Agenda Item
5-A

Summary of Feedback on the IAASB Proposed Strategy for 2015–2019 and Work Program for 2015–2016 and Recommendations for a Way Forward

I. The IAASB's Strategy for 2015–2019 (Strategy)

A. Highlights of Feedback on the Strategy

1. The Consultation Paper (CP) set out the following three strategic objectives for 2015–2019:

    (i) Develop and Maintain High-Quality International Standards on Auditing (ISAs) that Are Accepted as the Basis for High-Quality Financial Statement Audits

    (ii) Ensure the IAASB's Suite of Standards Continues to Be Relevant in a Changing World by Responding to Stakeholder Needs

    (iii) Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed

2. Generally, respondents were supportive of the IAASB's proposed efforts as set out in its future strategy, and were of the view that the strategic objectives were an appropriate means of guiding the IAASB's work over the next 5-year period, notwithstanding specific comments on each of the strategic objectives. There was also support for a concentration of efforts on ISAs, particularly in the early parts of the Strategy period.

3. However, some respondents were of the view that the strategic objectives were too operational and should rather focus on ways to address strategic challenges[1] facing the profession, such as maintaining both the relevance and value of the audit,[2] as well as continued credibility of the Board and confidence in its work as a global standard setter, particularly in its work in the assurance space.[3] A few respondents questioned why the emphasis on quality has not been extended beyond the ISAs.[4]

4. A few respondents had the view that there should be a stronger focus on balancing the needs of different stakeholder groups,[5] in particular the needs of small- and medium-sized entities (SMEs) and small and medium practices (SMPs).[6] Two others also emphasized the need for consideration of the implementation of the standards.[7]

5. Respondents variously also urged the IAASB to further consider:

    • Its approach to projects, in particular to address some of the planned work on a more timely basis by further considering what other resources could be used to supplement the Board's

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[1] ACCA, CPAB, IRBA, PWC, UKFRC

[2] CPAB, IRBA, UKFRC

[3] DTTL, EAIG, EFAA, ICAEW, IDW, IRBA, NBA, SMPC, SRA

[4] ACCA, IDW

[5] ICAEW, IDW

[6] EFAA, FSR, SMPC

[7] BDO, EBA

resources [8] and not limiting the Work Program to current resources [9] (which has been addressed in Section II of this paper).

- Making more clear what was to be achieved by 2019,[10] including communicating the success and effectiveness of its standard setting, implementation and outreach activities, and addressing the risks that may threaten the achievement of the IAASB's goals.[11]

- Aligning priorities with those of the Monitoring Group (MG) and the Public Interest Oversight Board (PIOB).[12]

- Better coordinating with the other independent Standard Setting Boards (SSBs),[13] with one respondent commenting that this should be included as a fourth strategic objective.[14]

- Developing a longer-term strategy (say for a period of ten years) to provide a benchmark for longer-term projects in assurance and related services.[15]

- Focusing on "markets" (such as listed entities, SMEs, and the public sector) rather than activities.[16]

- Developing an approach to identifying and responding to emerging issues.[17]

- Understanding "root causes" of issues raised by regulators, including possible concerns with the standards, by leveraging experiences of firms to be able to appropriately address issues that are being identified.[18]

6. Some respondents also explicitly noted their strong support for the IAASB's commitment to a mid-period review of the Strategy to ensure it will remain appropriate over the five-year period.[19] The Task Force will reflect these comments as appropriate in the revised draft of the Strategy to be presented to the IAASB at its September 2014 meeting.

7. Additionally, various comments were received about how to revise the strategic objectives, and are set out below.

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[8]   ACCA, GTI, KPMG

[9]   KPMG

[10] CAASB, ICAEW, IRBA, PWC

[11] PWC

[12] CFA

[13] CFA, CNCC-CSOEC

[14] CNCC-CSOEC

[15] EFAA, IDW

[16] NBA

[17] CPAB, DTTL, EAIG

[18] DTTL, EYG

[19] ACCA, EAIG, EYG, HKICPA, NZAuASB,

B.   Strategic Objective I: Develop and Maintain High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statement Audits

8.   While supporting the overall objective, several respondents made suggestions about what was intended to be addressed by this objective:

- A MG member was of the view that, in order to develop and maintain high-quality ISAs, the Board should focus its strategy on three key areas:

    o   Obtaining sufficient appropriate audit evidence;

    o   Exercising an appropriate level of professional skepticism;

    o   Using the work of other auditors and experts.[20]

- A few other respondents highlighted that some of the issues being identified (e.g., through the ISA Implementation Monitoring project and outreach) relate to the implementation of standards, and that standard-setting may not be the appropriate response. In addition, it was suggested that thought should be given to who besides the IAASB may play a role in achieving this objective (i.e., whether the word "develop" should be included in this strategic objective).[21] Linked to this, a few respondents emphasized the need to consider whether standard-setting was the most appropriate response and would favor a "stable platform" where possible.[22]

9.   Comments were also received about the specific projects that have been highlighted as a priority in this strategic objective, which were considered as part of the proposed revisions to the 2015–2016 WP explained in Section II of this paper.

Task Force Recommendations for Changes to This Strategic Objective

10.   The focus on ISAs and their importance to the capital markets continues to be stressed by the MG, regulators and others. At the same time, there is a need to acknowledge the unique needs of SMEs and SMPs in the context of performing an ISA audit. Finally, as further acknowledged in the feedback on the second objective, developments in the environment, particularly in relation to the effects of technology on audits, will likely need to be explored by the IAASB in the near term to ensure the ISAs remain "fit for purpose" and therefore relevant for entities of all sizes in all industries.

11.   Respondents largely support a focus on high-quality ISAs during the five-year period, but have highlighted that actions beyond standard setting may be needed to supplement the strong base of the clarified ISAs. The revised 2015–2016 WP continues this focus, and acknowledges the variety of actions that may be taken to support it beyond development or maintenance of standards.

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[20]   IOSCO

[21]   CAASB, FEE, FSR, IDW

[22]   CNCC-CSOEC, WPK

12.   The Task Force therefore recommends the first strategic objective continue to focus on ISAs but be revised as follows:

> ~~Ensure the Continued Quality, Value and Relevance of an Audit Conducted in Accordance with ISAs by Responding on a Timely Basis to Issues Noted in Practice~~
>
> Ensure that ISAs Continue to Form the Basis for High-Quality, Valuable and Relevant Audits by Responding on a Timely Basis to Both Issues Noted in Practice and Emerging Developments

13.   Despite this change, the description of what ISA-related projects will be encompassed in this strategic objective would likely remain in the final WP. The work of the Innovation, Needs and Future Opportunities (INFO) Working Group in relation to considering the effects of technology on the ISAs would also now be considered part of this strategic objective.

C.   Strategic Objective II: Ensure the IAASB's Suite of Standards Continues to be Relevant in a Changing World by Responding to Stakeholder Needs

14.   This strategic objective was intended to address not only ISAs but also the IAASB's assurance, review and related services standards. While many respondents considered the overall focus on ISAs to be appropriate, some concerns have been expressed that topics in the second strategic objective have not received sufficient prominence in the WP for 2015–2016.[23]

15.   There was strong support for the efforts to be undertaken by the INFO Working Group, but some view that these efforts may need to extend beyond information gathering and should include research activities and more interactions with others.[24]

16.   Further changes suggested by respondents include:

- More emphasis on changes influencing stakeholder needs (such as changes arising from changing technologies), rather than emphasizing stakeholder needs.[25]

- Considering, as part of this strategic objective, whether additional guidance for audits of entities operating in emerging markets is needed.

