's 2015–2019 Strategy, taking into account the strategic objectives. These topics include, among others: the consideration of issues relating to group audits; the auditor's risk assessment; integrated reporting; agreed-upon procedures and auditor involvement with preliminary announcements and other financial information. In addition, consideration will also be given to the need for revision of one or more ISAs in light of findings classified as important during the ISA Implementation Monitoring project and other feedback from regulators and audit oversight bodies. The IAASB also proposes to conduct post-implementation reviews on certain of its other assurance and related services standards.
30. The Board believes that these initiatives should be included in its Work Programs for 2017 and beyond, and will consult in 2016 to better determine how such initiatives should be prioritized, and whether there are any new topics that should be addressed as a matter of priority. Where possible, the IAASB will seek to open a dialogue about issues related to some of these initiatives during 2015–2016 (see paragraphs 36–41 of **Agenda Item J.1**). Stakeholders' views as to whether any of these initiatives are viewed as more critical than those identified for action in 2015–2016 will be useful to assist the Board in finalizing that work program. Appendix 2 on pages 42–44 of **Agenda Item J.1** shows how these initiatives interact with those in Table A on pages 26–29 of **Agenda Item J.1**, as a means of providing an overview of all initiatives the IAASB believes would support the IAASB's strategic objectives over the five-year period 2015–2019.

#### Matters for CAG Consideration

2. The IAASB is particularly interested in the Representatives' views on:
- (a) 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.
  - (b) The appropriateness of the topics chosen as the focus for the *Work Program for 2015–2016* (see paragraph 4 on page 23 and Table A on pages 26–29 of **Agenda Item J.1**) in light of the strategic objectives set out in the IAASB's *Strategy for 2015–2019*.
  - (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. For example, should any of the topics in Appendix 1 on pages 39–41 of **Agenda Item J.1** be prioritized sooner? If so, which initiative(s) identified in Table A on pages 26–29 of **Agenda Item J.1** do you believe should be replaced by this action(s) or project(s)? Please provide an

explanation of your views.

3. Representatives are invited to provide any other comments that they believe are important to provide input to the IAASB for the purpose of developing its future strategy and work programs.

## **Material Presented – IAASB CAG PAPER**

Agenda Item J.1      Consultation Paper, *The IAASB's Proposed Strategy for 2015–2019 and The IAASB's Proposed Work Program for 2015–2016*

**Appendix**

**Project History**

**Project: IAASB Future Strategy for 2015–2019 and Work Program for 2015–2016**

**Summary**

	<b>CAG Meeting</b>	<b>IAASB Meeting</b>
Project Commencement		February 2013
Development of Proposed Strategy and Work Program (up to Consultation)	April 2013 September 2013	February 2013 April 2013 June 2013 September 2013 December 2013
Consultation	September 2013	September 2013 December 2013
Report Back on Final Consultation Paper and Further Discussion	March 2014	-
Consideration of Respondents' Comments on Consultation	September 2014	June 2014
Final approval of IAASB's Future Strategy and Work Program	September 2014	September 2014

**CAG Discussions: Detailed References**

Development of Proposed Strategy and Work Program (up to Consultation)	<p><u>April 2013</u></p> <p>See IAASB CAG meeting material:</p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASB-CAG-Agenda_Item_G-Strategy-Cover_Sheet-final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASB-CAG-Agenda_Item_G-Strategy-Cover_Sheet-final.pdf</a></p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASBCAG-Agenda_Item_G.1-Strategy-ISA_Implementation_Monitoring_Preliminary_Report-final.docx">http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASBCAG-Agenda_Item_G.1-Strategy-ISA_Implementation_Monitoring_Preliminary_Report-final.docx</a></p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASB-Agenda_Item_G.2_ISA_Implementation_Monitoring_Presentation-final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASB-Agenda_Item_G.2_ISA_Implementation_Monitoring_Presentation-final.pdf</a></p> <p><a href="http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASBCAG-">http://www.ifac.org/sites/default/files/meetings/files/20130408-IAASBCAG-</a></p>
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[Agenda Item G.4-Strategy-Survey.pdf](#)

**Note:** The INFO Working Group is now addressed in Agenda Item D of the March 2014 meeting.

See CAG meeting minutes (included as Agenda Item G of the following):

[CAG April 2013 Meeting Minutes](#)

See report back on April 2013 CAG meeting:

[http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda\\_Item\\_J2-Strategy\\_Report\\_Back-Final.pdf](http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda_Item_J2-Strategy_Report_Back-Final.pdf)

September 2013

See IAASB CAG meeting material:

[http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda\\_Item\\_J-Strategy\\_Cover-Final.pdf](http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda_Item_J-Strategy_Cover-Final.pdf)

[http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda\\_Item\\_J1-Strategy\\_Consultation\\_Paper-Final.pdf](http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda_Item_J1-Strategy_Consultation_Paper-Final.pdf)

[http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda\\_Item\\_J2-Strategy\\_Report\\_Back-Final.pdf](http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda_Item_J2-Strategy_Report_Back-Final.pdf)

See CAG meeting minutes (included as Agenda Item J of the following) :

See Agenda Item A – the draft minutes of the September 2013 CAG Meeting.

See report back on September 2013 CAG meeting:

See paragraph 8 of this paper.