

## IAASB CAG PAPER

IAASB CAG Agenda (September 2011)

Agenda Item K.1 – Draft IAASB Strategy and Work Program, 2012-2014

### DRAFT INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB) STRATEGY AND WORK PROGRAM, 2012-2014

#### CHAIRMAN'S STATEMENT

1. I am pleased to present the IAASB's *Strategy and Work Program, 2012-2014*.

#### The IAASB's Mandate

2. Our mandate is to develop in the public interest high-quality standards for assurance and related services, and most particularly International Standards on Auditing (ISAs), that are adopted and applied internationally. Our forward strategy is to build on the strong base of standards that has been developed to date, to address ourselves to new assurance topics, and to promote further the benefits of ISAs and our other standards to constituencies that have not yet adopted them. An integral part of our efforts in pursuing our strategy is ongoing dialogue with stakeholders through outreach and liaison activities, public consultation, and effective communications.
3. This Strategy and Work Program reflects the outcome of a wide consultation program to obtain input into determining the IAASB's priorities over the next three years.

#### Medium-Term Strategy, 2012-2014

4. Respondents to the strategy review consultations overwhelmingly confirmed that the IAASB's three areas of strategic focus remain appropriate, i.e.:
  - a) Development of standards;
  - b) Monitoring and facilitating adoption of those standards; and
  - c) Responding to concerns about the implementation of the standards by activities designed to improve the consistency and effectiveness of their application.
5. In expressing this support, many emphasized a number of important elements that we consider are an essential part of setting the IAASB's future priorities, including:
  - Actively engaging with stakeholders to influence debates on key topics;
  - Maintaining sufficient flexibility to respond to stakeholder needs and international developments as they arise; and
  - Recognizing the breadth of the IAASB's mandate as a basis for addressing a broad range of engagement types.
6. Responses as to how best the IAASB should prioritize its resources amongst these three strategic focus areas over the 2012-2014 period were varied, as were suggestions for specific topics to be included in the strategy. In considering this broad range of input, the IAASB concluded that its medium-term strategy should most appropriately address the following three main themes in the public interest:
  - Supporting global financial stability;

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- Enhancing the role, relevance and quality of assurance and related services in an evolving world; and
- Facilitating adoption and implementation of the standards.

#### *Supporting Global Financial Stability*

7. Responses to the strategy review consultations emphasized that it is both timely and necessary to draw lessons for audit from the global financial crisis with a view to enhancing the utility and robustness of the audit as a safeguard for financial stability. Our future strategic actions need to be responsive to the crisis, the repercussions of which are still being experienced around the world. The audit is a linchpin of financial stability, and the ISAs play an important role in supporting audit quality.
8. We will continue to devote priority attention in 2012 and beyond to completing our current projects that address a number of areas of direct relevance to enhancing audit quality – projects that have received strong support from all our stakeholders. These include our Auditor Reporting and Financial Statement Disclosures projects, and our work on the topic of Audit Quality itself.
9. The IAASB believes that the clarified ISAs address a number of issues raised by the global financial crisis and that their adoption and effective implementation will result in added rigor in audits. We are particularly pleased to have received broad support from many influential organizations for their adoption and indeed the steps by so many jurisdictions around the world to adopt and implement them. Nevertheless, we also acknowledge calls from respondents for the IAASB to consider how the ISAs could be further strengthened in the light of the crisis. We will therefore set aside time within the strategy to address on a priority basis ISAs that are found to be in need of revision, or areas where the development of a new ISA or revision of our international quality control standard would be important.
10. There was also strong support amongst respondents, particularly regulators, for the IAASB to consider providing enhanced guidance for auditors in relation to the audit of banks and the relationship between banking supervisors and banks' external auditors. We will start to explore this in 2012 with the Basel Committee on Banking Supervision ("Basel Committee") and other stakeholders.
11. In addition, preliminary announcements represent a further area on which there has been strong public interest support for the IAASB to focus its efforts as a means to further strengthen auditors' role in supporting market stability. Accordingly, we intend to consider in 2013 current practices regarding auditor association with preliminary announcements and whether specific requirements and guidance might be needed for auditors.