- Consider the importance of including changes to the ISAs to address practical issues of auditing in an electronic world to maintain their relevance.[26]

- Considering whether all the topics captured in this one strategic objective should be included, as the description of the objective may obscure some of the very important components included.[27]

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[23]   IRBA

[24]   GTI

[25]   NBA

[26]   PWC

[27]   FEE, FSR

Task Force Recommendations for Changes to This Strategic Objective

17. As the Task Force is proposing changes to the first strategic objective to bring in the concept of relevance in relation to the ISAs, the Task Force recommends that this strategic objective be focused primarily on stakeholder needs in relation to the IAASB's other standards.

18. The Task Force is therefore recommending the second strategic objective be revised as follows:

> ~~Ensure the IAASB's Suite of Assurance, Review and Related Services Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders~~
>
> Ensure the IAASB's Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders for Services Other than Audits of Financial Statements

19. An important part of the 2015–2016 WP as proposed related to the process to develop a post-implementation review of the IAASB's standards other than ISAs, including the review and compilation standards. In the Task Force's view, this revised objective gives greater prominence to the considerations around assurance, review and related services engagements, in particular for SMPs.

20. It also addresses the monitoring efforts of the INFO Working Group and other outreach in relation to new and emerging areas to respond to stakeholder needs. Feedback from discussions with the Consultative Advisory Group (CAG) has indicated an essential part of responding to these demands is first to consider whether the IAASB's existing standards, in particular ISAE 3000 (Revised),[28] can be applied to new engagements (e.g., integrated reporting (IR) and other assurance services). The description supporting this strategic objective would further explain that, should the IAASB determine that a topic-specific standard is necessary, work would be seen as supporting this objective as well. These and other considerations will be addressed in the revisions to the explanation of this strategic objective in the final Strategy.

D. Strategic Objective III: Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed

21. This strategic objective attracted the most comments. While respondents were supportive of collaboration and cooperation with others, some were of the view that this is an overarching consideration rather than a strategic objective. In addition, a number of specific areas of attention were raised variously for further consideration by the IAASB:

- Consider a broader term than "financial reporting supply chain",[29] as there is an increasing trend for entities to produce non-financial information (social, environmental and sustainable aspects of their operations). This also includes stressing the importance of efforts relating to IR.[30]

- Collaborate more with regulators and auditors to better understand how the requirements of the ISAs, the firms' methodologies and the approach of the audit regulators are influencing

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[28] ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

[29] CBarnard, CNCC-CSOEC, ICAS

[30] NBA

the auditor's approach to compliance with the standards and consistent interpretation. [31] However, at the same time, a few respondents have noted that the IAASB needs to maintain a balanced approach to pressure from different stakeholders.[32]

- More proactively engage with users, particularly investors.[33]

- Look for opportunities to further coordinate with the International Ethics Standards Board for Accountants (IESBA) because of the interdependencies between the Board's respective standards and the need for common language and definitions in order to facilitate a common understanding by stakeholders.[34]

- Continue to engage the accounting standard setters on matters of "auditability",[35] including the need for further coordination with the International Public Sector Accounting Standards Board (IPSASB) or the International Organization of Supreme Audit Institutions (INTOSAI).[36]

- Explore ways in which the national auditing standard setters (NSS) may be able to assist resource IAASB activities.[37]

In addition, some respondents have noted that this objective appears to be more of a process rather than an objective,[38] notwithstanding that it is a critical activity.

Task Force Recommendations for Changes to This Strategic Objective

22. Notwithstanding that there is the view from some that this is an overarching consideration rather than a distinct strategic objective, the Task Force is of the view that there is sufficient support for retaining this as a strategic objective.

23. However, to address concerns that this could be better articulated, the Task Force is therefore recommending the third strategic objective be revised as follows:

> ~~Strengthen Outreach, Cooperation and Collaboration with Key Stakeholders to Appropriately Respond to Public Interest Issues Affecting Corporate Reporting~~
>
> <u>Strengthen Outreach and Collaboration with Key Stakeholders to Appropriately Respond to Public Interest Issues Affecting the Corporate Reporting Supply Chain</u>

24. The Task Force notes that, in the final Strategy, the description of this strategic objective will be revised to provide additional examples of important aspects of this cooperation and collaboration, as cited above.

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[31] BDO, UKFRC

[32] FEE, PWC

[33] CICPA, UKFRC

[34] ESMA

[35] ICAEW

[36] CIPFA

[37] ACCA, CAASB, CPAB, ICSA, IRBA, KPMG, UKFRC

[38] CNCC-CSOEC, FEE, FSR

Matter for IAASB Consideration

1.   The IAASB is asked to provide feedback on the proposed changes to the Strategic Objectives as set out in paragraphs 12, 18 and 23.

E.   Factors Guiding the Identification of Potential Priorities and Actions in Future Work Programs

25.   Appendix 2 of the Strategy CP explained that, in identifying potential actions and their relative priority for the 2015–2016 period, a number of factors were considered, including the following:

- The perceived urgency in the public interest of the need for change, and the potential implications if action is delayed, taking into account both the demands of the capital markets and the impact on businesses of all sizes.

- The need for change to enhance audit quality globally, or to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future, and the degree to which such change would further facilitate high-quality financial and corporate reporting and enhance public confidence therein.

- The degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action by the IAASB.

- The global applicability of the potential actions, for example in relation to entities of different sizes and complexity, different industries, and across jurisdictions.

26.   Respondents commented various on the factors taken into account in determining the potential actions and their relative priority in the 2015–2016 WP as follows:

- Many respondents explicitly agreed that the factors set out by the IAASB are a reasonable basis to select future priorities. [39]

- Some other respondents were in agreement that the factors seemed reasonable, but were unsure how they had been applied in determining the projects for the 2015–2016 WP.[40] A few of these respondents used ISA 600[41] as an example of a project that would seem to warrant priority consideration in light of the factors.

- A few respondents agreed with the factors, but suggested including consideration of the cost/benefit implications of changes that may be proposed,[42] as well as other matters such as the needs of, and effect on, SMEs.[43]

- Two respondents noted that the factors were a useful starting point but given their subjectivity it would be hard for the IAASB to develop its Work Programs and should rather be defined in terms of what the IAASB wanted to achieve.[44]

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[39]   AUASB, CBarnard, CICPA, EBA, FSR, HKICPA, ICAS, ICSA, IRBA, JICPA, KPMG, NZAuASB, RSM, UKFRC, WITS, WPK

[40]   CAASB, CNCC-CSOEC, FEE, IDW, KICPA

[41]   ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

[42]   BDO, PWC

[43]   DJuvenal, ICAEW, SMPC, SRA

- A few respondents also noted that weightings to be used for each the factors would be useful.[45] One respondent who suggested weighting were necessary also did not agree with using the factors as a basis for determining priorities, because the list was not a complete list.[46] This respondent also suggested explaining how potential actions are measured against the factors.

- One respondent suggested the IAASB should consider providing more transparency about how stakeholders' needs are balanced, and what happens when they are in conflict.[47]

- One respondent suggested removing the word "perceived" in describing the "urgency in the public interest".[48]

Task Force Recommendations for Changes to the Factors

27.   The Task Force is of the view that the proposed factors largely remain appropriate. The Task Force is also of the view that it would be difficult to assign weightings to the factors, or explicitly link the factors to outcomes. However, given the support for the factors as well as the proposed 2015–2016 WP, the Task Force is of the view that the final strategy could more clearly work to link the selected projects to these factors and the factors could be revised as follows:

> In identifying potential actions and their relative priority for the 2015–2016 period, a number of factors were considered, including the following:
>
> - The Board's views about t~~The perceived~~ urgency in the public interest of the need for change, and the potential implications if action is delayed, taking into account both the demands of the capital markets and the impact on businesses of all sizes.
>
> - The need for change to enhance audit quality globally, or to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future, and the degree to which such change would further facilitate high-quality financial and corporate reporting and enhance public confidence therein.
>
> - The degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action by the IAASB.
>
> - The global applicability of the potential actions, for example in relation to entities of different sizes and complexity, different industries, and across jurisdictions, with acknowledgement of the potential costs and benefits associated with the actions.
>
> Feedback received from public consultation on the Board's strategy and work programs, outreach activities and discussions with the IAASB CAG as well as the PIOB are taken into account in the Board's consideration of how best to fulfill its public mandate in adding initiatives to its Work Program, recognizing the diverse needs of the wide range of the IAASB's stakeholders.

