

Meeting: IAASB Consultative Advisory Group (CAG)

Meeting Location: New York, United States of America

Meeting Dates: March 10–11, 2020

Agenda Item E

IAASB's Strategy for 2020–2023 and Work Plan for 2020–2021—Report Back

Objective of Agenda Item

1. The objective of this agenda item is to provide a report back on comments of the CAG Representatives on the IAASB's Strategy for 2020–2023 (the Strategy) and Work Plan for 2020–2021 (the Work Plan) as discussed at the September 2019 CAG meeting

Project Status

2. Since the September 2019 IAASB CAG meeting, the IAASB approved the final Strategy and Work Plan at its December 2019 meeting. **Agenda Item E.1** includes the version of the Strategy that was submitted to the Public Interest Oversight Board (PIOB) and **Agenda Item E.2** includes the version of the Work Plan that was submitted to the PIOB.
3. **Appendix A** to this paper provides a history of previous discussions with the IAASB CAG and IAASB on this topic, including links to the relevant IAASB CAG documentation.

Feedback

4. Extracts from the minutes of the September 2019 IAASB CAG meeting, as well as an indication of how the IAASB has responded to the Representatives' comments, are included in the table below.

Representatives' Comments	Task Force/IAASB Response
DRAFT STRATEGY 2020–2023	
Mmes. Weng and Yazar supported the focus on technology in the Strategy. Ms. Weng noted that technology would affect auditors through the use of advanced technologies on audit and assurance engagements, and through the effect that evolving technologies will likely have on the clients' processes. She suggested further highlighting the latter in the Strategy.	<p>Support noted.</p> <p>Mr. Seidenstein noted that evolving technologies also affect the activities and processes of standard setters. Mr. Botha added that the effect of evolving technologies on the clients' processes is also being addressed by the IAASB's project on audit evidence.</p> <p>The use of advanced technologies is included as one of the strategic drivers in the Strategy. In the section 'Our Strategy and Focus' it is noted that the emphasis of the IAASB's actions will be on making timely and relevant changes to</p>

Representatives' Comments	Task Force/IAASB Response
	respond to the evolving environment, in particular the rapid advances in technology.
Mr. Ruthmann noted that the advancements in, and use of, technology is the most important strategic driver, and noted that the Board and the CAG should have experts in technology around the table. He added that technology could also be a threat to the profession as it may disrupt the financial reporting supply chain. He therefore encouraged that this be a top priority for the IAASB and the International Federation of Accountants (IFAC).	<p>Point noted.</p> <p>Mr. Seidenstein noted that he can't speak on behalf of IFAC, but noted that the advancements in, and use of, technology is a top priority for the IAASB. Mr. Botha added that the advancements in technology will have a significant impact on the financial reporting supply chain and that the IAASB needs to determine how to best undertake its work in this changing environment.</p> <p>The Strategy highlights the importance of focusing on the impact of evolving technologies on the profession (also see point above). The Work Plan includes a workstream on the advancement in, and use of, technology and includes a project on Audit Evidence, which will update the IAASB's audit evidence standard for, among other matters, the effect of evolving technologies on audit engagements.</p>
Mr. Cela highlighted the importance of small- and medium-sized entities (SMEs) for the economy, and noted that the Board should focus on its project on audits of less complex entities (LCE). Furthermore, Mr. Cela suggested that more information on this project be added in the Strategy and Work Plan, in particular detailing more on the way forward for this project. Ms. McGeachy added that many national standard setters are pressured to address issues related to audits of LCE and suggested reaching out to national standard setters to see how they are addressing the issues related to audits of LCE.	<p>Point noted.</p> <p>Mr. Seidenstein explained that the LCE project is a top priority for the Board, and that further action will be taken based on the comments to the IAASB's Discussion Paper relating to audits of LCEs.</p> <p>The Work Plan includes a project on LCE and Appendix 1 to the Work Plan describes the IAASB's efforts in this regard. The importance of the IAASB's work in relation to audits of LCEs is highlighted in the Strategy, in that it is included as a strategic driver and as a strategic action.</p>
Mr. Rees noted that, in setting its strategy, the International Financial Reporting Standards (IFRS) Foundation faced similar issues as the IAASB. For example, respondents to the International Accounting Standards Board's (IASB) strategy also suggested	<p>Point noted.</p> <p>Mr. Botha explained that the Framework for Activities will clearly describe what each activity entails and that IAASB Staff also acknowledges that clear boundaries are needed. As the</p>