#### *Enhancing the Role, Relevance and Quality of Assurance and Related Services in an Evolving World*

12. We will continue to devote priority attention in 2012 to completing projects on our current work program aimed at enhancing the role, relevance and quality of assurance and related services in the public interest. These include in particular the revision of the standards on review [and compilation] engagements, to enable practitioners to better service the needs of

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small- and medium-sized entities (SMEs); and ISAE 3000,<sup>1</sup> to provide a strengthened framework under which both reasonable and limited assurance engagements can be conducted.

13. Given strong support from respondents, we also intend to undertake a project to revise the standard on agreed-upon procedures engagements (ISRS 4400).<sup>2</sup> This will enhance our suite of updated related services standards to better meet market needs.
14. One of the key messages from our strategy review consultations is the need for the IAASB to embrace innovation to maintain the role and relevance of assurance services in an evolving world. In this regard, many respondents, including representatives of the IAASB Consultative Advisory Group (CAG), encouraged the IAASB to consider whether new assurance standards may be warranted in the emerging areas of integrated reporting, sustainability reporting, corporate governance statements, and internal control. Given the continually evolving landscape in these areas, however, we will need to research and analyze the issues and developments thoroughly to ensure that any resources we may devote to pursuing standard-setting projects in these fields will lead to relevant and effective outcomes. We therefore will establish a working group to explore these emerging areas more fully and identify potential actions.

#### *Facilitating Adoption and Implementation of the Standards*

15. The global financial crisis emphasized the importance of strong systems of standards for financial stability. The adoption of the ISAs contributes to the establishment of a robust regulatory infrastructure that supports such stability. Prior to finalization of the Clarity Project, IFAC's Compliance Program reported that 126 jurisdictions around the world had adopted the extant ISAs or otherwise used them as the basis of their national standards. As the clarified ISAs are now effective, many of these jurisdictions are moving to adopt and implement them. While the manner in which these countries are adopting, or converging to, ISAs may differ due to national circumstances, there is strong momentum of global adoption and implementation efforts in all parts of the world.<sup>3</sup> It is important that we maintain this. Accordingly, we intend to continue sustained outreach efforts in various jurisdictions that have not yet adopted the clarified ISAs.
16. We have noted concern regarding the implementation of ISQC 1,<sup>4</sup> particularly amongst small and medium practices (SMPs). Our consultations revealed broad support from respondents for the IAASB to consider actions in this regard. Accordingly, we intend to commission in 2012 a staff publication addressing the proportionality of application of ISQC 1.

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<sup>1</sup> International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

<sup>2</sup> International Standard on Related Services (ISRS) 4400, *Engagement to Perform Agreed-upon Procedures Regarding Financial Information*

<sup>3</sup> IAASB Staff has included in the Clarity Center on the IAASB website a listing of countries that are already using the clarified ISAs, or have committed to do so in 2011 and beyond. This information can be accessed at <http://web.ifac.org/clarity-center/support-and-guidance>.

<sup>4</sup> ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

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17. Also, when the IAASB issued the standard on assurance reports on controls at a service organization (ISAE 3402)<sup>5</sup> in 2009, it committed to seeking feedback on its implementation. We intend to fulfill this commitment in 2013 by which time we would hope there will have been ample implementation experience with the standard.

#### Conclusion

18. I am grateful to the many people and organizations that contributed to our strategy review consultations. I hope that the direction of our work will be seen as responding to the representations made to us, and to the public interest, which is our overriding concern.

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<sup>5</sup> ISAE 3402, *Assurance Reports on Controls at a Service Organization*

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### **DRAFT STRATEGY AND WORK PROGRAM, 2012-2014**

19. This Strategy and Work Program sets the direction and priorities for the activities of the IAASB for the three-year period from January 2012 to December 2014. They are set within the stated objective and strategic initiatives of the IAASB as set out in its terms of reference, and the current operating assumptions and relating considerations set out in Appendix 2.<sup>6</sup> They respond to significant developments in the environment in which audit, other assurance and related services are performed and in which standards for such services are set. They also assist the IAASB in working towards global acceptance and adoption of the standards, and to establish and maintain relevant partnerships.
20. The strategy and work program are underpinned by the IAASB's ongoing communication and consultation with stakeholders through meetings, presentations, speeches, and other exchanges with stakeholders. While such outreach, liaison and communication initiatives keep stakeholders informed of the IAASB's activities and promote the adoption and implementation of its standards, they also enable the IAASB to learn of relevant developments and hear important perspectives regarding its standards and their implementation in practice.
21. This section sets out the IAASB's strategic focus for 2012-2014. The next section contains the planned work program to implement the strategy.