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[44]   EYG, PWC

[45]   ACCA, EFAA, ICAA

[46]   ACCA

[47]   NBA

[48]   CNCC-CSOEC

Matter for IAASB Consideration

2. The IAASB is asked whether they support retaining the revised factors as presented above, and with the Task Force's recommendation that weighting of the factors is not necessary.

II. The IAASB's Work for Program 2015–2016 (2015–2016 WP)

A. Highlights of Feedback on the 2015–2016 WP

28. The CP explained that the IAASB's planned priorities and actions were determined taking into account the strategic objectives set out in the proposed Strategy, the factors guiding the prioritization of projects and available resources. The IAASB therefore proposed to devote a significant amount of its resources to three priority projects (quality control, professional skepticism and special audit considerations relevant to financial institutions). Although many respondents agreed with the approach of three priority projects, this was often prefaced by the acknowledgement that there were limited resources.

29. Several respondents[49] across stakeholder groups (particularly NSS, regulators and member bodies and other professional organizations) encouraged the IAASB to consider alternative actions to undertake work to address the issues that have been identified by the ISA Implementation Monitoring project on a more accelerated basis than initially contemplated.

30. Some respondents[50] were of the view that IAASB's plan was not sufficiently ambitious and suggested the IAASB should commence work in more areas.

31. From the feedback, it is clear that the IAASB is urged to consider ways to increase its capacity to commence work in more than the three priority areas, as proposed. The Task Force therefore reassessed the feasibility of the approach initially proposed. Section C below further discusses considerations relating to this, while Section D includes proposals for increasing the capacity for projects and initiatives to commence.

32. Feedback from respondents on specific projects proposed in the CP for the 2015–2016 WP indicates the following:

- Respondents[51] are largely supportive of the commencement of the project on **quality control** (QC) as a priority project. However, concern was been raised by many about the issues to be addressed in this project. These respondents have encouraged the IAASB to further consider which issues are to be addressed and how best to do so.

- Respondents[52] agree that the subject of **professional skepticism** should be addressed by the Board, but have encouraged further consideration as to the nature of the project and whether it is a separate project to be addressed on a priority basis or rather could be addressed within other projects.

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[49] CAASB, CNCC-CSOEC, CPAB, EAIG, HKICPA, IRBA, KPMG, UKFRC

[50] CNCC-CSOEC, EFAA, NBA, UKFRC

[51] BCBS, C Barnard, CFA, DJuvenal, DTTL, EAIG, EBA, EFAA, ESMA, EYG, FEE, FSR, HKICPA, ISOCO, KICPA, NZAuASB, SMPC, WPK

[52] ACCA, AUASB, CPAB, DTTL, EFAA, EYG, FEE, FSR, ICAA, ICAEW, ICAS, IDW, KPMG, NBA, PWC, SMPC

- Recognizing the importance of **financial institutions** (FI) in financial markets, respondents[53] are largely supportive of this project. However, several[54] have cautioned against developing an industry-specific ISA and have encouraged the IAASB to consider whether an International Auditing Practice Note (IAPN) or other guidance would be more appropriate.

- Respondents[55] expressed strong views to bring forward the project on **group audits** (ISA 600) as a matter of priority.

- Respondents[56] encouraged the IAASB to bring forward work relating to **agreed-upon procedures** (ISRS 4400)[57] in light of the view that the 2015–2016 WP does not address the growing demand for the broad range of services provided by SMEs.

- Several respondents[58] were concerned about the timing of the planned work on **ISA 315**,[59] suggesting more attention is needed to be given to both the findings from the ISA Implementation Monitoring project and the effects of developments in technology on the audit.

B.   INFO Working Group

33.   Strong support was expressed in comments to both the Strategy and the 2015–2016 WP about the vital role of the INFO Working Group in identifying and discussing emerging issues for future Board consideration.

34.   Several respondents[60] expressed the general view that IAASB should focus more on strategic challenges facing the profession. Several respondents[61] suggested that this group, in addition to the prioritized work on IR, should also focus on other areas, such as changes arising from the impact of evolving technologies (including increased use of data analytics and cloud computing), hybrid engagements (including continuous assurance), assurance on internal control, assurance on other parts of the annual report and other evolving areas in sustainability reporting.

35.   Mixed responses were received on the timing for commencing work on assurance for IR. Several respondents[62] noted that it would be important to commence work in this area as a matter of priority, as the IR Framework had already been published and assurance on IR was being explored in their particular jurisdictions. Others[63] agreed with the proposed timing of work related to IR,

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[53]   ACCA, BCBS, CFA, DTTL, EBA, ESMA, FSR, IAA, IAIS, IOSCO, PWC

[54]   CBarnard, CNCC-CSOEC, FEE, GTI, HKICPA, ICAA, ICAEW, ICAS, IDW, SMPC

[55]   ACCA, AUASB, CAASB, CICPA, CPAB, DTTL, EAIG, EFAA, ESMA, EYG, FEE, GT, HKICPA, ICAA, ICAEW, ICAS, IOSCO, IRBA, KICPA, NBA, PWC, SAICA, SMPC, UKFRC

[56]   ACCA, AUASB, CAASB, CNCC-CSOEC, EFAA, FEE, FSR, ICSA, IDW, NBA, SMPC

[57]   International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

[58]   ACCA, BDO, CNCC-CSOEC, DTTL, ICAA, ICAEW, IOSCO, IRBA, NBA, SAICA, UKFRC

[59]   ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

[60]   CPAB, EFAA, FEE, FRC, ICAA, ICAEW, ICAS, IRBA

[61]   CNCC-CSOEC, GTI, IRBA, ISCA, KICPA, NBA, PWC, WITS

[62]   AUASB, BRLF, CNCC, GTI, ICAEW, IRBA, NBA, NZAuASB, WITS

[63]   CPAB, EYG, ICAS, IDW, KICPA, PWC, RSM

although one respondent[64] cautioned the IAASB to allow innovation in the market to occur prior to commencing a standard-setting project.

36. The Task Force recommends continuing with the planned efforts of the INFO Working Group, in particular focusing on:

- Exploring the demand for assurance on IR, including consideration about whether it would be more appropriate to explore the need for broader assurance on non-financial reporting.[65] Relating to IR, this includes initial thinking on the nature of such engagements, including the suitability of criteria and other matters related to assurance on integrated reports. The Working Group should also consider the appropriateness of the development of an IAPN as opposed to a new assurance standard.

- Developments in information technology, such as the use of data analytics, and their effect on the financial statement audit, and how these may affect the ISAs, e.g., the effect on risk assessments, testing approaches and audit evidence.

The INFO Working Group will also continue to monitor, as appropriate, other emerging areas, including those noted by respondents to the CP on the Strategy 2015–2019 and 2015–2016 WP in paragraph 34 above.

