

ISA Implementation, INFO Working Group and Strategy – Report Back on the April 2013 CAG Meeting

Below are extracts from the draft minutes of the April 2013 CAG meeting,¹ and an indication of how the Steering Committee or IAASB has responded to the Representatives' comments. In accordance with the manner in which the project was discussed at the April 2013 meeting (i.e., divided into three sections), separate tables are included below for each of the section, namely 1) the IAASB's ISA Implementation Monitoring project; 2) the work of the INFO Working Group; and 3) the IAASB's 2015–2019 Future Strategy. References to the draft CP are to **Agenda Item J.1**.

IAASB Future Strategy (Agenda Item G)	
Representatives' Comments	Task Force/IAASB Response
ISA IMPLEMENTATION MONITORING PROJECT	
<p>Ms. de Beer asked if an ongoing process was needed to monitor the implementation of IAASB standards after the ISA Implementation Monitoring Project was completed.</p>	<p>Point accepted.</p> <p>Mr. Grant agreed that this would be useful, but noted that it may create an expectation that the IAASB would be able to respond to all evidence it may gather, which may make it difficult for adopting jurisdictions as there will not be a stable platform of ISAs. He suggested a more disciplined approach was necessary to take into account the time and due process that would be needed to revise existing standards or develop new ones in response.</p> <p>The draft CP highlights plans for post-implementation reviews of the IAASB's standards beyond the ISAs. It also acknowledges that monitoring of the ISAs will be an ongoing activity over the next few years as the ISAs continue to be adopted and further experience with them is gained and there may be additional implementation challenges identified. The IAASB will continue periodic meetings with key stakeholders to obtain such input, while also providing an opportunity for dialogue about the best approach to future changes to the ISAs.</p>

¹ The minutes will be approved at the September 2013 IAASB CAG meeting.

IAASB Future Strategy (Agenda Item G)	
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<p>Mr. Peyret inquired how the IAASB monitors ISA adoption by jurisdictions, including those who translate ISAs into their national languages, to ensure that the final adopted text is in accordance with the IAASB standards. He highlighted that the ISAs should be written using language that judges would find easier to interpret in a legal context.</p>	<p>Point noted.</p> <p>Messrs. Grant and Gunn noted that the IAASB and IFAC have policies on modifications to the IAASB's standards² and translations³ respectively. Mr. Gunn added that IFAC's translation policy is focused on achieving a faithful translation with involvement by or consultation with appropriate experts. Mr. Grant also noted that setting a primary objective of using language in ISA which was understandable in a legal context may result in a shift away from principles-based standards.</p>
<p>Mr. Stewart noted that the IASB used a combination of public and private responses when conducting a post-implementation review of IFRS 8.⁴ He asked about the level of access IAASB members had to the individual responses.</p>	<p>Point noted.</p> <p>Mr. Grant responded that the IAASB has been provided with access to a database that groups comments by stakeholder and themes to respect the confidentiality of respondents.</p>
<p>Mr. James noted that the IOSCO response indicated that securities regulators agreed on three broad areas for improvement: professional skepticism; sufficient appropriate audit evidence; and the use of other auditors and experts. He added that he did not believe that the summary of responses gave adequate emphasis to the sufficient appropriate audit evidence point.</p>	<p>Point taken into account.</p> <p>Mr. Grant responded that the issues around sufficient appropriate audit evidence were noted by the Task Force in the context of a number of individual ISAs, rather than as an overarching theme, but that, in his view, the point had been captured in the analysis.</p>
<p>Mr. Hemus asked whether firms referenced professional skepticism in their responses. Mr. Kuramochi noted that, in preparing the Japanese ED on fraud, the Japanese FSA noted that professional skepticism is a matter of judgment by every auditor. This led the Japanese FSA to propose an objective review by another person, particularly a fraud</p>	<p>Point noted.</p> <p>Mr. Grant noted that, due to the regulatory emphasis, some firms had referenced professional skepticism in their responses. He added that he found the Japanese Fraud ED's</p>

