

IAASB

Innovation Working Group

Dan Montgomery, Chair, Innovation Working Group

Agenda Item E.1

IAASB-CAG Meeting, September 8-9, 2014

New York, USA

Purpose of the Session

- To update the CAG on the Innovation WG
- Obtain the CAG's views on the operating objectives and focus of the Innovation WG
- Obtain the CAG's views on the Innovation WG's recommendation to form separate Working Groups to commence further work on:
 - Integrated Reporting <IR>
 - Data Analytics and the effect on the audit

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Innovation WG Objectives

- *Identify* emerging areas with relevance to auditing, assurance and related services and therefore relevant to the work of the IAASB
 - *Monitor* developments and *update* the IAASB and CAG at least annually (September) on emerging topics and the priority topics identified for Innovation WG attention
 - Further *inform* the IAASB and CAG about selected topics, as necessary to provide background and increase awareness
- *Recommend* action(s) to the IAASB

Sources of Input to the Innovation WG

- Principal sources
 - NSS (annual meeting as well as increased ongoing interaction)
 - CAG
- Other sources
 - Forum of Firms and outreach with firm assurance leadership
 - Other outreach, in particular with organizations addressing specific topics (including IFAC)
 - Strategy and Work Plan consultation

Process for Recommendations to the IAASB

- Timing is based on the perceived need for the IAASB to proactively engage on a topic
- Recommendation to commence activity beyond ongoing monitoring, including the creation of a separate Working Group, is premised on:
 - Market needs and demands for services in these emerging areas
 - Audit and assurance implications, including the possible need for revisions to existing standards or new standards, or other non-authoritative guidance

Benefits of Establishing Separate WG

- Signals the Board's focus on a particular topic and allows for Board, TAs and Staff resources to be deployed effectively
 - Allows for involvement of subject matter experts, NSS, and others, as needed, on a specific topic
 - Leverages expertise to focus on the issues and outcome to be achieved, including any publications that may be developed (e.g., thought leadership, discussion papers, etc.)

Recommendation #1 – WG for <IR>

- Continue to liaise with IIRC on <IR>, monitor feedback from IIRC's consultations and consider response to IIRC paper(s)
- Meetings with assurance subject-matter experts (Q4 2014)
- Develop awareness piece on <IR> (Q1 2015?)
- Monitor developments, in particular demands for assurance and related scope of the subject matter
- Consider broader discussion paper on assurance issues and appropriate approach to standard setting (Q4 2015?)

Recommendation #2 – Data Analytics

- Hold meetings in Q1 2015 with outside experts to continue dialogue with firm representatives and others about the implications on the audit
 - To understand current activities, any perceived barriers presented by the existing ISAs, and which ISAs, if any, might need revision to take into account the use of these techniques in practice
- IAASB discussion of issues later in 2015, forward plan and possible outputs to be further developed by the WG

Innovation WG Ongoing Monitoring Activities

- Assurance on non-financial information, including sustainability
- Assurance on corporate governance reporting
- Assurance on internal control over financial reporting, including aspects of internal control such as risk management

Wrap Up

- Increased interaction on new and emerging issues relevant to international standard setting is viewed as essential
- Two new WGs will serve the basis for future standard-setting and other activities in the Work Plan for 2015 and beyond
- Innovation WG able to focus monitoring efforts on other identified and emerging topics
 - Important to strategy development and consideration of new topics for the 2017–2019 Work Plan



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