C. Topics for Prioritization in the 2015–2016 WP

Task Force Recommendations

37. Based on this feedback, the Task Force recommends that the following projects and initiatives commence as a matter of priority:

- **Continue to prioritize work on QC and the FI project** in light of the strong support across all stakeholder groups.

- **Prioritize substantive work on ISA 600 as a third key project**, recognizing the challenging nature of the breadth of issues to be explored and the likelihood that it would be difficult to finalize the project in an accelerated timeframe.

- **Engage in initial discussions to consider how best to address the topic of professional skepticism, for example through Board information sessions from regulators, academics and others with an interest in this area**. While the theme of professional skepticism can be woven into the work on QC, ISA 600 and the FI project on an initial basis, initial discussions on the topic are necessary to determine how and what further efforts may be undertaken.

- **Accelerate work on agreed-upon procedures (ISRS 4400) through collaboration with others** (i.e., initial research and information gathering, as well as potentially leveraging developments at the national level in relation to revising the standard).

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[64] PWC

[65] Based on the discussions of the INFO WG, it was agreed that it would explore the potential to obtain views on matters relating to assurance on non-financial reporting, including integrated reporting, for example through development of a Discussion Paper in early 2015.

- **Further consider how to address issues identified in relation to ISA 315 (Revised) and other ISAs in relation to advancements in technology**, initially as part of the work of the INFO Working Group (see paragraph 36).

Matter for IAASB Consideration

3. The IAASB is asked to share views on the appropriateness of the projects proposed to commence as a priority in 2015–2016 as set out in paragraphs 36 and 37.

Other Topics Considered by the Task Force

38. A few respondents suggested the 2015–2016 WP should address topics that, in the Task Force's view, could be incorporated into the prioritized projects, for example:

- Work on issues relating to offshoring/shared service centers could potentially be addressed in the projects on QC and ISA 600 as appropriate;

- Issues relating to going concern may be considered in the FI project and as part of the post-implementation review of the auditor reporting standards;

- Remediation[66] may be considered as a possible matter in the QC project; and

- Considering clearer requirements and guidance regarding the expectations of auditors in ISA 240[67] in the professional skepticism project.

Work on other topics suggested by respondents[68] will be deferred unless additional resources beyond that required for the priority projects contemplated in paragraph 37 above are available and, if not, they will form part of the IAASB's considerations for the Work Program for 2017–2018.

39. Implementation of the recommendations in paragraph 37 would continue to result in the balance of prioritization on ISA-related matters issues in 2015–2016, which is viewed as largely appropriate in light of the responses.

40. Several respondents[69] highlighted the importance of supporting the effective implementation of the revised auditor reporting standards, including providing guidance in specific areas as necessary. A few respondents,[70] however, expressed concern about the use of Staff resources for these activities. There was also support expressed for the post-implementation review of the new standards once they were effective, but one respondent[71] cautioned that the review needed to be timely.

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[66] The findings from the ISA Implementation Monitoring project indicated a concern, in particular from regulators, about whether the audit report should be withdrawn or consideration given to a different audit opinion when external inspections indicate that the audit was seriously flawed.

[67] ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

[68] Including ISA 320, *Materiality in Planning and Performing an Audit*, ISA 530, *Audit Sampling*, ISA 505*, External Confirmations*, ISA 620, *Using the Work of an Auditor's Expert*, International Standards on Review Engagements (ISRE 2410), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and ISAE 3400, *The Examination of Prospective Financial Information*

[69] ACCA, CPAA, EFAA, EYG, HKICPA, ICAA, IDW, PWC

[70] EYG, IDW, KPMG

[71] ICAA

41. A few stakeholders[72] explicitly agreed with activities to raise awareness regarding the Audit Quality Framework, and one[73] suggested a post-implementation review on its use should be carried out.

D. Increasing Capacity to Commence More IAASB Projects in the 2015–2016 Period

42. The Task Force has explored alternate thinking on how to increase capacity and thereby increase the breadth of projects that can be commenced in the period 2015–2016.

43. It has been recognized that there are more demands than can be undertaken with current Board and Staff resources, and that the IAASB will need to find an appropriate balance in light of the diverse range of topics stakeholders would like to see addressed. Nevertheless, it is necessary for the Board to consider how best to respond to the strong message from the responses to the CP about the need for the Board to consider different ways in which projects can be commenced and progressed to expand its capacity and address key topics on a more timely basis.

44. More holistically, the IAASB is currently considering how it could enhance its efficiencies in terms of how it operates. Discussions at break-out sessions at the December 2013 IAASB meeting and subsequent discussions have acknowledged that the Board should revisit its approach to progressing projects. In particular, consideration has been given to how the IAASB can widen its use of resources available to it (NSS, Technical Advisors (TAs), subject-matter experts from the firms and regulatory community, and others) to gain input at an appropriate stage and throughout projects, including how initial information-gathering could be undertaken on a more rapid basis (e.g., through a greater use of discussion papers prepared by others but issued with the input, rather than approval, from the Board). In addition, there is a view among some Board members that the Board should be conscious of the balance of time spent on strategic issues versus detailed drafting.[74]

45. The Task Force believes it is fundamental to capitalize on the Board's appetite for change and demonstrate innovating thinking in its approach, while being mindful of the need for due process in the public interest, and that the Board's existing linkage with NSS can be drawn upon more effectively.

Overarching Considerations in Involving Others in Projects

46. The responses to the CP contained various suggestions about how to increase capacity, including the use of others (e.g., NSS, as previously done during the IAASB's Clarity project). The IAASB is keen to expand its thinking about how others could be used to assist with progressing work, but the Task Force believes it is necessary to be aware of constraints or concerns in doing so and how they may be mitigated:

    •   The IAASB's robust due process must be followed when applicable, and the work to be produced must be of sufficiently high quality. Appropriate consultation and discussion on the work by others, and involvement of IAASB members and Staff is likely necessary. However, the IAASB has flexibility in using such groups to develop discussion papers, thought

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[72] EFAA, IDW, WITS

[73] EFAA

[74] Other themes being considered include consideration of the role and responsibilities of the Task Force Chairs, developing a rapid response mechanism, assessing the processes used to develop non-authoritative materials, and restructuring of Board agenda materials to more clearly drive decision making. An update on these themes will be provided as part of **Agenda Item 8**.

leadership, or conduct outreach activities to inform the development of a formal project proposal (which triggers the due process requirements).

- The international nature of the standard-setting process must be maintained. While work at the national level can and should be leveraged, involvement by multiple NSS will more likely result in exploring international perspectives.

- Care will need to be taken to avoid fueling incorrect perceptions about the IAASB's independence. It is vital that the input of practitioners is obtained to understand practical implementation challenges (e.g., in relation to ISA 600, QC, ISA 315), and how the ISAs are being applied in key areas or sectors (e.g., audits of FIs). Nevertheless, using a balance of practitioners and non-practitioners to support various projects is consistent with the overall balance of the Board.

- Consideration is needed as to how to balance participation of Board members and TAs in projects and resourcing them with the "best person for the job." Historically, Task Forces have been comprised with two or more IAASB members. In order to progress initial thinking on topics, the Task Force supports a more flexible approach be undertaken at the onset of the work on these topics, for two reasons: (i) to obtain more detailed input from those closer to the issues and (ii) to ensure adequate Board member time devoted to Task Force/Drafting Team efforts to finalize current projects in 2014. As projects move to the project proposal stage, consideration will be given to how to transition from Working Groups to project Task Forces (and ensure adequate Board representation on them).

- Costs involved. An important constraint on the Board's work to date has been funding for Task Force travel and limitation on Staff resources. While some financial resources have been budgeted (primarily for IAASB member or Staff travel), it is assumed that Working Group activities will be conducted primarily via teleconference or videoconference, rather than physical meetings. To the extent that a Working Group chaired by a NSS intends to meet in person, it is expected these meetings will be held adjunct to IAASB meetings or the costs borne by the participant's organization.