² *Modifications to International Standards of the IAASB: A Guide for National Standard Setters that Adopt IAASB's International Standards but Find It Necessary to Make Limited Modifications* (see www.ifac.org/sites/default/files/publications/files/modifications-to-internatio.pdf)

³ *Policy for Reproducing, or Translating and Reproducing, Publications of the International Federation of Accountants* (see www.ifac.org/publications-resources/policy-reproducing-or-translating-and-reproducing-publications-international-)

⁴ International Financial Reporting Standard (IFRS) 8, *Operating Segments*

IAASB Future Strategy (Agenda Item G)	
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expert, to enhance the application of professional skepticism.	progressive approach to involving experts to increase skepticism interesting.
Mr. Koktvedgaard noted that some issues, such as professional skepticism affect more than one of the independent international standard-setting boards, making a coordinated approach necessary. He asked whether the other international standard-setting boards have similar projects to the IAASB's ISA Implementation Monitoring project.	Point noted. The International Accounting Education Standards Board (IAESB) is planning a project in their 2014–2016 Strategy and Work Plan to monitor the implementation of the revised International Education Standards (IESs) but has not undertaken any post-implementation monitoring to date. The International Ethics Standards Board for Accountants (IESBA) has not undertaken any post-implementation monitoring to date.
Mr. Hansen highlighted that outreach to regulators to get feedback on lessons learned from audit inspection findings would assist in informing the ISA Implementation Monitoring project.	Point accepted. Mr. Grant attended meetings of both IFIAR and IOSCO as part of the input to this post-implementation review, and it is noted that their views have been incorporated in the findings.
Mr. Thompson noted that, if the areas identified by the ISA Implementation Monitoring project indicated that audit quality could be improved, then these areas should be addressed quickly. For example, he suggested that the proposed changes to ISA 260 regarding the identification of significant risk could be addressed in the Auditor Reporting ED.	Point taken into account. Mr. Grant responded that very few concerns were raised in relation to ISA 260 through the ISA Implementation Monitoring project. However, concerns had been raised about the inconsistency with which significant risks were being identified in ISA 315, but added that it may be difficult to add this to the Auditor Reporting project without it delaying that project. The prioritization within the draft CP reflects a desire to address certain findings of the ISA Implementation Monitoring projects on a more accelerated basis, for example through the use of "limited scope" amendments to address targeted issues.
Ms. de Beer noted that the IAASB should consider whether a broader project is needed on professional skepticism and professional judgment.	Point accepted. Mr. Grant also noted that the IAASB could review ISQC 1 to consider whether it required the right

IAASB Future Strategy (Agenda Item G)	
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	<p>behavior at the firm level, and added that the decision to plan future projects in this area would form part of the future strategy deliberations.</p> <p>These topics have been included in the draft CP.</p>
INFO Working Group	
<p>Messrs. Kockvedgaard and Kuramochi supported the establishment of the INFO Working Group. Mr. Kuramochi noted that this Working Group could investigate other potential engagements such as providing assurance on valuations or forensic work.</p>	<p>Support noted.</p>
<p>Mr. Diomeda noted that the ToR should specifically take into account issues and services relevant to SMEs and small and medium sized practitioners (SMPs).</p>	<p>Point noted.</p> <p>Mr. Gunn noted that this constituency would be considered as the Working Group progresses.</p>
<p>Ms. Borgerth supported consideration of assurance on sustainability engagements, as she was of the view that assurance is fundamental to enhancing the credibility of sustainability reports.</p>	<p>Support noted.</p>
<p>Mr. Hansen supported the inclusion of forward-looking information.</p>	<p>Support noted.</p>
<p>Mr. Morris suggested that the Working Group should have a process similar to the ISA Implementation Monitoring Project to monitor the implementation of new assurance engagement standards. Mr. James noted that the INFO Working Group can monitor future developments, which may be a way forward for the ISA Implementation Monitoring project.</p>	<p>Point taken into account.</p> <p>Mr. Gunn responded by noting that the INFO initiative has a different focus and objective to that of the ISA Implementation Monitoring project, and that monitoring implementation of standards would not be part of the INFO Working Group's role. However, further consideration of how the IAASB monitors implementation of its standards may be a matter for the IAASB to consider as part of its future strategy. He also noted that the IAASB had already agreed to monitor the implementation of ISAE 3402⁵ as a standalone exercise.</p>