### **Supporting Global Financial Stability**

22. The completion of the IAASB's Clarity project at the end of 2008 has established a strong foundation for a single global auditing language, both for the private and the public sectors, and for the performance of robust, "thinking" audits on a consistent basis around the world. The clarified ISAs are principles-based and emphasize the use of professional judgment. In particular, there are many new and expanded requirements in relation to gathering and evaluating audit evidence in key areas such as fair value accounting estimates and related parties; materiality; using the work of others, such as experts; and auditor reporting and communications, including with those charged with governance. These are all aimed at ensuring that the work of auditors contributes to the credibility and quality of the financial statements on which they are reporting. In addition, the clarified ISAs require the auditor to plan and perform an audit with professional skepticism, in particular when critically assessing audit evidence – a point stressed by regulators and others as a result of the global financial crisis.
23. The IAASB believes that the adoption and effective implementation of the clarified ISAs will lead to added rigor in audits, thereby responding to issues raised by the global financial crisis. There may be more that can be learned. Debates are being held in a number of major jurisdictions about lessons for audit from the crisis and what more can be done to enhance the role of auditors in safeguarding financial stability.

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<sup>6</sup> The IAASB's operating assumptions are subject to change based on external developments, including actions arising from the recommendations of the Monitoring Group pursuant to its November 2010 report, *Review of the IFAC Reforms*.

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24. A significant part of the IAASB's current work program addresses a number of the issues being discussed. [In particular, the recent approval by the IAASB of [IAPN] 1000<sup>7</sup> and its newly proposed amendments to ISAs 500 and 540<sup>8</sup> were in direct response to the global financial crisis.] Equally important are the following current IAASB projects, which the IAASB will continue to prioritize and work collaboratively with key stakeholders to achieve completion over the next few years:
- *Audit Quality*, through which the IAASB is aiming to develop an international audit quality framework that will help to increase understanding of audit quality and facilitate stakeholder dialogue and action on how it can be further enhanced;
  - *Auditor Reporting*, through which the IAASB is actively considering the development of innovative ways to enhance the relevance and usefulness of auditors' reports and auditor communications more broadly;
  - *Financial Statement Disclosures*, through which the IAASB is seeking to clarify auditors' responsibilities regarding such disclosures, recognizing their importance in informing the decisions of users of audited financial statements. In this regard, recognizing the importance of staying close to developments in financial reporting standards, the IAASB will proactively monitor relevant developments pertaining to disclosures through its ongoing liaison initiative with the International Accounting Standards Board (IASB); and
  - *Clarifying and enhancing auditors' responsibilities regarding other information* in documents containing audited financial statements.
25. In addition, the IAASB plans to devote resources in 2013 and 2014 to at least two new projects on its auditing or quality control standards where a need for further strengthening is identified. Input to the possible specific topic areas may come from our current work on audit quality, for example, and other relevant developments including :
- Findings from the IAASB's ISA Implementation Monitoring project;
  - Information gathered through dialogue with regulators and other stakeholders;
  - Developments at the international and national levels;
  - Other developments arising from the IAASB's current work program; and
  - Academic research, including that which the International Association for Accounting Education and Research (IAAER) and the Association of Chartered Certified Accountants (ACCA) have commissioned for purposes of informing the IAASB.
26. Given the spotlight on banks in the global financial crisis, the IAASB plans to work with the Basel Committee and other stakeholders to start exploring in 2012 issues relating to the audit of banks, and the relationship between banking supervisors and banks' external auditors. In this regard, the Basel Committee has signaled to the IAASB its intention to lead a project in relation to the external audits of banks in the near future. Discussions on

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<sup>7</sup> [IAPN] 1000, *Special Considerations in Auditing Complex Financial Instruments*, approved by the IAASB in [September 2011]

<sup>8</sup> ISA 500, *Audit Evidence*, and ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

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possible actions will include consideration of the nature of guidance that may be capable of being developed internationally.