47. The following alternate working models for projects have therefore been considered in formulating a the revised 2015–2016 WP as proposed:

(a) *IAASB Task Force*—This model would be used where the project commences as a priority and standard setting or other development activities commence early in the project life (this would generally be where there is not a lot of additional information needed to properly scope the project). The Task Force would generally consist of two to three IAASB members, supplemented by others as appropriate.

Staff, with members identified for participation in the new Task Force, would be responsible for the development of a project proposal and subsequent work thereafter. One or more IAASB Staff would be assigned to the project. The Task Force Chair would always be an IAASB member. Task Force activity is funded from the IAASB budget. Individual Board members participating on a Task Force have the discretion to bring their TAs at their expense.

(b) *Working Group Chaired by IAASB Member*—This model would be used primarily where more information is needed to determine the appropriate actions for a project before a project

proposal can be developed. The Working Group would be chaired by an IAASB member but may not have other IAASB members participating on an initial basis. Rather, this group will include TAs, NSS, and other subject-matter experts as relevant. Correspondent members, in particular from the regulatory community, could also be used.

The working group may need to conduct more research, develop a discussion paper, or solicit feedback to scope issues in other ways. The Chair of the Working Group would be expected to report to the IAASB at various intervals. The involvement of IAASB Staff would be dependent on the activities of the group but, on an initial basis, an IAASB Staff liaison would be identified for each topic. Generally, only the costs of any IAASB members or IAASB Staff involved would be borne by the IAASB if physical meetings are determined to be necessary, as the expectation is that work will be conducted primarily via teleconference.

At an appropriate stage (typically when the Board is asked to consider a project proposal for standard-setting activities), the Working Group may be reconstituted into a Task Force, at which time the composition may need to change (e.g., to involve more IAASB members and consider whether those initially involved in the Working Group will participate going forward).

(c)   *Working Group Chaired by NSS*—This model could also be used on a limited basis, for the same reasons that a Working Group chaired by an IAASB member would be used.

This model assumes costs are borne by participants. For example, the NSS organization volunteering a Chair would be expected to fund the cost of the Chair's travel to IAASB meetings. The expectation is that work will be conducted primarily via teleconference. If physical meetings are considered necessary, participants would be expected to bear the meeting and travel costs.

Staff would be provided by either the NSS chairing the project or another NSS. In some cases, an IAASB member or Staff may participate or observe teleconferences or meetings of the group, with the IAASB funding this participation.

The appropriateness of this model has been considered at the recent IAASB-NSS meeting and interest has been expressed by various NSS in participating on this basis on the topics selected to be addressed using this model. Consideration will be given to the composition of the relevant Working Groups to ensure continuity for future work and adequate representation among multiple NSS to achieve a balanced, global perspective. The ability and experience of a particular NSS to take a leadership role in the designated area will also be carefully considered. If the Working Group operates at some distance from the IAASB, there will need to be appropriate interaction with the IAASB, so as to avoid misperceptions about the possible results and their reception in the IAASB.

At an appropriate stage (which may be when the Board is asked to consider a project proposal for standard-setting activities, or when deemed necessary), the chairmanship and composition may need to change to involve more IAASB members or others as per normal Task Force protocols.

(d)   *Advisory Panel*—This model could be used in two ways: (i) on topics where input from experts would be helpful, but the majority of the work will be undertaken by IAASB Staff (e.g., the process to develop post-implementation reviews for the review and compilation

standards); or (ii) as a means of gathering a larger group of experts to inform a Task Force or Working Group's activities (e.g., the Greenhouse Gas project).

(e)   *Use of Correspondent Members to Inform a Working Group/Task Force*—To inform any Working Group or Task Force, individuals could be selected to provide their expertise or relevant input at various stages of a project, for example from regulators on certain projects where their early input would be helpful.

E.   Project Content and Timelines

48.   The recommended priority projects are set out in paragraph 37. The scope and focus of each project is discussed further below and in Appendices 1–5, which set out an overall summary for each project, including the approach to the project and the resource model. These appendices build upon the initial thinking set out in the CP, taking into account feedback from respondents about how topics could be addressed and discussions with the NSS at the recent IAASB-NSS meeting. Each project will be approached differently, and some will be prioritized over others in order to progress them more quickly. However, work on each will commence either in 2014, or in the 2015–2016 period, dependent on available resources. In particular, there is a constraint on the time for discussion of each project at each of the four IAASB meetings, as outlined in the proposed timetable in Appendix 6. However, additional Board teleconferences may be considered, as practice has shown that such conferences can be effectively used for dealing with tailored issues and focused questions. Some of the work will also be reliant on the availability, and willingness, of others to assist in some areas (this is also discussed further below), and may need to be reconsidered if such resources do not materialize.

49.   Appendix 6 also reflects time needed to complete current projects in 2014 and 2015, as well as additional activities for the auditor reporting implementation support (including the development of a process for a post-implementation review). If other priorities arise during this period (e.g., see paragraph 50 below) that are considered to be a higher priority than other planned activities, resources may be need to be reallocated.

50.   It is expected that the INFO Working Group will monitor, as a priority focus, developments in IR and information technology (including in particular emerging uses of data analysis in the audit and the other topics set out in paragraph 36). As part of their mandate, the INFO Working Group will determine the most appropriate actions in these areas, including whether to recommend that the IAASB commence a project[75] in this area to address the issues that have been identified.

51.   In addition to the ongoing efforts of the INFO Working Group, it is proposed that substantive activity be planned in 2015–2016 for five specific topics, resourced as follows, with reference to timing and deliverables to the extent practicable:

(a)   QC—Appendix 1 outlines the Task Force's recommendation to undertake this project using two distinct workstreams, with different teams working on each:

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[75]   Changes to the maintain the relevance of the ISAs for evolving information technologies may impact a number of standards, for example ISA 315 (Revised), ISA 500, *Audit Evidence,* ISA 520, *Analytical Procedures,* and ISA 530. In addition to the effects of information technology, the Board intends to consider how best to address the findings of the ISA Implementation Monitoring project in relation to ISA 315 (e.g., significant risks and testing controls relevant to the audit).

- Workstream A (Engagement Quality Control Reviews, the impact of the Framework for Audit Quality on ISQC 1, [76] and other issues related to ISQC 1, including remediation): Resourced as an IAASB Task Force and commencing as soon as possible via a project proposal. Revisions to ISQC 1 and ISA 220[77] to be completed in mid-2017.

- Workstream B (Proportionality/Other Applicability Issues): Resourced as a Working Group chaired by a NSS, to begin exploratory activities in the latter part of 2014 to consider the most appropriate actions (guidance or changes to the standards) to address application issues with a report back to the IAASB in December 2014 to determine the way forward.

(b) Group Audits (see Appendix 2)—Resourced as a Working Group chaired by an IAASB member to begin information gathering, initially to consider issues relating to letterbox audits and whether they can be addressed quickly, as well as other issues relevant to a more substantive revision of ISA 600, including consideration of jurisdictional or regional differences in the practical application of the standard. The first deliverable will be an issues paper for discussion with the IAASB in December 2014 with the goal of such group developing a Discussion Paper for the Board's consideration in June 2015.

(c) Special Audit Considerations Relevant to Financial Institutions (see Appendix 3)—Resourced as a Working Group chaired by an IAASB member. Among other things, initial activities of the group will include a review of the Basel Committee on Banking Supervision's (BCBS) suggestions on changes needed to the ISAs to address audits of banks, consideration of guidance developed by NSS or others that may be usefully leveraged, and planning for an educational session with the IAASB later in 2014. The Working Group will also be asked to consider the implications of developing industry-specific material, whether authoritative (i.e., in the ISAs) or non-authoritative.