⁵ ISAE 3402, *Assurance Reports on Controls at a Service Organization*

IAASB Future Strategy (Agenda Item G)	
Representatives' Comments	Task Force/IAASB Response
	The draft CP highlights plans for post-implementation reviews of the IAASB's standards beyond the ISAs.
Mr. Hansen noted that other professions, such as engineers, are using standards produced for professional accountants, and suggested that the INFO Working Group should consider whether outreach to these professions should be undertaken to uncover any issues that should be considered by the IAASB in monitoring areas of focus.	Point noted. The INFO Working Group may consider such steps, along with other possible steps, when carrying out its activities.
Ms. Blomme preferred the transparent approach under the proposed INFO Working Group ToR, rather than the IAASB Steering Committee reviewing forward trends on a more ad hoc basis.	Point noted. Prof. Schilder responded that the role of the Steering Committee is quite different as it is focused on advising the Chairman. He noted that matters applicable to decisions relating to the development of standards need the transparency delivered by having a formal Working Group.
Ms. Blomme noted that FEE had changed the role of their committee addressing financial reporting to address "corporate reporting" rather than "financial reporting" in recognition of the importance of non-financial reporting by companies. She added that further work would be needed on the assurance implications of integrated reporting but that the Integrated Reporting Framework would help in this regard.	Point accepted. The INFO Working Group has identified consideration of the assurance implications of integrated reporting as an early focus area and has assigned a Working Group member to monitor developments in this important area. The draft CP highlights the importance of the IAASB continuing to monitor developments in Integrated Reporting (<IR>), particularly in relation to the recently proposed Integrated Reporting Framework. ⁶ Once the Integrated Reporting Framework is sufficiently developed, the IAASB intends to commence a project to develop an assurance standard in this emerging area.
Mr. Koltvedgaard noted the need for coordination between the independent standard-setting boards of IFAC on topics	Point noted. Prof. Schilder noted that the IAASB worked to

⁶ The International Integrated Reporting Council (IIRC's) Consultation Draft of the *International <IR> Framework* was released in early 2013 for consultation until July 15, 2013.

IAASB Future Strategy (Agenda Item G)	
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<p>of mutual interest, such as professional skepticism. Ms. de Beer suggested that the IAASB should, as part of its Strategy development process, formalize the liaison and cooperation between these groups to avoid unintended consequences.</p>	<p>strengthen its liaison activities with both the IESBA and the International Accounting Education Standards Board (IAESB) in recent months.</p>
IAASB STRATEGY AND WORK PROGRAM, 2015–2019	
<p>Mr. Koktvedgaard supported the move to a five-year strategic period. By contrast, Mr. Bollmann questioned the usefulness of a five-year plan, suggesting this could lead to the IAASB over committing for the period. Mr. Hines asked whether the five-year strategy period for the IAASB was integrated with IFAC's strategic planning timetable.</p>	<p>Points noted.</p> <p>Prof. Schilder noted that the IAASB is at arm's length from IFAC, and Mr. Gunn indicated that he did not see any complications from having slightly differing periods.</p> <p>Responses to the Stakeholder Survey indicated broad support for the IAASB changing its strategy period to five years commencing in 2015 (i.e., 2015–2019). The draft CP is written on this basis and explains the reason for the change.</p>
<p>Mr. Hemus asked how the IAASB's strategic objectives related to the PIOB's role, particularly when considering capacity constraints affecting projects and the public interest. For example, he suggested the need to consider whether it is in the public interest to develop new assurance standards to meet growing demand, and noted the PIOB has an important role to play in helping the IAASB evaluate necessary trade-offs due to limited resources. He also asked what planning period the PIOB used. Mr. Hafeman noted that the PIOB sets its own strategic objectives independent of the standard-setting boards, but its mandate includes reviewing the IAASB's Strategy and Work Program and considering whether they address all public interest issues. He highlighted that the PIOB's responsibilities including recommending matters that may be need to be added to the work program from a public interest perspective or that are on the work program but need to be prioritized differently.</p>	<p>Point noted.</p> <p>Mr. Hafeman noted that IFAC has previously increased resources in particular areas when the PIOB had expressed concerns that resources appear to be inadequate, but that the PIOB recognized that funding is limited. He added that the PIOB supported the creation of the INFO Working Group as it will inform the IAASB's judgment on whether there are emerging developments that need to be addressed on a priority basis.</p>
<p>Ms. de Beer suggested that the IAASB first needed to agree on its strategic initiatives and agenda and based on</p>	<p>Point noted.</p> <p>Mr. Sylph noted that the broader budgeting process</p>