27. In addition, recognizing that audit issues in the banking sector may be applicable more broadly to the financial services sector, the IAASB will monitor, and as appropriate explore with stakeholders such as the International Association of Insurance Supervisors (IAIS), whether there are specific developments that may suggest the need for further consideration of standard-setting actions in relation to audits in the financial services sector.
28. Equally, recognizing the impact on audit quality of ongoing developments in financial reporting standards, the IAASB will continue prioritizing efforts on liaising with the IASB and providing input to it on aspects of the IASB's proposed standards that may have potential verifiability or auditability issues.
29. The IAASB's discussions in its project to revise ISA 720<sup>9</sup> have highlighted the need to consider whether it would be appropriate to develop a separate standard or guidance to address issues relating to auditors' association with preliminary announcements. While there have been calls for a wider project on practitioner association with information published by entities, the IAASB believes that preliminary announcements form a specific part of an entity's broader financial information and deserve to be treated as a separate topic given their significance to the global capital markets. Accordingly, soon after the anticipated completion of the ISA 720 project in 2013, the IAASB plans to establish a working group to explore issues relating to auditor association with preliminary announcements and make recommendations on whether and, if so, how the IAASB might address auditors' responsibilities regarding such information. It is important, however, to recognize that different approaches are taken by different jurisdictions towards how preliminary announcements are to be prepared and disseminated. Efforts that the IAASB may devote to a standard-setting project in this area may also facilitate longer-term consideration of a broader project on practitioner association.

#### **Enhancing the Role, Relevance and Quality of Assurance and Related Services in an Evolving World**

30. A major thrust of the IAASB's current work program has been to further address the needs of SMEs. This recognizes the continuing dialogue in some jurisdictions regarding whether a financial statement audit is the most appropriate level of service for all entities. While ISAs are developed for application on a proportionate basis,<sup>10</sup> a number of countries have introduced, or are considering the introduction of, exemptions from financial statement audit requirements for certain entities, for example, based on the type or size of entity ("audit-exempt entities"). In large part, these developments have focused on SMEs. While such entities may seek to have audits on a voluntary basis, and users of their financial statements (such as lending institutions) may request that audits be performed, there is market demand for services that are capable of meeting the unique needs of SMEs.

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<sup>9</sup> ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

<sup>10</sup> See the IAASB Staff publication, *Applying ISAs Proportionately with the Size and Complexity of an Entity*, available on the IAASB website at <http://web.ifac.org/media/publications/e/applying-isas-proportionate/applying-isas-proportionate.pdf>.

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31. Accordingly, in 2012 the IAASB will place high priority on completing its projects to revise [its standards on compilation engagements (ISRS 4410)<sup>11</sup>] and review engagements (ISRE 2400).<sup>12</sup> These projects represent an important step in the IAASB's efforts to develop international engagement standards for financial statement services other than audits.
32. In addition, in 2012 the IAASB plans to devote resources to begin a project to revise its standard on agreed-upon procedures engagements (ISRS 4400). A revision of this standard would respond to broad calls from SMPs and other stakeholders who have indicated that investors, banks and other sources of capital often request an entity to have agreed-upon procedures performed by a practitioner, in lieu of an audit or in order to ensure that specific procedures are performed on key account balances. A revised agreed-upon procedures standard will enhance the suite of engagement standards available to practitioners to meet the needs of entities that do not require an audit but find value in having practitioner involvement in another way. Further, it may be leveraged to support services in the areas of comfort letters and XBRL, and may form part of possible service solutions in the area of integrated reporting.<sup>13</sup>
33. Also, in 2012 the IAASB plans to direct effort towards completing its project to revise ISAE 3000. A revised ISAE 3000 will provide a robust framework for a broad range of reasonable and limited assurance engagements. Such engagements may range from assurance on statements about the effectiveness of internal control, for example, to direct engagements such as performance or "value for money" audits, to possible future engagements addressing integrated reporting or corporate social responsibility reporting (see further discussion below).
34. In relation to emerging areas, the IAASB will continue to prioritize resources in 2012 to complete its project on developing a new standard for assurance engagements on greenhouse gas statements (proposed ISAE 3410).<sup>14</sup> This will respond to the strong and growing need for mechanisms to enhance the reliability of the underlying information used in emissions trading schemes.
35. At the same time, developments in the broader reporting context have highlighted the importance of investing efforts to ensure that users' growing needs for high-quality financial and non-financial information about entities and their operations, backed by independent assurance, are met. In particular, the formation of the International Integrated Reporting Committee (IIRC)<sup>15</sup> and the Global Reporting Initiative (GRI) has highlighted the

