

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. Focusing on a three-year period recognizes the time it takes to develop our projects and the continuously changing international environment in which we operate. However, this medium-term strategic focus is not meant to detract from the IAASB's continuing emphasis on longer-term developments. Collaboration and partnership with others are critical to identify areas for innovation and improvement, and to find solutions to global issues, both now and in the future. We also recognize our responsibility to identify matters within our mandate that have significant implications on a longer-term basis to ensure that assurance and related services are relevant, and most importantly responsive to the public interest.

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.

^{*} [Agenda Item 5-A was updated during the March 12–16, 2012 IAASB meeting to reflect in marked text changes based on decisions taken at the meeting. The updated agenda item is included here for information purposes only and is not the final Strategy and Work Program. Interested parties are discouraged from distributing, translating or using the updated agenda item for any purpose. They should await the release of the final Strategy and Work Program, which may contain minor modifications when compared to the updated agenda item. The final Strategy and Work Program is that approved by the IAASB and published after the Public Interest Oversight Board (PIOB) has confirmed that due process was followed in its development. It will be available at www.ifac.org/auditing-assurance/about-iaasb.]

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;
 - 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 key element of financial stability, because the work of auditors contributes to the credibility of the financial statements on which they are reporting and the ISAs play an important role in supporting audit quality.
8. Our top priority is, and will continue to be, our work on Auditor Reporting, in the public interest. The auditor's report is the auditor's primary means of communication with an entity's stakeholders – as such, it has to be meaningful and have value to them. Accordingly, our work will involve considering innovative ways to enhance the relevance and usefulness of auditors' reports and auditor communications more broadly. It will also include exploring new ways in which auditor reporting could accommodate evolving national reporting regimes and facilitate enhanced approaches in corporate reporting.
9. We understand and embrace the significant need for, and importance of, international leadership on the topic of Auditor Reporting. We therefore intend to move rapidly, in a coordinated and outspoken fashion, in developing a global solution in response to calls for change. We have also prioritized our current and new projects in the light of the importance of our Auditor Reporting initiative, [as Auditor Reporting will be a substantial part of the IAASB's agenda for the foreseeable future](#). While Auditor Reporting must take precedence, those projects nevertheless remain highly important to the work of the IAASB and there is no lessening of our strong commitment to their successful completion.
10. In 2012 and beyond, we will therefore continue to also devote priority attention 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 Financial Statement Disclosures and ISA 720¹ projects, and our work on the topic of Audit Quality itself.

11. The IAASB believes that the clarified ISAs address a number of issues raised by the global financial crisis in both the public and private sectors 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 recognize 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. In particular, our ongoing dialogue with the International Forum of Independent Audit Regulators (IFIAR) serves to highlight areas of potential improvements based on the results of inspections undertaken worldwide. We take this seriously given the important role the ISAs play in supporting financial stability. Accordingly, we ~~have reserved time in our work program are committed~~ to address ~~as a matter of priority~~ ISAs that are identified to be in need of revision or areas where the development of a new ISA or guidance, or revision of our international quality control standard, would be of utmost importance.
12. 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, more specifically, the relationship between banking supervisors and banks' external auditors. We will start exploratory discussions with the Basel Committee on Banking Supervision (Basel Committee) and other stakeholders in 2012.
13. In addition, there has also been strong public interest support for exploring how the auditor's role in supporting market stability might be further strengthened by the auditor's involvement with preliminary announcements. Accordingly, we intend to consider in 2014 current practices regarding auditor association with preliminary announcements with a view to determining whether and, if so, what response might be globally achievable.

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

14. We will continue to devote priority attention in 2012 and early 2013 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 standard on review engagements, to enable practitioners to better service the needs of small- and medium-sized entities (SMEs); a new standard on assurance engagements on greenhouse gas statements (proposed ISAE 3410);² and ISAE 3000,³ to provide a strengthened framework under which both reasonable and limited assurance engagements can be conducted.

¹ ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*, is currently being revised.

² ~~Proposed International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, [planned for was approved]~~ as a final standard in March 2012~~].~~

³ ~~International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information~~, and related consequential amendments to the *International Framework for Assurance Engagements* (Assurance Framework)

15. Given strong support from respondents, we also intend to undertake a project to revise the standard on agreed-upon procedures engagements (ISRS 4400).⁴ This will enhance our suite of updated related services standards to better meet market needs.
16. 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 and related 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 on a priority basis a working group to explore these emerging areas more fully and identify potential actions, in an effort to inform our longer-term strategy as it relates to meeting future assurance needs. This group will be referred to as the Innovation, Needs and Future Opportunities (INFO) Working Group.