(d) Professional Skepticism (see Appendix 4)—Resourced as a Working Group chaired by an IAASB member, comprised of NSS, a liaison to the Forum of Firms,[78] and potentially an academic, and staffed by NSS. Initial activities would include a potential panel discussion with the IAASB on the topic in December 2014.

(e) Agreed-upon procedures (AUP / ISRS 4400) (see Appendix 5)—Resourced as a Working Group chaired by an NSS, with the Working Group comprised primarily of NSS who have recently revised (or plan to revise) their national AUP standard (e.g., Australia, Canada, UK, US or others as appropriate). Linkage with the International Federation of Accountants (IFAC) SMP Committee is also planned. This activity is likely to commence later in 2014, with the Working Group delivering a project proposal for the SC and IAASB's consideration in early 2015.

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

[77] ISA 220, *Quality Control for an Audit of Financial Statements*

[78] At its recent meeting, the Forum of Firms highlighted the importance of further exploring the topic of professional skepticism and is considering future action, including whether a symposium in connection with its October 2014 meeting may be appropriate.

52.   Resources (in the form of Board agenda time and Board, Staff or other resources) will also be needed in 2014–2015 in relation to the following:

- International Accounting Standards Board Liaison Working Group – ongoing activity.

- Process for a possible "rapid response mechanism" – timing to be determined in light of other priorities and initial consideration of letterbox audits.

- Process for development of non-authoritative material, including IAPNs – Initial discussion planned for September 2014 (time permitting).

- Soliciting of academic research through the International Association for Accounting Education and Research (IAAER) initiative – scheduled activity in November 2014.

Matter for IAASB Consideration

4.   The IAASB is asked to share views on the appropriateness of the models recommended by the Task Force and how they will be applied in progressing the priority projects identified, as set out in paragraph 51 and Appendix 6.

Appendix 1

Project: Quality Control

Issues to Be Addressed

Findings from the ISA Implementation Monitoring project and ongoing discussion in outreach, inspection reports from audit regulators, as well as responses to the CP, indicate there are at least four distinct areas to be addressed within this project, as outlined below.

I.   *Engagement Quality Control Reviews (EQCR)*

Issues have been identified in relation to:

- The engagement quality control reviewer, for example the person being selected (in particular in light of previous inspection findings and having the competence to carry out such reviews), independence of the reviewer from the engagement team, the professional skepticism exercised by the reviewer

- The extent and timing of the review

- Objective of the review

- Documentation of the review

Consideration will be given as to whether a separate standard on EQCRs would be appropriate, while being mindful of the caution from NSS about making the requirements for an EQCR appear more prescriptive and onerous (especially for SMPs) than what is currently required for an engagement partner. The US Public Company Accounting oversight Board (PCAOB) Auditing Standard 7, *Engagement Quality Review*, may be a useful basis for initial work, as will discussion with audit firm representatives about changes to methodologies made to respond to feedback from inspection findings, taking into account the *Engagement Quality Control Reviews: Practical Considerations* published by the Transnational Accountants Committee (TAC) in January 2013.

II.   *Aspects of Quality Control Arising from the IAASB's Development of the Framework for Audit Quality and Other Outreach*

Work on the IAASB's *Framework for Audit Quality* (the Framework) and findings from the ISA Implementation Monitoring project have identified issues that need to be further addressed, either within the requirements in ISQC 1 or, as appropriate, by the IESBA *Code of Ethics for Professional Accountants* (IESBA Code),[79] for example:

- Engagement performance (matters relating to consultations, technical reviews of financial statements, engagement acceptance, appointment of engagement team members, independence and ethics)

- Human resources (technical competence / capabilities and expertise of the engagement team, including the engagement partner, recruitment and training, remuneration based on audit quality)

- Internal monitoring reviews, including scope and extent

- Using the work of a specialist and auditor's expert, and the differences between the two

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[79]   Issued by the International Ethics Standards Board for Accountants (IESBA). The IAASB will continue to coordinate and collaborate with the IESBA on topics of mutual interest.

- Clarification of definitions, such as "professionals", and further guidance on the applicability to public sector audits

Regulators have also stressed the need for the IAASB to consider how best to address circumstances when significant audit deficiencies have been identified by external or internal inspections (i.e., remediation), as this topic is not explicitly addressed in the ISAs and consistency in practice (e.g., through requirements and guidance explicitly addressing this issue) is seen as a means to improve audit quality.

III. *Proportionality of ISQC 1 for SMPs and Applicability to Other Assurance and Related Services Engagements*

Regarding proportionality, there have been some calls for the IAASB to consider whether a fundamental rewrite of ISQC 1 on a "think-small" approach first may be appropriate. Concerns have been expressed that the standard cannot be proportionally implemented by SMPs performing audits. There is also a view that, although ISQC 1 applies to other assurance, reviews, and related services engagements, it appears to be largely written from the focus of quality control for firms conducting ISAs and is therefore more difficult to apply to engagements other than audits. Others have suggested additional guidance in this regard would be useful. Work already undertaken by the Institut der Wirtschaftspruefer (IDW) and others may be usefully leveraged.

Approach to the Project

Due to the diverse nature of the topics to be addressed, it is recommended that two distinct workstreams are formed.

- Workstream A, which is likely to result in changes to the standards, will focus on EQCR, the impact on ISQC 1 of the Framework, and other issues, including remediation. This workstream can be fast-tracked in light of the information already available and will be supported by a Task Force. An important task of Workstream A will be to develop, as soon as practicable, recommendations for addressing issues relating to EQCRs, including whether a separate standard on EQCR would be most effective.

- Workstream B will focus on finding effective solutions to respond to ongoing challenges about proportionate and other application of ISQC 1, in respect of both the ISAs and the IAASB's review, assurance and other related services standards, and will be supported by a Working Group led by a NSS. Further work is needed in this area before Staff or the Board can determine whether a standard-setting response is necessary.

Standards to Be Addressed

ISA 220, ISQC 1, conforming amendments to other ISAs as necessary.

Possible Other Outputs

Non-authoritative guidance to address proportionality and other application issues relating to ISQC 1.

Commencement Date / Initial Activities

Activities include a substantive discussion with the NSS at the recent IAASB-NSS meeting and planned discussions with the IAASB at its June 2014 meeting about potential actions (see **Agenda Item 6**).

Workstream A would be prioritized, with a project proposal planned for September 2014 (time permitting). Workstream B (undertaken by NSS) would be asked to report to the IAASB with recommendations for a way forward at its December 2014 meeting. Should these recommendations involve changes to ISA 220 or ISQC 1, consideration will be given as to whether this work should be addressed by Workstream A or Workstream B, with the intent of coordinating the progress of any such changes over the course of the project.

Resource Model

Workstream A

Task Force, chaired by an IAASB member, possibly comprised of another Board member, a TA, and a firm expert. It may also be useful to involve a regulator as a correspondent member of the Task Force.

The Task Force would be supported by an IAASB Staff, and would physically meet as necessary.

Workstream B

A Working Group led by a NSS, comprised of other interested NSS or IFAC member body representatives. One member of the Workstream A Task Force could potentially serve as a liaison to this Group. NSS will also provide Staff support on an initial basis. The Working Group would conduct most of its efforts via teleconference, unless physical meeting costs were borne by participants.