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<sup>11</sup> ISRS 4410, *Engagements to Compile Financial Statements*

<sup>12</sup> ISRE 2400, *Engagements to Review Financial Statements*

<sup>13</sup> In pursuing this project, the IAASB will consider partnership opportunities with relevant NSS such as the Australian Auditing and Assurance Standards Board, which has recently revised its agreed-upon-procedures standard.

<sup>14</sup> Proposed ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

<sup>15</sup> The IIRC brings together a cross section of representatives from the corporate, accounting, securities, regulatory, non-governmental organizations (NGO), international governmental organizations (IGO), and standard-setting sectors. The IIRC's remit is to create a globally accepted framework for accounting for sustainability: a framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format, i.e., in an "integrated" format. The intention is to help with the development of more comprehensive and comprehensible information about an organization's total performance,

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growing momentum on the reporting of financial, environmental, social and governance information of broader relevance to users than information currently presented within the financial statements. In addition, the global financial crisis has highlighted the importance of corporate governance statements in providing increased transparency for investors and other stakeholders relative to the role of those charged with governance in monitoring and risk assessment. Equally, stakeholders have called for a greater role for assurance services relative to reporting on internal control over financial reporting.

36. The IAASB recognizes that the environment regarding the reporting of these types of information remains dynamic and fluid. Without adequate study of the developments, issues, challenges and market needs that will provide for an informed response, there is a significant risk that prioritizing resources in these areas will lead to unfruitful outcomes. Accordingly, the IAASB plans to establish a strategy working group in 2012 to research the issues and actively monitor relevant developments for purposes of informing the IAASB's thinking on these topics. The working group will report periodically with a view to informing the IAASB's longer-term strategy. It may recommend specific work streams for the IAASB to pursue, avenues of cooperation with interested stakeholders, how best to gather input at earlier stages of any potential project to develop standards in these areas, and whether to develop discussion papers or thought pieces. It may also develop reports on findings that may be shared with national standard setters, regulators, firms and other organizations with a view to stimulating debate and collaboration.
37. As a further step to maintaining the relevance of assurance services in an evolving world, the IAASB will monitor developments in Information Technology such as continuous auditing and cloud computing, and consider whether the potential impacts of these developments on the audit of financial statements may warrant specific attention from a standard-setting perspective in the longer term.

### **Adoption and Implementation of the Standards**

#### *Global Acceptance, Adoption and Partnership*

38. Global adoption will continue to be an important strategic initiative of the IAASB. Use of the IAASB's standards on a global basis enhances the quality and uniformity of practice throughout the world, and strengthens public confidence in the global auditing and assurance profession.
39. There have been a number of important developments relating to the global acceptance of the ISAs over the past three years. Several international regulators and organizations have expressed support for the clarified ISAs, including the Basel Committee, the Financial Stability Board, the International Organization of Securities Commissions (IOSCO), the UN Conference on Trade and Development (UNCTAD), the World Bank, and the World Federation of Exchanges. In addition, the International Organization of Supreme Audit Institutions (INTOSAI) has endorsed a set of International Standards of Supreme Audit Institutions (ISSAIs) based on the ISAs for public sector audits, and the top 22 global auditing networks' methodologies are aligned with the ISAs. Most importantly, there is

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prospective as well as retrospective, to meet the needs of the emerging, more sustainable, global economic model. More information on the IIRC can be accessed at [www.integratedreporting.org](http://www.integratedreporting.org).