Facilitating Adoption and Implementation of the Standards

17. The global financial crisis emphasized the importance of strong financial systems and the need for a robust regulatory infrastructure to support financial stability. The Financial Stability Board (FSB) has signaled that the ISAs, among other standards, are key for sound financial systems and deserving of priority implementation. 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, and we recognize the tremendous effort being invested by our stakeholders in doing so. The recently proposed legislation by the European Commission⁵ to mandate use of the clarified ISAs for statutory audits within the European Union is a significant step forward towards global adoption and implementation of high-quality international standards that facilitate transparency, consistency, economic growth, and financial stability. While the manner in which jurisdictions are adopting, or converging to, ISAs may differ due to national circumstances, there is strong momentum for global adoption and implementation efforts in all parts of the world.⁶ 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.
18. We have noted concern regarding the implementation of ISQC 1,⁷ particularly amongst small and medium practices (SMPs). Our consultations revealed broad support from respondents for the

⁴ International Standard on Related Services (ISRS) 4400, *Engagement to Perform Agreed-upon Procedures Regarding Financial Information*

⁵ More information on the November 2011 proposals can be accessed at ec.europa.eu/internal_market/auditing/reform/index_en.htm.

⁶ 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 2012 and beyond. This information can be accessed at web.ifac.org/clarity-center/support-and-guidance.

⁷ [International Standard on Quality Control \(ISQC\) 1](#), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

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. This work is also likely to be relevant to supreme audit institutions (SAIs) responsible for public sector financial audits.

19. Also, when the IAASB issued the standard on assurance reports on controls at a service organization (ISAE 3402)⁸ 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

20. 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.

⁸ ISAE 3402, *Assurance Reports on Controls at a Service Organization*

Strategy and Work Program, 2012–2014

21. 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 related considerations set out in Appendix 3.⁹ 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.
22. 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.
23. This section sets out the IAASB's strategic focus for 2012–2014. The next section contains the planned work program to implement the strategy. As strongly supported by stakeholders, the work program is premised on the need to focus on Auditor Reporting as the foremost priority and, subject to developments thereon, completing on a priority basis projects already in progress and commencing some new key projects. 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 and available resources. While the work program has allowed for some flexibility to respond to developments, the identification of new priorities may impact the timing of one or more projects. In addition, the IAASB may conclude at any time 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, in particular in relation to the plans to complete the Auditor Reporting project in 2014. In addition, the planned commencement of new projects or initiatives takes into account the importance of due process.

Supporting Global Financial Stability

24. 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, including group audits and 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.

⁹ 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](#).

25. 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. In response to public interest calls for a renewed focus on such a fundamentally important issue in the audit, the IAASB ~~has~~ commissioned a Staff publication to highlight important considerations within the clarified ISAs regarding professional skepticism and remind auditors of their responsibilities during the audit. The publication ~~is expected to be~~ was issued in ~~[February 2012]~~.¹⁰ While this initiative was strongly supported by the IAASB CAG as a meaningful first step, it was further suggested that the IAASB consider the theme of professional skepticism more holistically in its current and future projects, in particular in relation to its work on audit quality.
26. 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. Of particular importance is the IAASB's commitment to learn from implementation experiences with the clarified ISAs. Now in its second phase, the ISA Implementation Monitoring project is specifically focused on gathering information across a wide range of stakeholders about the implementation of the clarified ISAs on audits of entities of all sizes, in order to determine whether changes to the ISAs or new guidance are needed: (a) ~~in order~~ to increase the consistency of practitioners' understanding of the ISAs; and (b) for the revised ISAs covered by the review to achieve the IAASB's goals in revising them in an efficient and effective manner.¹¹
27. Further, debates are being held in a number of major jurisdictions about lessons for audit from the global financial crisis and what more can be done to enhance the role of auditors in safeguarding financial stability. A significant part of the IAASB's previous work program addressed a number of the issues that are being discussed. In particular, the 2011 issuance by the IAASB of ~~International Auditing Practice Note (IAPN) 1000~~¹² was 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:
- *Auditor Reporting*, including revision of ISA 700¹³ and consideration of revision of other ISAs, through which the IAASB intends to actively consider innovative ways to enhance the relevance and usefulness of auditors' reports and auditor communications more broadly. The project will also explore new ways in which auditor reporting could accommodate evolving national reporting regimes and facilitate enhanced approaches in corporate reporting.