Representatives' Comments	Task Force/IAASB Response
<p>having a period in which there are no or limited new projects, focusing on implementation activities, addressing the complexity of the IASB's standards and responding to the effect of evolving technologies. With respect to implementation activities, he highlighted the importance of clearly describing the scope of such activities so as to manage the expectations of stakeholders.</p>	<p>Framework for Activities is developed, Staff will remain mindful of the need to clarifying the boundaries so that the IAASB can be transparent in the activities it is committed to.</p>
<p>Mr. Rees also highlighted the importance of managing expectations about how long a project takes to progress and complete. He suggested communicating the time to market for the different type of activities (e.g., revising and developing a standard versus narrow scope maintenance) and, when there are delays, communicating why it takes longer to complete a project.</p>	<p>Point noted.</p> <p>As the framework for Activities is developed, Staff will further consider how expected timing for the different activities can be communicated.</p>
<p>Ms. Weng supported having an explicit reference to public interest in the goal.</p>	<p>Support noted.</p>
<p>Mr. Sobel noted that a strategy is often used for making decisions and prioritizing actions. He questioned whether the IAASB's strategy could be used for that as it is not clear what the available resources are or whether additional resources are available.</p>	<p>Point noted.</p> <p>Mr. Botha explained that the Work Plan has a section on the allocation of resources and that the Steering Committee needs to further discuss the level of detail to be included. Mr. Seidenstein added that the available resources could be expanded by adding new resources, by leveraging of external resources and using technology to work more efficiently.</p> <p>The final version of the Work Plan includes a section on the allocation of resources and it is noted that the Work Plan has been developed taking into account existing staff resources and expected Board capacity.</p> <p>In the Strategy it is highlighted that in carrying out its activities, the IAASB will look to continued collaboration and resource leveraging opportunities, as appropriate and as needed, with the International Federation of Accountants</p>

Representatives' Comments	Task Force/IAASB Response
	(IFAC), national standard setters (NSS), the academic community, or others.
Ms. Manabat suggested including clear targets in the Strategy and Work Plan so that the IAASB can assess whether it achieved its goals, and to learn from the past.	Point noted. Mr. Seidenstein explained that the complete Strategy and Work Plan would be used for assessing whether the IAASB achieved its goals, and that further consideration would be given to transparency around this.
WORK PLAN FOR 2020–2021	
Ms. Zietsman noted support for the development of the Framework for Activities and supported the IAASB's planned activities as set out in the Work Plan.	Support noted.
Mr. Hansen questioned which of the projects that are included in Appendix 2 of Agenda Item M.4 would be addressed first by the IAASB. He also questioned if the strategic drivers, as included in the Strategy, would impact this determination.	Point noted. Mr. Seidenstein explained that the Board would first develop the Framework for Activities, which would detail the Board's decision-making process for commencing a new workstream (or project). He noted that the Framework for Activities includes a research phase, which is intended to inform the Board about future workstreams. In addition, he explained that because of the proposed shift in focus to, for example, implementation activities, a completed project is not replaced by a new standard-setting project necessarily. Mr. Seidenstein furthermore noted that the Work Plan is already largely at capacity, and that the IAASB would need to further consider how to make more capacity available to address emerging issues. Ms. Bahlmann added that the determination about which project would commence would include consideration of the strategic drivers, and that the Steering Committee would make this linkage clearer in the next draft of the Work Plan. The IAASB agreed not to include Appendix 2 of Agenda Item M.4 in the final Work Plan. As part of the development of the Framework for