<div align="right">**Appendix 2**</div>

Project: Group Audits – ISA 600

Issues to Be Addressed

Findings from the ISA Implementation Monitoring project and outreach activities, inspection reports from audit regulators, discussion with NSS, as well as responses to the CP, indicate that there is considerable need to revisit ISA 600. Significant issues that have been identified include:

Letterbox Audits

Clarification is sought on whether ISA 600 applies in the situation where the group parent company is registered in one jurisdiction, which is where the group auditor is based, but the group's operations, accounting records and management are located in a different jurisdiction. It has also been questioned whether the principles should be applied to other situations similar in nature, such as "fund of funds" audits and equity investments.

Other ISA 600 Issues

Other issues in ISA 600 that have been identified for further consideration to determine whether standard setting activities would be most appropriate, or whether there are other helpful actions that may be undertaken (such as training or implementation guidance), either by the IAASB or others as appropriate, include:

- Concerns around the extent of the group auditor's involvement in the work of the component auditor (the amount and scope of work needed by the group auditor in relation to the component including for the audit evidence needed, access to the workpapers of the component auditor, clarification of various aspects relating to "significant components");

- Communication between the group auditor and the component auditor;

- Component materiality;

- Identifying a component in complex situations; and

- Work effort of the component auditor.

Issues arising in the QC and Professional Skepticism projects may also be relevant to this work.

Approach to the Project

As this project commences, it is proposed to bifurcate the topic of letterbox audits as a narrow scope aspect of this project to determine whether either a rapid response[80] or a non-authoritative solution (as the Board determines is appropriate) can be determined, or whether the issues related to these are more substantive and will therefore form part of the more fulsome revision of the standard. Planned discussion at the December 2014 IAASB meeting will address this matter, with the need for a decision on the way forward at that meeting. Further planned discussions with the IAASB in March 2015 and beyond will

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[80] A Board discussion on developing a mechanism for an authoritative mechanism for a rapid response will precede this discussion.

relate to the other issues identified relating to ISA 600.

In relation to the other issues identified in ISA 600, it is unclear which of the issues that have been identified are related to ISA 600 itself, and which are implementation issues, including those relating to regional difficulties. Due to the complexities of some of these issues, it may be appropriate for the Working Group to develop a Discussion Paper to further explore the issues and inform the Board as to an appropriate response.

Other information gathering activities may be also be helpful, such as targeted roundtables or discussion with representatives from the Forum of Firms, NSS and audit regulators, to understand the root causes of the concerns regarding the application of the requirements of ISA 600 and consideration of an appropriate response.

Standards to Be Addressed

ISA 600 and conforming amendments to other ISAs.

Possible Other Outputs

Possible Staff or other non-authoritative publications.

Commencement Date / Initial Activities

Staff and Working Group Chair will commence initial activities in mid-2014. A Working Group will be set up in Q3 2014 to discuss issues relating to letterbox audits for presentation to the IAASB in December 2014 with the involvement of experts in the area as necessary (such as from the firms) to understand how the concerns raised by regulators are being addressed in practice. The Working Group will also develop other issues for discussion with the IAASB in early 2015, with the aim of issuing a Discussion Paper in June 2015.

Resource Model

Working Group, chaired by an IAASB member, possibly comprised of one or more Board members or firm experts, two TAs, and an NSS (e.g., who may have experience with regional difficulties in the application of the standard). It may also be useful to involve a regulator as a correspondent member of the Task Force.

The Working Group would be supported by one or more IAASB Staff, and would conduct most of its efforts via teleconference, unless physical meeting costs were borne by participants other than the Chair and IAASB Staff.

Appendix 3

Project: Special Audit Considerations Relevant to Financial Institutions

Issues to Be Addressed
Findings from the ISA Implementation Monitoring project coupled with specific requests from banking regulators (and to some extent from insurance regulators), as well as responses to the CP, indicate there are two possible areas to be addressed within this project, as outlined below. I.   *Special Audit Considerations Relevant to Financial Institutions* Consideration of enhancements to the ISAs and/or the development of guidance to: • Clarify and enhance the relationship between the banking supervisors and the bank's external auditors, as necessary and appropriate in light of the related efforts of BCBS in this area. • Address auditing issues of particular significance in audits of banks or other financial institutions and these entities' use of fair value accounting and related estimates, including but not limited to impairment and loan loss provisioning. Consideration will also need to be given whether to include addressing issues arising in the insurance industry and, more broadly, whether proposing changes to the ISAs to address industry-specific matters may either inappropriately imbalance the standards or not be able to be implemented at a national level due to banking regulations in those jurisdictions. II.   *Other ISA 540[81] Issues* Further consideration will be given to whether these issues relevant to audits of financial institutions are more broadly applicable, as will any additional issues that have been identified relating to ISA 540, particularly around professional skepticism and fraud (e.g., how auditors obtain audit evidence, challenge and test management's assumptions and considerations about possible management bias, work effort on accounting estimates and fair values that have not been identified as significant risks, and the implications of the use of third-party pricing sources).
Approach to the Project
The initial phase of this work will focus on considering the suggestions of BCBS on areas where more is needed to address audits of banks (including the relationship between banking supervisors and auditors) and the potential broader applicability of any changes needed to the standards or guidance that may be proposed (including potential changes to ISA 540). This will also include initial discussions with the IAASB about the implications of developing industry-specific material, whether authoritative (i.e., in one or more ISAs) or non-authoritative. As the project progresses, the need for other changes to ISA 540 will be considered.
Standards to Be Addressed
Possible amendments to ISA 540, conforming amendments to other ISAs as necessary.

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[81]   ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

Possible Other Outputs
IAPN(s) to address issues related to financial institutions, including the relationship between the banking supervisors and the bank's external auditors.

Commencement Date / Initial Activities
If the Board determines that an IAPN is an appropriate way forward, consideration of the development process for this type of publication will be needed. IAASB Staff has provisionally reserved time for such a discussion in December 2014 and March 2015 (time permitting). IAASB Staff and Working Group Chair will commence initial activities to refine the proposed approach in mid-2014. A Working Group will be set up in Q3 2014 to discuss issues relating the scope and direction of this project, with an initial discussion planned for the December 2014 IAASB meeting.

Resource Model
Feedback to the CP explicitly highlighted the need for the IAASB to obtain input from experts in any efforts on the topic of financial institutions. Working Group, chaired by an IAASB member, possibly comprised of another Board member, at least one banking expert, firm expert and NSS who have experience in this area. Consideration will also need to be given as to how to involve BCBS and the International Association of Insurance Supervisors. The Working Group would be supported by one or more IAASB Staff, and would conduct most of its efforts via teleconference, unless physical meeting costs were borne by participants other than the Chair and Staff.

Appendix 4

Project: Professional Skepticism

Issues to Be Addressed
Professional skepticism is key to the conduct of an audit, as acknowledged in the *Framework for Audit Quality*. Concerns have been identified in the ISA Implementation Monitoring project as well in regulatory reports about the level, and consistency, of professional skepticism and professional judgment being applied in audits, in particular the documentation of the auditor's considerations around this (for example, alternatives considered, robustly considering management's assumptions, etc.) and the amount of evidence being obtained to support the auditor's opinion on the financial statements. Respondents to the CP did not support a standard setting project of changes to various ISAs as the primary response to these concerns, a point reinforced by the Task Force and NSS. Rather, it was suggested the IAASB undertake initial work to explore the nature of the issues (e.g., behavioral and training issues) to further understand what could be done in this area before committing to a project on the topic. There is also a linkage to the projects on QC, Group Audits and FI and, as such, the topic may be better addressed by being embedded in that work rather than as a separate project.