¹⁰ The Staff publication, *Professional Skepticism in an Audit of Financial Statements*, can be accessed at: www.ifac.org/sites/default/files/publications/files/IAASB%20Professional%20Skepticism%20QandA-final.pdf.

¹¹ The approved Phase 2 plan can be accessed at: www.ifac.org/sites/default/files/publications/files/20110926-IAASB-ISA_Implementation_Phase_II%20Plan-FINAL.pdf. Findings from this project are expected to be presented to the IAASB at its June 2013 meeting. This timing will assist the IAASB in determining its priorities for 2014 and its next three-year strategic planning cycle (2015–2017).

¹² *International Auditing Practice Note (IAPN) 1000, Special Considerations in Auditing Financial Instruments*, approved by the IAASB in September 2011

¹³ ISA 700, *Forming an Opinion and Reporting on Financial Statements*

Outreach and communication activities will be critical to the success of the project, in particular to explain the IAASB's proposals and seek feedback on them;¹⁴

- *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;¹⁵
- *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. The IAASB will deliberate on the issues that should be addressed in IAASB standard-setting or other related activities in 2012, with the first consideration being whether standard-setting is the most appropriate action and, if not, what other actions may need to be undertaken to address the issues that have been raised in its 2011 consultation.¹⁶ Recognizing the importance of staying close to developments in financial reporting standards, the IAASB will also proactively monitor relevant developments pertaining to disclosures, and provide input as appropriate, through its ongoing liaison initiative with the International Accounting Standards Board (IASB); and
- *Revision of ISA 720*, through which the IAASB is seeking to clarify and enhance auditors' responsibilities regarding other information in documents containing or accompanying audited financial statements. Given the increased importance of this information to users, in reading other information the auditor can likely add value based on the knowledge gained from the audit.

28. Additionally, the IAASB has allocated capacity in 2014 to commence one new project on its auditing or quality control standards where a need for further strengthening is identified. Input to the possible specific topic area may come from the IAASB's work on Auditor Reporting or the ISA Implementation Monitoring project, for example, and other relevant developments including:

- Our current work on audit quality;
- 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.

The IAASB does not rule out the possibility that this new project might be an improvements project that would address small changes to a number of ISAs that might be found necessary in light of the

¹⁴ ~~During the course of its efforts on the project, the IAASB will give consideration to specific outreach and communication activities necessary to explain its proposals.~~

¹⁵ As a first step, in January 2011 the IAASB issued a publication, *Audit Quality, An IAASB Perspective*, highlighting several Board perspectives on audit quality as a means to stimulate thoughts and discussions on the topic among stakeholders in the financial reporting process.

¹⁶ Discussion Paper, *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications*, issued in January 2011. In January 2012, the IAASB issued a *Feedback Statement* to share insights relevant not only to the IAASB, but also to accounting standard setters, regulators and other stakeholders.

findings of the ISA Implementation Monitoring project. Any decision in this regard will be based on a careful analysis of relevant developments and where the IAASB's efforts should most effectively be prioritized.