IAASB Future Strategy (Agenda Item G)	
Representatives' Comments	Task Force/IAASB Response
<p>the resources required to support the execution thereof, it may need to seek additional funding to address key projects if those projects cannot be accommodated with the resources allocated to the IAASB.</p>	<p>for resourcing the standard-setting boards happens on a three-year cycle. He also noted that additional resources are unlikely to be available in a shorter period due to the lengthy process needed to secure such resources. Therefore, in his view, moving to a 5-year strategic period could enable the IAASB to consider how it might raise additional funds if the work program continues to be increased.</p>
<p>Mr. Koktvedgaard asked if the IAASB had sufficient reporting mechanism to regulators in light of the move away from self-regulation of the profession, and suggested that audit oversight bodies have an important role to play in contributing to standard setting and ensuring quality audits. He also noted that areas such as information technology and the influence of governance structures needed to be recognized in the Strategy and Work Program. In his view, these developments will lead to an expectation of auditors become more efficient, as companies had to.</p>	<p>Point accepted.</p> <p>Prof. Schilder noted that the IAASB aimed for a continuing, constructive dialogue with regulators such as IOSCO, IFIAR, and the European Audit Inspectors Group, noting that audit inspectors provide the IAASB with feedback on how its standards are being applied in practice.</p> <p>The draft CP also notes that the IAASB believes it is important to consider whether and how the standard may need to be enhanced in light of an increasingly complex and information technology (IT)-reliant business environment, including the use by entities both large and small of cloud computing and sophisticated integrated IT systems, and the importance of other relevant development such as changes in applicable internal control frameworks.</p>
<p>Ms. Blomme noted that, particularly in Europe, increased regulation in relation to the audit has led to greater oversight and inspections and increased documentation. She suggested that this burden significant affects auditors of financial statements of entities other than listed entities, and that consideration was needed as to whether the amount of time incurred relating to documentation is justified.</p>	<p>Point taken into account.</p> <p>The draft CP acknowledges the need for continuous monitoring of implementation issues, and has noted that it will continue its efforts in support of effective implementation of the ISAs on audits of all sizes.</p>
<p>Mr. Kuramochi noted that IOSCO preferred that the IAASB focus on the need for high-quality ISAs rather than other assurance services, as auditors play an indispensable role in the capital markets supporting the public interest. He</p>	<p>Point accepted.</p> <p>The draft CP recognizes the importance of the IAASB continuing to focus its efforts in support of the ISAs, and continued improvement to maintain</p>

