

Meeting: IAASB
Meeting Location: Los Angeles
Meeting Date: December 5-9, 2011

Agenda Item

3

Draft IAASB Strategy and Work Program, 2012-2014

Objective of Agenda Item

1. To consider and approve a revised draft of the *IAASB Strategy and Work Program, 2012-2014* (Strategy and Work Program).

Task Force

2. The Task Force comprises members of the IAASB Steering Committee:
 - Prof. Arnold Schilder, Chairman
 - Phil Cowperthwaite
 - Cédric Gélard
 - Diana Hillier
 - Dan Montgomery
 - Tomo Sekiguchi
 - Observer: Linda de Beer, IAASB Consultative Advisory Group (CAG) Chair
 - Ex-officio: Jim Sylph, IFAC Executive Director, Professional Standards; and James Gunn, IAASB Technical Director

Activities since Last IAASB Discussions

3. The Steering Committee met physically in September 2011 and by teleconference in November 2011 to consider the comments received from the IAASB CAG and IAASB at their respective September 2011 meetings and a revised draft of the Strategy and Work Program.

Matters for Consideration

New ISA Projects

4. In finalizing IAPN 1000,¹ the IAASB agreed on the need to explore authoritative guidance relating specifically to third-party pricing sources. The IAASB tentatively agreed that, if

¹ International Auditing Practice Note (IAPN) 1000, *Special Considerations in Auditing Financial Instruments*

developed, such guidance could be located in ISA 540² or ISA 500³ as appropriate. The IAASB, however, recognized that the nature and extent of any such guidance would need to be informed by continuing developments in this area, including discussions currently being held on the topic in other forums, to ensure that the guidance will be relevant and effective.

5. Related, stakeholders represented on the IAASB CAG, such as the Basel Committee on Banking Supervision (BCBS), the International Actuarial Association (IAA), the International Association of Insurance Supervisors (IAIS), and IOSCO, and others also have suggested that consideration be given to the auditing implications of recent trends in financial reporting developments relating to greater reporting and disclosure of fair value financial information. Discussions with stakeholders have also suggested that there may be merit in exploring certain issues, including impairment and loan loss provisioning, and using the work of experts such as actuaries, that have specific relevance to financial institutions. These developments, and findings from regulatory inspections and the ISA Monitoring project, may suggest possible further enhancements to the ISAs, including ISA 540, or the need to develop additional implementation guidance. Nevertheless, the Steering Committee also recognizes that ISA 540 has already been strengthened through substantive revisions as part of the Clarity project and these changes have only just recently come into effect.
6. In light of these views, the Steering Committee recommends that, given the IAASB's decision in relation to third-party pricing sources, this be included as a formal project in the future work program as "New Project 3," but with a potentially broader scope to allow for these developments (see paragraphs 27-29 in **Agenda Item 3-A**). The Steering Committee recommends that a working group be formed in Q2 2012, with the goal of exploring issues relating to third-party pricing services but also closely monitoring developments, and recommending appropriate action to the IAASB in due course.
7. With this recommendation, the Steering Committee also believes that the project on "Other Financial Institution Audit Guidance" proposed in the September 2011 draft should be subsumed into the broader initiative to consider further enhancements to ISA 540 or the development of new implementation guidance in light of relevant developments. Accordingly, this project has been deleted from the work program. Doing so allows for a "New Project 5" to be incorporated into the work program, thus preserving a minimum two-spot capacity for other potential ISA or quality control projects.

Flexibility of the Work Program

8. A few IAASB members and CAG Representatives questioned whether the draft strategy and work program allowed for sufficient flexibility to enable the IAASB to respond on a timely basis to emerging developments, including proposals expected from the European Commission. To enable an assessment of such flexibility, Staff was asked to prepare a forward-looking timetable over the strategy cycle, which is now included as Appendix 1 of **Agenda Item 3-A**. The Steering Committee agrees with Staff's assessment that, post-2012,

² ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

³ ISA 500, *Audit Evidence*

the IAASB would have a reasonable amount of spare capacity to respond to new developments. In addition, paragraph 21 of **Agenda Item 3-A** explains the following:

While the work program indicates approximate time periods in which new projects may commence, the IAASB intends to consider on at least an annual basis whether its priorities and planned activities remain appropriate in light of emerging developments. The work program has allowed for some flexibility to respond to those developments. However, the IAASB may conclude that changes to the timing of commencement of new projects, or changes to the timing or resources allocated to projects already in progress, are necessary in order to enable the IAASB to best meet its public interest mandate.

Consideration by IAASB of Significant Matters Identified by Steering Committee

9. In the Steering Committee's view, the significant matters the Steering Committee has identified as a result of its deliberations since it started work on developing the Strategy and Work Program, and the Steering Committee's considerations thereon, have all been reflected in the issues papers, draft consultation paper, and draft Strategy and Work Program presented at the IAASB meetings in March 2010, September 2010, December 2010, September 2011, and this meeting. In the Steering Committee's view, there are no significant matters discussed within the Steering Committee in developing the Strategy and Work Program that have not been brought to the IAASB's attention.

Consideration by IAASB of Need for Further Consultation

10. In formulating this Strategy and Work Program, the IAASB undertook a formal public survey and also issued a consultation paper. At its March 2010 meeting, the IAASB considered and decided that further consultation in the form of focus groups or roundtables in advance of development of the consultation paper on the Strategy and Work Program was not required. The Steering Committee does not believe any new developments for which further consultation to inform its views have arisen that would suggest a need to revisit the IAASB's decision in this regard.

Material Presented

Agenda Item 3-A Draft IAASB Strategy and Work Program, 2012-2014 – Marked
from September 2011

Actions Requested

11. The IAASB is asked to:
 - (a) Consider the revised Strategy and Work Plan in **Agenda Item 3-A**, including the commencement dates of individual projects and the proposed timetable as included in Appendix 1 of **Agenda Item 3-A**; and
 - (b) Approve it for submission to the Public Interest Oversight Board (PIOB) as the IAASB's medium-term strategy and work program.