29. The IAASB also intends to establish a working group in 2012 to further consider issues related to fair value accounting estimates and related considerations, which will closely follow relevant developments and assist it in considering whether there is a need for further enhancements to ISA 540¹⁷ or the development of additional implementation guidance.
30. Specifically, in finalizing IAPN 1000, the IAASB agreed on the need to explore authoritative guidance relating specifically to third-party pricing sources. The IAASB tentatively agreed that, if developed, such guidance could be located in ISA 540 or ISA 500¹⁸ 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.
31. More broadly, while the IAASB 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, stakeholders represented on the IAASB CAG¹⁹ have suggested that consideration be given to the auditing implications of recent trends in financial reporting resulting in greater reporting and disclosure of fair value financial information. Discussions with stakeholders have 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, findings from regulatory inspections and the ISA [Implementation Monitoring](#) project, may suggest possible further enhancements to the ISAs, including ISA 540, or the need to develop additional implementation guidance.
32. In addition to this work, given the spotlight on banks in the global financial crisis and their continuing vulnerabilities in the ensuing sovereign debt crisis, the IAASB also plans to work with stakeholders to stimulate discussion in 2012 on issues relating to the audit of banks. In this regard, the Basel Committee has signaled to the IAASB its intention to commence a project addressing the relationship between banking supervisors and banks' external auditors in the near future, bearing in mind suggestions in other forums such as the FSB.²⁰ Given the challenges of developing industry-specific guidance on an international basis, the IAASB's discussions will include consideration of actions that can be taken internationally with the greatest public interest impact. In this regard, the IAASB's discussions with national standard setters (NSS) and others, and the IAASB's work on audit quality, have suggested that a focus on enhancing interactions between auditors and [banking and insurance](#) regulators more broadly may be an area worthy of consideration.
33. Equally important, 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

¹⁷ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

¹⁸ ISA 500, *Audit Evidence*

¹⁹ For example, the Basel Committee, the International Actuarial Association (IAA), the International Association of Insurance Supervisors (IAIS), and the International Organization of Securities Commissions (IOSCO)

²⁰ [In its March 15, 2012 press release, the FSB noted its intention to provide input into the Basel Committee's work, and encouraged the continued efforts of the IAASB and others to improve the standards on information that external audits provide to investors and other financial report users.](#)

providing input to it on aspects of the IASB's proposed standards that may have potential verifiability or auditability issues.

34. The IAASB's discussions in its project to revise ISA 720 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. It is important, however, to recognize that, due to differing legislative and regulatory regimes, approaches taken by different jurisdictions towards how preliminary announcements are prepared and disseminated could vary. Therefore, the challenge of achieving global consensus on the appropriate responsibilities for auditors in this area should not be underestimated, and there will be a need for appropriate research and consultation with IOSCO and other stakeholders.
35. Accordingly, in tandem with the anticipated completion of the ISA 720 project in 2014, the IAASB plans to establish a working group to explore issues relating to auditor association with preliminary announcements. The working group will have a broad remit to consider and make recommendations on what outputs might be feasible for the IAASB in seeking to address auditors' responsibilities regarding such information. Any enhancements that the IAASB may bring to existing practice in this area may also facilitate longer-term consideration of a broader project on practitioner association, which would require collaboration with the International Ethics Standards Board for Accountants.

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

36. Much like its work with the ISAs, the IAASB's efforts in the area of assurance and related services are geared towards meeting the needs of entities of all sizes – from SMEs looking for services other than an audit to larger entities looking to enhance users' confidence in the ongoing sustainability of their businesses. This section explores how the IAASB's future work program aims to respond to the needs of a wide range of stakeholders beyond the financial statement audit.
37. 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 the clarified ISAs have been developed for application on a proportionate basis,²¹ 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 other than the audit that are capable of meeting the unique needs of SMEs.

²¹ See the IAASB Staff publication, *Applying ISAs Proportionately with the Size and Complexity of an Entity*, available on the IAASB website at web.ifac.org/media/publications/e/applying-isas-proportionate/applying-isas-proportionate.pdf.

38. Accordingly, in 2012 the IAASB will place high priority on completing its project to revise its standard on review engagements (ISRE 2400).²² This project, together with ~~recently issued~~ ISRS 4410 (Revised),²³ represents an important step in the IAASB's efforts to develop international standards for financial statement services other than audits, and addresses an important demand for standards in jurisdictions where statutory reviews are now, or likely to be, required.
39. In relation to interim reviews performed by the auditor, ISRE 2410²⁴ is currently used in practice without significant difficulties. The IAASB will, however, consider the implications, if any, of the finalization of ISRE 2400 on this standard.
40. In addition, in 2013 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 providers 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, and could provide examples of how such engagements are currently being used in practice.²⁵
41. Also, in 2012 and early 2013 the IAASB will continue its 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).
42. In relation to emerging areas, the IAASB ~~has will~~ completed in 2012 ~~proposed~~ ISAE 3410, its project on developing a new standard for assurance engagements on greenhouse gas statements. This ~~will~~ responds to the strong and growing need for mechanisms to enhance the reliability of the underlying information used in emissions trading schemes.
43. 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)²⁶ and the Global

²² [International Standard on Review Engagements \(ISRE\) 2400, Engagements to Review Financial Statements](#)

²³ ISRS 4410 (Revised), *Compilation Engagements*, ~~approved in December 2014~~

²⁴ ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

²⁵ 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.