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significant momentum at the national level for use of the clarified ISAs, often shifting from a model of alignment or convergence to direct adoption.<sup>16</sup>

40. These are positive developments that reflect widespread acceptance of the ISAs. The IAASB, however, recognizes that more needs to be done to further promote the benefits of adoption of the ISAs around the world. The IAASB therefore plans to continue focusing throughout 2012-2014 on outreach, liaison and consultation activities with the IAASB CAG, NSS, public authorities, international regulators, audit oversight bodies (including the International Forum of Independent Audit Regulators (IFIAR)), and other stakeholders. These efforts will help to identify and address barriers to the further adoption of the clarified ISAs, whether as a whole in those jurisdictions that have not yet chosen to adopt them or in respect of specific standards. Such efforts will also help to ensure that the content and breadth of proposed new standards, appropriately informed by assessments of their impacts, will facilitate the global acceptance and adoption of the standards.
41. As a further specific action in the 2012-2014 period, the IAASB plans to focus effort throughout the period on communicating what it learns from its various outreach and liaison activities with stakeholders regarding how the benefits of adoption are being experienced around the world, and how the associated challenges are being addressed.
42. Related to the finalization of the IAASB's projects to revise the review and compilation standards, the IAASB also plans to explore in 2012 whether to develop a communication about the value and benefit of an audit conducted in accordance with the ISAs to better explain the role of the audit and more clearly contrast the various services and their related levels of assurance.

#### *Responding to Implementation Challenges*

43. In addition to broad outreach, liaison and consultation in relation to adoption, the IAASB will focus efforts on understanding implementation challenges. Recognizing the continuing need for support, the IAASB will consider commissioning appropriate staff outputs where these are likely to be practical and helpful.
44. In relation to the implementation of assurance standards, the IAASB plans to seek initial feedback in 2013 on the experiences of service auditors and others regarding the implementation of the standard on assurance reports on controls at a service organization (ISAE 3402). Such feedback will assist the IAASB in determining whether further action may be appropriate.
45. In response to concerns raised regarding challenges faced by SMPs in implementing ISQC 1, the IAASB also plans to commission in 2012 a staff publication that would address the proportionality of application of the standard. This follows on from the significant interest received on IAASB's staff publication in 2010 on ISA proportionality, and reflects the IAASB's recognition of the importance of using such vehicles to help explain how the standards can be applied efficiently and effectively in the SMP and SME context.

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<sup>16</sup> See footnote 3.

## Work Program

Note: Commencing dates in square brackets are tentative.

Activities / Projects	Commencing
<b>Supporting Global Financial Stability</b>	
Finalize the revision of ISA 720, <i>The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements</i> (ISA 720)	<b>Commenced Q4 2009</b>
Continue work on the audit quality project (Audit Quality)	<b>Commenced Q4 2009</b>
New Project 1 – ISAs 700, 705, 706 and 710 (contingent on outcome of consultation on the value of auditor reporting <sup>17</sup> ) (Auditor Reporting)	<b>[Q1 2012]</b>
New Project 2 – new ISA (or guidance) on auditing financial statement disclosures (Disclosures)	<b>[Q1 2012]</b>
New Project 3 – auditing or quality control standard	<b>[Q4 2013]</b>
New Project 4 – auditing or quality control standard	<b>[Q1 2014]</b>
Based on consultation with the Basel Committee and other stakeholders, and relevant financial reporting, regulatory and other developments, determine actions to be taken regarding the topics of (a) the audit of banks, and (b) the relationship between banking supervisors and banks' external auditors (Banking Guidance)	<b>[Q4 2012]</b>
Based on consultation with stakeholders, including the IAIS, and relevant financial reporting, regulatory and other developments, determine whether there is a need for further consideration of standard-setting actions in relation to audits in the financial services sector (Other Financial Institution Audit Guidance)	<b>[Q4 2013]</b>
Determine, after the revision of ISA 720 is finalized, actions to be taken regarding auditor association with preliminary announcements based on research undertaken in consultation with regulators and other stakeholders (Preliminary Announcements)	<b>[Q4 2013]</b>

<sup>17</sup> May 2011 Consultation Paper, *Enhancing the Value of Auditor Reporting: Exploring Options for Change*