IAASB Future Strategy (Agenda Item G)	
Representatives' Comments	Task Force/IAASB Response
<p>noted that a failure attributed to auditing standards could adversely affect the profession, and that keeping public confidence is paramount for the audit profession. He expressed a personal view that fraud should be a focus as it is a source of audit failure and reduces public confidence. He suggested some aspects of the INFO WG may have benefits to audit quality.</p>	<p>public confidence. In addition, the 'Table of Potential 2015–2019 Actions and Priorities' (pages 17–20 of the draft CP) demonstrates a concerted and substantial effort on audit and quality control standards, particularly at the start of the next Strategy period.</p>
<p>Ms. Blomme and Mr. Koktvedgaard noted that, as the thresholds for audits have increased over time, there is a need for another type of engagement to fill the gap between an audit and a review, adding that ISRE 2400 had not met this demand and more of a hybrid-type engagement may be appropriate. Ms. de Beer agreed, noting that in South Africa an audit threshold had also been implemented and as a result smaller companies require reviews, which might not adequately be addressed by ISRE 2400 (Revised). Mmes. Blomme and De Beer suggested the IAASB needed to monitor the implementation of ISRE 2400 to ensure it is meeting its objectives. Mr. Koktvedgaard noted that Denmark had introduced an enhanced form of review engagements to meet the need for a positive form of opinion with a lower work effort than an audit.</p>	<p>Point noted.</p> <p>Prof. Schilder noted his view that a few extra procedures added to a limited assurance engagement were unlikely to be sufficient to support a positive form opinion and that there is a risk that users may interpret this as too similar to an audit. He noted that revision of the standard on agreed upon procedures⁷ may provide a useful way forward, as such engagements can be address specific areas of concern in the financial statements and may form part of a hybrid engagement.</p> <p>The project to revise ISRS 4410 has been included in the draft CP.</p>
<p>Mr. Koktvedgaard suggested the IAASB could be more transparent about the status and planned timeline of anticipated projects, and that it might be useful to pinpoint the cost of an individual project to aide stakeholders in recommending prioritization of individual projects in light of resource constraints. Ms. de Beer noted the Steering Committee and staff undertakes these types of analysis, but was of the view that the level of detail many not always be appropriate for public consumption.</p>	<p>Point noted.</p> <p>Mr. Gunn noted that a project timetable is made available after each IAASB meeting. He also explained that in developing the future work program Staff reviews the known items on the IAASB's work program, attempts to forecast the timing and level of effort associated with new initiatives, and the Steering Committee uses this information to evaluate the capacity for new projects.</p>

⁷ International Standards on Related Services (ISRSs) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (Previously ISA 920)*

IAASB Future Strategy (Agenda Item G)	
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<p>Ms. de Beer highlighted that three possible topics that could be included in the Strategy were building on the Japanese fraud standard, addressing assurance for audits of banks and whether the Assurance Framework needed to be revised.</p>	<p>Point taken into account.</p> <p>The draft CP has acknowledged the three topics, with varying prioritization during the period (see sections in draft CP on professional skepticism (paragraphs 57–58), auditing issues relating to financial institutions, including fair value estimates (see paragraphs 59–61) and responding to developments in relation to assurance and related services, in particular in relation to considering revision to the Assurance Framework (see paragraph 71).</p>
<p>Mr. James noted that there may be lessons to be learned from the experience of accelerating the Auditor Reporting project, to address continuing concerns on resource constraints and the possibility of needing to focus on a priority issue and defer other projects.</p>	<p>Point accepted.</p> <p>The draft CP explains that the IAASB recognizes that a strategic decision to reallocate significant resources in order to progress a project on an accelerated basis may be necessary and appropriate in light of circumstances arising during the strategy period. The IAASB is prepared to make such a decision, if needed, even though doing so may mean deferral of work on other projects.</p> <p>Going forward, the IAASB also intends to further consider whether its task forces and staff structures are operating efficiently and effectively as they could be.</p>
<p>Ms. Blomme noted that she hoped to see documentation requirements made proportional for smaller entities. She noted that increased regulation of the profession often affects smaller firms as well as large, multinational firms.</p>	<p>Point taken into account.</p> <p>The draft CP acknowledges the need for continuous monitoring of implementation issues, and has noted that it will continue its efforts in support of effective implementation of the ISAs on audits of all sizes.</p>