²⁶ 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, 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.

Reporting Initiative (GRI) has highlighted the 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. Finally, the increasing use of eXtensible Business Reporting Language (XBRL) globally as a means of delivering financial information has highlighted the need for greater attention to the role of assurance regarding XBRL-tagged data.²⁷

44. The IAASB recognizes that the environment regarding assurance in these areas remains dynamic and fluid. In order to assist the IAASB in prioritizing its resources, adequate study of the developments, issues, challenges and market needs is needed to ensure the IAASB can develop informed and relevant responses as needed. Accordingly, the IAASB plans to establish a working group in 2013 to identify and research issues and actively monitor relevant developments for purposes of informing the IAASB's thinking on these topics, referred to as the Innovation, Needs and Future Opportunities (INFO) Working Group. The working group will report periodically to the IAASB in order to shape its longer-term strategic direction. 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.²⁸ It may also develop reports on findings that may be shared with NSS, regulators, firms and other organizations with a view to stimulating debate and collaboration.
45. 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

46. 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.
47. There have been a number of important developments relating to the global acceptance of the clarified ISAs over the past three years. Several international regulators and organizations have expressed support for the clarified ISAs, including the Basel Committee, FSB, IOSCO, the UN

²⁷ In 2009, the IAASB approved a project proposal on XBRL, premised on a two-phased approach. The first phase was consultation to obtain views about the IAASB's plans to develop a pronouncement on XBRL, and the IAASB has deliberated on XBRL on a number of occasions. Research was also commissioned on the topic by IAAER and ACCA to further explore where standard-setting may be necessary. Given this evolving context, the specific project on XBRL originally contemplated in the project proposal will be supplanted by the broader considerations of the INFO Working Group, which will monitor the relevant developments and make recommendations to the IAASB on the way forward.

²⁸ The IAASB also recognizes the role that this group could play in proactively determining how emerging issues in corporate reporting and corporate governance may affect the future of auditor reporting.

Conference on Trade and Development (UNCTAD), the World Bank, and the World Federation of Exchanges. The top 24 global auditing networks' methodologies are aligned with the clarified ISAs. Most importantly, there is significant momentum at the national level for use of the clarified ISAs, often shifting from a model of alignment or convergence to direct adoption.²⁹ In addition, the International Organization of Supreme Audit Institutions (INTOSAI) has endorsed a set of International Standards of Supreme Audit Institutions (ISSAIs) for public sector financial audits, which include the clarified ISAs. Activities to raise awareness of the ISSAIs are being carried out and a broad program to promote and support the implementation of the ISSAIs on a global scale is expected to be launched in 2012.

48. These are positive developments that reflect widespread acceptance of the clarified ISAs. The IAASB, however, recognizes that more needs to be done to further promote the benefits of adoption of the clarified ISAs around the world. Along with the IAASB, IFAC Member Bodies, NSS, SAIs, regulators and others have an important role to play in promoting the use of the clarified ISAs for audits of entities of all sizes in both the public and private sectors. The IAASB therefore plans to continue focusing substantial effort throughout 2012–2014 on outreach, liaison and consultation activities with the IAASB CAG, NSS, public authorities, international regulators, audit oversight bodies (including IFIAR), and other stakeholders. These efforts will help to identify and seek to reduce 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 or certain sizes of entities. 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.
49. In the 2012–2014 period, the IAASB will consider how best to share 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, including proportionality of application to SMEs. The planned 2013 report on findings from Phase 2 of the ISA Implementation Monitoring project will be particularly relevant (see paragraph 26).
50. The IAASB also plans to explore in 2012 whether to develop a communication that compares and contrasts the value and benefits of the audit, review and compilation services addressed by its standards.