Representatives' Comments	Task Force/IAASB Response
	<p>Activities, criteria would be developed that would help the Board determine its next priorities. Current topics known to the Board would be collated and the criteria applied to help the Board in planning its next projects or initiatives. Furthermore, the Board would also determine its process for updating this list of possible projects (e.g., an annual environmental scan). The detailed work plan table and Appendix 1 to the Work Plan provide additional context in this regard.</p>
<p>Mr. Rees supported having a research phase in the Framework for Activities. He noted that obtaining an understanding of the issues to be addressed is key, for example to determine whether issues relate to the standard, or whether there was something else. He also cautioned the IAASB to not make the Framework too procedural in order to keep it workable. Mr. Rees also supported collaborating with NSS and others, and noted that the International Accounting Standards Board (IASB) has done the same. He added that, based on the IASB's experience, keeping involved in any work performed by the national standard setters works better than completely outsourcing it.</p>	<p>Point noted.</p> <p>As the IAASB develops its Framework for Activities it will remain mindful of the need to maintain a balance between developing the appropriate structures while not becoming too procedural.</p>
<p>Mr. Hansen highlighted the importance of balancing the needs of all the IAASB's stakeholders, notwithstanding the pressure from certain groups to focus on their needs. He added that the Board should focus on standards and guidance for public interest entities.</p>	<p>Point noted.</p> <p>In the Strategy it is emphasized that the IAASB works with many stakeholders, with a variety of expectations and needs that must be balanced and prioritized. Furthermore, the IAASB's Work Plan illustrates that the planned projects and initiatives have been agreed to taking into account the many calls for IAASB actions across a broad range of topics..</p>
<p>Mr. Bini supported the ongoing project on professional skepticism, and encouraged further discussions with the CAG on this topic.</p>	<p>Point noted.</p> <p>Ms. Bahlmann explained that the Professional Skepticism Working Group is continuing its work on an ongoing basis, and makes recommendations to other IAASB task forces and working groups on relevant matters relating</p>

Representatives' Comments	Task Force/IAASB Response
	to professional skepticism. She also highlighted the importance of the CAG's input in relation to this topic.
PIOB REMARKS	
Ms. Pettersson highlighted the importance of the Strategy and Work Plan for the PIOB, and noted that the PIOB has provided input throughout the development. She questioned how the IAASB dealt with contradictory views and what the main contradictory views were.	<p>Point noted.</p> <p>Mr. Botha noted that there are often conflicting views, for example on a particular issue or the way forward on a project, and that the Board balances the views of our stakeholders to come to an outcome that is reasonable for most stakeholders.</p> <p>Appendix 3 of Agenda Item M.2 includes a summary of respondent's comments to the IAASB's consultation on its Strategy and Work Plan, which would also have included any contradictory views, and the IAASB's Agenda Papers supporting the development of the final Strategy and Work Plan setting out how the IAASB's decisions have been made. In addition, the Basis for Conclusions supporting the final Strategy and Work Plan sets out the significant matters raised from the consultation as well as how they have been addressed.</p>

Material Presented – IAASB CAG Papers

Agenda Item E.1 IAASB's Strategy for 2020–2023 as submitted to the PIOB

Agenda Item E.2 IAASB's Work Plan for 2020–2021 as submitted to the PIOB

Appendix A

Project Details and History

Task Force Composition

1. The Steering Committee served as the task force for this project. The Steering Committee members at the time of approval of the Strategy and Work Plan were:
 - Tom Seidenstein, IAASB Chair
 - Fiona Campbell, IAASB Deputy Chair
 - Karin French
 - Marek Grabowski
 - Len Jui
 - Imran Vanker

Summary

	IAASB CAG Meeting	IAASB Meeting
Strategy Survey	March 2018	March 2018
Consultation Paper	September 2018 March 2019	September 2018 December 2018 January 22, 2019
Development of final Strategy and Work Plan	September 2019	September 2019 December 2019

IAASB CAG Discussions: Detailed References

Strategy Survey	<u>March 2018</u> See IAASB CAG meeting material and meeting minutes (Agenda Item H): http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny
Consultation Paper	<u>September 2018</u> See IAASB CAG meeting material and meeting minutes (Agenda Item L) http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0 <u>March 2019</u>

	See IAASB CAG meeting material and meeting minutes (Agenda Item I) https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-1
Development of final Strategy and Work Plan	<u>September 2019</u> See IAASB CAG meeting material and meeting minutes (Agenda Item M) https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-2