Approach to the Project
The Working Group will be asked to review relevant research, findings and recommendations from regulators, academics and others, for the Board's further consideration. A panel discussion is planned for the December 2014 IAASB meeting to enable IAASB members to better understand the breadth of issues. A Working Group could then be set up in early 2015 to work through whether activities by the IAASB, including standard setting, would be appropriate, or whether collaboration with others (including the other independent SSBs) to develop other materials may be more appropriate, and report back to the IAASB in June 2015. As part of these discussions, it may be helpful to consider whether a more defined articulation of professional skepticism in ISA 200[82] is needed, or whether consideration should be given to addressing more broadly the use of professional judgment by auditors, and the relationship between auditor judgment and professional skepticism. It will be particularly important to engage with regulators on the topic, in particular to understand what may be an appropriate response to the concerns that have been identified. At its recent meeting, the Forum of Firms highlighted the importance of further exploring the topic of professional skepticism and is considering future action, including whether a symposium in connection with its October 2014 meeting may be appropriate.

Standards to Be Addressed
Possibly ISA 200 and other ISAs, if considered appropriate.

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[82]   ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

Possible Other Outputs

Staff publications, non-authoritative guidance or other activities (potentially in coordination with others) as appropriate.

Commencement Date / Initial Activities

NSS Staff, with the Working Group Chair, will commence activities to identify research in this area during 2014, and coordinate with IAASB staff to plan a panel session on the topic at the December 2014 IAASB meeting. The Working Group would then commence activities in early 2015 to prepare for discussions with the IAASB in June 2015. These discussions would pave the way forward for further activities on this topic, including who is best placed to undertake the activities.

Resource Model

Working Group led by an IAASB member, possibly comprised of two or more NSS and a firm representative (e.g., a liaison with the Forum of Firms). Consideration will also need to be given as to how to involve academics as appropriate (e.g., on an individual basis to prepare the compendium of research or through commissioned research via IAAER). NSS will also provide Staff support on an initial basis. The Working Group would conduct most of its efforts via teleconference, unless physical meeting costs were borne by participants.

Appendix 5

Project: Agreed-upon Procedures – ISRS 4400

Issues to Be Addressed
A project to revise this standard was planned for the 2012–2014 Strategy and Work Program, but was delayed because of the acceleration of work on the Auditor Reporting project. Respondents to the CP urged the IAASB to commence work on revising this standard earlier than proposed, as it is a widely used standard and is in need of updating in the Clarity format. In addition, the standard is being used on engagements such as "hybrid" engagements,[83] and questions have been raised about the standard being "fit-for-purpose" in light of emerging market needs, in particular for SMEs.
Approach to the Project
Various NSS have already revised national standards in this area, and would be a valuable source of input to this project. It is therefore proposed that initial activities are carried out by a Working Group of interested NSS from various jurisdictions to consider the different approaches taken, with an aim of preparing a project proposal for discussion in March 2015.
Standards to Be Addressed
ISRS 4400, with conforming amendments to other standards as necessary.
Possible Other Outputs
None at present.
Commencement Date / Initial Activities
Commencement of the Working Group comprised of those NSS who expressed an interest in participating, to develop a project proposal for March 2015.
Resource Model
A Working Group, chaired by NSS, possibly comprised of at least two NSS, and at least one practitioner familiar with such engagements. Some NSS representatives who have expressed an interest in participating on this Working Group are from jurisdictions that have already undertaken work in this area. Consideration will also need to be given as to how to involve the IFAC SMP Committee, in particular to gain input into the breadth of such engagements being conducted in practice. NSS will also provide Staff support on an initial basis. The Working Group would conduct most of its efforts via teleconference, unless physical meeting costs were borne by participants.

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[83] In a "hybrid" engagement various types of assurance, such as reasonable assurance and limited assurance, as well as agreed-upon procedures, may be combined in one report.

Forecasted IAASB Timetable June 2014–December 2015

(Subject to Periodic Update and Change by the IAASB)

Project/ Initiative	Model and Commencement[84]	Jun-14	Sept-14	Dec-14	Mar-15	Jun-15	Sept-15	Dec-15
Current Standard-Setting Projects								
Auditor Reporting	IAASB Task Force/Drafting Teams–In progress	Read of standards	Approval[85]	[Approval if necessary] [86] Outline of Implementation Support Plans[87]	[Review of ISA 800 Series ED responses]	[Review of ISA 800 Series ED responses/ Approval]	[Approval]	Planning for post-implementation review
ISA 720 (Revised)[88]	IAASB Task Force–In progress		Discussion	Review of ED responses / Approval	[Approval if necessary]			
Disclosures	IAASB Task Force–In progress			Review of ED responses	Approval[89]	Need for further guidance to be determined post-ED		

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[84]   This column provides indicative timing of when initial work may commence. The other columns represent IAASB activities (i.e., when the topic is expected to be discussed at an IAASB meeting). Task Force and Working Group discussions will occur in advance of these "touch points" with the Board.

[85]   Approval of new and revised auditor reporting standards in ISA 700 series and approval of exposure draft of ISA 800 series.

[86]   Approval of exposure draft of ISA 800 series if necessary. The ISA 800 series includes ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks,* ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and ISA 810, *Engagements to Report on Summary Financial Statements*

[87]   Implementation support to be largely executed by Working Group, Staff and consultants – initial discussion to outline scope and solicit Board feedback

[88]   ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

[89]   Any additional guidance to be developed would be done by a Working Group led either by an IAASB member or NSS – recommendation to be made by Task Force in December 2014

Project/ Initiative	Model and Commencement[84]	Jun-14	Sept-14	Dec-14	Mar-15	Jun-15	Sept-15	Dec-15
New Projects in the 2015 – 2016 Work Program								
Quality Control-Workstream A (EQCR, other ISQC 1 matters relating to Audit Quality)	IAASB Task Force–June 2014	Initial IAASB Discussion	Project proposal – EQCR / other ISQC 1 issues		Discussion	Discussion Workstream A (EQCR/ Other ISQC 1 matters)	First read of ED	Second read of ED
Quality Control-Workstream B (Proportionality)	NSS Working Group–July 2014			Proportionality discussion and recommendation for way forward	Future activity to be determined in December 2014			
Group Audits – ISA 600	IAASB Working Group–July 2014			Discussion-Letterbox Audits and recommendation for way forward	Discussion – other ISA 600 issues	Issuance of discussion paper (DP)		Review of DP responses
Financial Institutions	IAASB Working Group–July 2014			Discussion		Recommendation for Way Forward / Possible Project proposal	Discussion/ Issuance of guidance?	Discussion
Professional Skepticism	IAASB Working Group–September 2014			Panel Session		Discussion, including consideration of the definition		Discussion
Agreed-upon Procedures – ISRS 4400	NSS Working Group–July 2014				Discussion and project proposal		Discussion	First read of ED

Project/ Initiative	Model and Commencement[84]	Jun-14	Sept-14	Dec-14	Mar-15	Jun-15	Sept-15	Dec-15
Other Current Projects and Initiatives								
INFO Working Group	IAASB Working Group–Ongoing	Discussion on use of data analysis in audits	Discussion on a relevant topic		Discussion on a relevant topic		Discussion on a relevant topic	
Strategy and Work Program[90]	IAASB Task Force–In progress	Review of CP responses	Approval					
IASB Liaison	IAASB Working Group–Ongoing			Annual review				Annual review
Rapid response mechanism and IAPN process	IAASB Steering Committee and Staff		Discussion-rapid response mechanism	Discussion – IAPN due process	Discussion-IAPN due process			

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90   In 2016, a limited consultation on the 2017–2018 Work Program will be undertaken. Informed by that consultation, in mid-2017, the Board will reflect upon whether its strategic objectives remain appropriate.