Responding to Implementation Challenges

51. Broad outreach, liaison and consultation with stakeholders will also provide a means for the IAASB to facilitate implementation of the clarified ISAs to the extent possible. Additionally, the IAASB will leverage such efforts in understanding implementation challenges, including proportionality of application to SMEs. Communication with those groups identified in paragraph 48 is likely to assist in this regard. In evaluating the findings from the ISA Implementation Monitoring project and audit inspections and considering how to respond to potential calls for change, the IAASB will need to be mindful of the concern expressed that ample time is needed for the clarified ISAs to be effectively implemented and that incremental change may not be advisable unless there is a demonstrated need for it. Recognizing the continuing need for support, the IAASB will consider commissioning appropriate staff outputs where these are likely to be practical and helpful. The IAASB will also

²⁹ See footnote 6.

continue to promote the tools its Staff has already developed, such as ISA modules and overview publications and Bases for Conclusions, which highlight the IAASB's objectives and significant considerations in developing or revising a standard and responding to comments received on exposure.

52. In relation to the implementation of assurance standards, the IAASB plans to seek initial feedback in 2013 on the experiences of service organizations, service auditors, user entities, user 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.
53. 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.

Work Program

Note: Commencing dates in square brackets are tentative.

Activities / Projects	Commencing
Supporting Global Financial Stability	
To enhance the communicative value and relevance of auditor reporting and explore ways in which auditor reporting could accommodate evolving national financial reporting regimes and facilitate enhanced approaches in corporate financial reporting, through revision of ISA 700, <i>Forming an Opinion and Reporting on Financial Statements</i> , and further consideration of revision of other ISAs (Auditor Reporting)	In progress
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)	In progress
Continue work on the audit quality project (Audit Quality)	In progress
New Project 1 – new ISA or guidance on auditing financial statement disclosures (Disclosures)	[Q3 2012]
New Project 2 – auditing or quality control standard or guidance	[Q1 2014]
Explore whether to develop guidance regarding third-party pricing sources for inclusion in ISA 540 or ISA 500 as appropriate, and consider whether there is a need for further enhancements to ISA 540 or the development of new implementation guidance in light of relevant developments (Third-Party Pricing Sources / ISA 540)	[Q3 2012]
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 topic of the relationship between external auditors and supervisors / regulators (Guidance on Auditor / Banking Supervisor Relationship)	[Q3 2012]
Determine, in tandem with the anticipated completion of the revision of ISA 720, actions to be taken regarding auditor association with preliminary announcements based on research undertaken in consultation with regulators and other stakeholders (Preliminary Announcements)	[Q1 2014]

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)	Ongoing
Enhancing the Role, Relevance and Quality of Assurance and Related Services in an Evolving World	
Finalize the development of new ISAE 3410, <i>Assurance Engagements on Greenhouse Gas Statements</i> (ISAE 3410)	In-progress Completed
Finalize the revision of ISRE 2400, <i>Engagements to Review Historical Financial Statements</i> (ISRE 2400) ³⁰	In progress
Finalize the revision of ISAE 3000, <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> (ISAE 3000)	In progress
Revise ISRS 4400, <i>Engagements to Perform Agreed-upon Procedures Regarding Financial Information</i> (ISRS 4400)	[Q3 2013]
Establish a working group to identify and research issues and actively monitor relevant developments, in particular in the areas of integrated reporting, sustainability, corporate governance, internal control, and XBRL, to inform longer term IAASB strategy and standard-setting activities (INFO Working Group)	[Q1 2013]
<p><i>Actions that Are of a Monitoring Nature</i></p> <ul style="list-style-type: none"> • Monitor developments arising from the activities of NSS and others with regard to alternative services for SMEs to determine whether a standard regarding services other than compilation, review, agreed-upon procedures or audit is necessary • 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 	Ongoing
Monitoring and Facilitating Adoption and Implementation of IAASB Standards	
Continue Phase 2 review of the ISA Implementation Monitoring project, gathering information about the use of the clarified ISAs to assist the IAASB to determine what, if any, changes are needed in order to increase the consistency	In progress