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Provide input to the IASB on aspects of its proposed standards that may have potential verifiability or auditability issues and continue to monitor developments in financial reporting standards to determine whether these may lead to a need for new or revised auditing standards, or further guidance (IASB Liaison)	<b>Ongoing</b>
<b>Enhancing the Role, Relevance and Quality of Assurance and Related Services in an Evolving World</b>	
Finalize the development of new ISAE 3410, <i>Assurance Engagements on Greenhouse Gas Statements</i> (ISAE 3410)	<b>Commenced Q4 2007</b>
Finalize the revision of ISRE 2400, <i>Engagements to Review Historical Financial Statements</i> (ISRE 2400)	<b>Commenced Q1 2009</b>
Finalize the revision of ISRS 4410, <i>Compilation Engagements</i> (ISRS 4410)	<b>Commenced Q1 2009</b>
Finalize the revision of ISAE 3000, <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> (ISAE 3000)	<b>Commenced Q1 2009</b>
Conclude on actions to be taken with regard to eXtensible Business Reporting Language (XBRL)	<b>Commenced Q1 2009</b>
Revise ISRS 4400, <i>Engagements to Perform Agreed-upon Procedures Regarding Financial Information</i> (ISRS 4400)	<b>[Q4 2012]</b>
Establish a strategy working group to research issues and actively monitor relevant developments, in particular in the areas of integrated reporting, sustainability, corporate governance, and internal control, to inform longer term IAASB strategy and standard-setting activities (Strategy Working Group)	<b>[Q2 2012]</b>
<p><i>Actions that are of a Monitoring Nature</i></p> <ul style="list-style-type: none"> <li>• Monitor developments arising from the activities of national standard setters and others with regard to an alternative assurance service for SMEs to determine whether a standard regarding services other than compilation, review, agreed-upon procedures or audit is necessary</li> <li>• Monitor technology-related developments that may affect the audit of financial statements and consider whether there is a need to take action from a standard-setting perspective</li> </ul>	<b>Ongoing</b>
<b>Monitoring and Facilitating Adoption and Implementation of IAASB Standards</b>	
• Commission a staff publication addressing the proportionality of application of ISQC 1 (ISQC 1 Q&A)	<b>[Q2 2012]</b>

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<ul style="list-style-type: none"> <li>In the context of the finalization of the projects to revise the review and compilation standards, consider whether to develop a communication about the value and benefit of an audit conducted in accordance with the ISAs to better explain the role of the audit and more clearly contrast the various services and their related levels of assurance</li> </ul>	<b>[Q4 2012]</b>
<ul style="list-style-type: none"> <li>Seek feedback from service organizations, service auditors, user entities, user auditors, and others on their experiences with the implementation of ISAE 3402, <i>Assurance Reports on Controls at a Service Organization</i> [ISAE 3402]</li> </ul>	<b>[Q4 2013]</b>
<ul style="list-style-type: none"> <li>Actively discuss with NSS, public authorities, oversight bodies, and international regulators to identify and address barriers to the further adoption of ISAs, whether as a whole in those jurisdictions that have not yet chosen to adopt international standards or in respect of specific standards, and ensure that the content and breadth of proposed new standards facilitate their global acceptance and adoption</li> </ul>	<b>Ongoing</b>
<ul style="list-style-type: none"> <li>Continue outreach and liaison activities with NSS, audit oversight bodies, IFAC member bodies, and others to understand implementation challenges that may arise in practice, and consider appropriate actions to facilitate implementation of IAASB standards</li> </ul>	<b>Ongoing</b>
<ul style="list-style-type: none"> <li>Communicate what is learned from the IAASB’s various outreach and liaison activities with stakeholders regarding how the benefits of adoption of IAASB standards are being experienced around the world, and how the associated challenges are being addressed</li> </ul>	<b>Ongoing</b>
Continue outreach, liaison, and communication initiatives described in Appendix 1.	<b>Ongoing</b>

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### APPENDIX 1

#### **Current (Ongoing) Outreach, Liaison and Communication Initiatives the IAASB Plans to Continue**

##### *Global Acceptance, Adoption and Partnership*

- Continue active discussions with the IAASB CAG and NSS, public authorities, audit oversight bodies and international regulators aimed at achieving common agreement on the content and breadth of any proposed new standards to meet the common needs of all parties and lead to global acceptance and endorsement of the standards.
- Continue to cooperate with INTOSAI, promoting the use of ISAs as the basis for audits in the public sector.
- Continue to seek regular consultation with the IFAC SMP Committee on issues of relevance to SMEs and practices regarding audit and quality control standards.
- Seek regular consultation with the IFAC Professional Accountancy Organization Development Committee (PAODC) on issues of relevance to developing nations regarding audit and quality control standards.
- Continue the IAASB-IASB liaison, aimed at providing the IASB with timely inputs on aspects of its proposed standards that may have potential verifiability or auditability issues and other matters that may affect the pronouncements of the IAASB or create a need for new pronouncements.
- Continue to take steps to address the issues of translation; the frequency, volume and complexity of changes; and the setting of effective dates.