³⁰ In finalizing ISRE 2400, the IAASB will consider the implications, if any, on ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

of practitioners' understanding of the ISAs; and for the revised ISAs covered by the review to achieve the IAASB's goals in revising them in an efficient and effective manner (ISA Implementation Monitoring)	
Commission a staff publication for issuance in Q1 2012 to highlight important considerations within the clarified ISAs regarding professional skepticism in an audit of financial statements (Professional Skepticism Publication)	In progress Completed
Explore whether to develop a communication that compares and contrasts the value and benefits of the audit, review, and compilation services addressed by the IAASB's standards (Communication about Audit, Review and Compilation Services)	[Q3 2012]
Commission a staff publication addressing the proportionality of application of ISQC 1 (ISQC 1 Q&A)	[Q4 2012]
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)	[Q4 2013]
Actively discuss with NSS, public authorities, oversight bodies, and international regulators to identify and seek to reduce 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 <u>or certain sizes of entities</u> , and ensure that the content and breadth of proposed new standards facilitate their global acceptance and adoption	Ongoing
Continue outreach and liaison activities with NSS, audit oversight bodies, IFAC member bodies, and others to understand implementation challenges that may arise in practice, <u>including proportionality of application to SMEs</u> , and consider appropriate actions to facilitate implementation of IAASB standards	Ongoing
Consider how best to share 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, <u>including proportionality of application to SMEs</u> , are being addressed	Ongoing
Continue outreach, liaison, and communication initiatives described in Appendix 2	Ongoing
Development of the IAASB's Strategy and Work Program	
Taking into account findings from Phase 2 of the ISA Implementation Monitoring project, and recommendations from	[Q3 2013]

the INFO Working Group, develop the strategy and work program for the period 2015–2017 (Strategy and Work Program for 2015–2017)	
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Appendix 1

Illustrative IAASB Work Program: 2012–2014

The following depicts IAASB's estimated Work Program over 2012–2014. This schedule is premised on the key operating assumptions in Appendix 3. It will be updated to recognize changing circumstances affecting the 2012–2014 period. The IAASB also publishes a detailed forward project timetable for the next 12 months. Both documents are available at www.iaasb.org/Projects, and will be updated quarterly.

Green³¹ indicates the anticipated timing of IAASB discussion on proposals to commence projects and, as appropriate, the period over which Board debates will occur. “•” indicates anticipated milestones from Board deliberations, including outputs. Outputs depend on the nature and stage of the initiative, and may include a consultation paper, exposure draft, final standard or other publication. The timing shown below is indicative only and is subject to periodic revision and change by the IAASB. In relation to projects, Orange indicates the period in which research and analysis, and other preparatory activities, will be undertaken in order to facilitate their commencement. Orange also indicates efforts on initiatives of an ongoing nature (which may variously result in periodic reports to the Board).

Initiatives and Commencement Date		2012	2013	2014
Supporting Global Financial Stability				
Auditor Reporting	In progress	•	•	•
ISA 720	In progress	•		•
Audit Quality	In progress	•		•
Disclosures	[Q3 2012]		•	
New Project 2	[Q1 2014]			
Third-Party Pricing Sources / ISA 540	[Q3 2012]			
Guidance on Auditor / Banking Supervisor Relationship	[Q3 2012]			•
Preliminary	[Q1 2014]			

³¹ For purposes of a black and white copy of this printed document, “green” refers to the darker of the two shadings.

Initiatives and Commencement Date		2012	2013	2014
Announcements				
IASB Liaison	Ongoing			
Enhancing the Role, Relevance and Quality of Assurance and Related Services in an Evolving World				
ISAE 3410	In progress <u>Completed</u>	•		
ISRE 2400	In progress	•		
ISAE 3000	In progress		•	
ISRS 4400	[Q3 2013]			
Innovation, Needs and Future Opportunities (INFO) Working Group	[Q1 2013]			
Monitoring SME and SMP Developments, including proportionality of application of ISAs to SMEs	Ongoing			
Monitoring and Facilitating Adoption and Implementation of IAASB Standards				
ISA Implementation Monitoring	In progress		•	
Professional Skepticism Publication	In progress <u>Completed</u>	•		
Communication about Audits, Review and Compilation Services	[Q3 2012]		•	

Initiatives and Commencement Date		2012	2013	2014
ISQC 1 Q&A	[Q4 2012]			
Feedback on ISAE 3402	[Q4 2013]			
Communication and Outreach Activities	Ongoing			
Development of the IAASB's Strategy and Work Program				
Strategy and Work Program for 2015–2017	[Q3 2013]			

Appendix 2

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.

Appendix 3

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 full complement of staff, comprising 8 full-time technical staff members during the strategy period.
 - In normal circumstances, 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 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.
6. In addition to managing projects, IAASB Staff develop publications such as Staff Audit Practice Alerts, Staff 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.