##### *Communication and Transparency*

- Continue to issue a press release, communicating the approval of each proposed or final IAASB pronouncement and any other major activity of the IAASB.
- Continue to publish an overview for each new final pronouncement to explain the project objectives and the background and scope of the pronouncement, provide a summary of the pronouncement's key provisions, and explain the implications for practice.
- Continue to issue IAASB eNews communications (three to four times per year), using these vehicles to encourage responses to the IAASB's consultations and publicize adoption and implementation support vehicles available.
- Continue to publish an annual report addressed to a broad interested audience on the performance of the IAASB, including a report on progress against this action plan and on how IAASB has complied with its stated due process.
- Continue to promote the activities and publications of the IAASB through the IAASB website (including agenda material, audio records of meetings, meeting highlights, proposed pronouncements and related comment letters, final pronouncements and bases for conclusions) and evaluate how technology may be better used to reach a broader audience.
- Continue to enhance communications with NSS, regulators, IFAC member bodies, the Forum of Firms, academics and conference organizers.

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### APPENDIX 2

#### **Key Operating Assumptions and Related Considerations Supporting the IAASB's Strategy and Work Program 2012-2014**

1. The IAASB's future strategy and work program are based on the following key assumptions:
  - The IAASB will continue to operate at the current level of human and financial resources. Accordingly, the IAASB will consist of a full-time Chairman and 17 volunteer members, contributing approximately 600 hours per year. The IAASB will continue to be supported by a staff structure comprising 8 full-time technical staff members during the strategy period.
  - The IAASB meets for five days, four times per year. Approximately six projects can be discussed at each IAASB meeting, depending on the stage of the project.
  - Detailed work on projects is undertaken by task forces drawn from the membership of the IAASB. Task forces may include representatives nominated by INTOSAI or from other relevant organizations.
  - Standards and other pronouncements are developed following full due process. This includes consultation with the IAASB CAG and public exposure. A project may take 3-4 years to complete. However, the overall time needed depends on the complexity of the subject matter.
  - The commencement of any new project is subject to IAASB approval of a project proposal.
2. The future work program includes time to allow for research activities and education sessions to further inform the IAASB's debates, outreach and direct interaction with interested stakeholders, and development of communications relating to individual projects.
3. Project task forces are chaired by IAASB members and comprise IAASB members, IAASB technical advisors, and others with relevant expertise. Task Forces typically meet at least once in-between IAASB meetings at which their respective projects are scheduled for Board deliberation. Each IAASB member ordinarily participates in two or more task forces.
4. Board members may be asked to participate in the IAASB CAG meetings and liaison meetings with NSS, and outreach activities in their particular jurisdictions. In addition, Board members may elect to participate in the IAASB's liaison activities with the International Accounting Standards Board (IASB) via working groups. The goal of the IASB liaison activity is to provide the IASB with timely input on aspects of its proposed standards that may have potential verifiability or auditability issues.
5. The full-time IAASB Chairman undertakes a significant level of outreach activity, speaking at conferences and meetings of organizations interested in the IAASB's work, engaging in dialogue with key stakeholders relative to the adoption of the ISAs, participating in discussions about the regulatory environment in which auditors operate, and furthering the work of the IAASB in a number of forums.

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6. In addition to managing projects, IAASB Staff develop publications such as Staff Audit Practice Alerts, Staff Questions and Answer (Q&A) publications, press releases and project updates for individual projects, explanatory memorandums that accompany exposure drafts, and bases for conclusions that accompany final pronouncements. The technical staff is also involved in liaison activities and prepares relevant materials to support IAASB communication activities and the IAASB Chairman's outreach efforts. In addition, the staff supports the agendas for the semi-annual IAASB CAG and annual IAASB-NSS liaison meetings, and has responsibility for reporting to IFAC and the PIOB.