

IAASB Strategy and Workplan

Nodes\Q1 Goal, Keys to Success and Stakeholder Value Proposition\Q1 2. Agree

Files

13_HKICPA

Overall, we support the proposed strategy and work plan, including the goal, keys to success and the stakeholder value proposition. They have considered the expectations of stakeholders and relevant trend and development, and provide a reasonable and balanced basis for IAASB to develop future strategy and work plan. We also agree that the environmental drivers are appropriately identified and reasonable.

15_JICPA

We agree with the proposal.

18_NZAuASB

The NZAuASB considers that the goals, keys to success and stakeholder value proposition as well as the environmental drivers are appropriate. To achieve standards that are globally relevant, scalable, forward-looking and operable, it is necessary to set standards that are relevant to all entities. Standards must start with general principles that are applicable to all and then expand the standards to accommodate more complex entities. The NZAuASB supports leveraging the skills and resources of national standard setters when appropriate to assist in providing timely responses to issues, through the broader collaboration initiative which will be progressed following the recent national standards setters' meeting in Paris.

25_KPMG

We are fully supportive of the IAASB's ultimate goal of "sustained public trust in financial and other reporting, enhanced by high-quality audits, assurance and related services engagements, through delivery of robust global standards that are capable of consistent and proper implementation". We welcome the strategic actions set out in the IAASB's Keys to Our Success And Stakeholder Value Proposition, which we agree are fundamental to achieving this overarching goal.

30_CPAA

Yes, we agree that the Goal, Keys to Success, Stakeholder Value Proposition and the Environmental Drivers are sound.

32_FACPCE

Answer: We consider the Goal, the Keys to Success and Stakeholder Value Proposition, as well as the Environmental Drivers and the adaptation to the environment to meet the needs of the interested parties correct, placing the user as the center of interest, especially in the efforts dedicated to current challenges and risks and future of our standards.

We think it is very important to complete the improvements in the quality of the audit and pay attention to the complexity with a focus on scalability and proportionality, with the intention of facilitating the application of the standards for small and medium-sized entities.

The challenge of facing the changes produced by technological innovations seems to us of fundamental importance. The continuous and accelerated change of technology and its growing influence on the methodology of business administration requires the development and adaptation of standards to this reality

Nodes\\Q1 Goal, Keys to Success and Stakeholder Value Proposition\\Q1 3. Agree with Suggestions

Files

04_CEAOB

We first would like to emphasize the public interest that is attached to audit. We suggest that public interest should be the most important consideration in setting the IAASB's goals and priorities. Additionally, stressing the consideration of public interest further provides a strong incentive for timely completion of IAASB projects, which can counterweigh other requests from various parties.

5. The opportunities and challenges listed in the consultation document (page 7) do not acknowledge the different stages of development and legislative requirements in different jurisdictions and the impact this may have on the standards issued. For example, a number of requirements for audits set out in the EU Audit Directive and Regulation are not currently included in the standards issued by the IAASB. The existence of legal requirements on topics covered during an audit is a factor which ought to be integrated in the environmental drivers to determine IAASB actions and priorities.

6. While the "changing reporting needs of stakeholders" are listed as an environmental driver in the IAASB proposals (page 7), it should also be noted that the aims of the various stakeholder groups are not always aligned. Users of financial statements, auditors, professional bodies, national standards setters etc. have different roles and needs, thus priorities may differ.

7. Moreover, it would be helpful to accompany the proposals with a feedback summary about the implementation of the IAASB's previous strategies and work plans, to ensure that the lessons learnt are taken into consideration for the future plan.

07_IAASA

We first would like to emphasise the public interest that is attached to audit and suggest that it should be the most important consideration in setting the IAASB's goals and priorities. Additionally, stressing the public interest provides a strong incentive for timely completion of IAASB projects. The opportunities and challenges listed in the consultation document (page 7) do not acknowledge the different stages of development and legislative requirements in different jurisdictions and the impact this may have on the standards issued. For example, a number of requirements for audits set out in the EU Audit Directive and Regulation are not currently included in the standards issued by the IAASB. The existence of differing legal requirements on topics covered during an audit is a factor which ought to be integrated in the environmental drivers to determine IAASB actions and priorities. While the "changing reporting needs of stakeholders" are listed as an environmental driver in the IAASB proposals (page 7), it should also be noted that the aims of the various stakeholder groups are not always aligned. Users of financial statements, auditors, professional bodies, national standards setters etc. have different roles and needs, thus priorities may differ. Moreover, it would be helpful to accompany the proposals with a feedback summary regarding the implementation of the IAASB's previous strategies and work plans, to ensure that the lessons learned are taken into consideration for the future plan.

08_IRBA

We agree with the IAASB's Goal, Keys to Success and Stakeholder Value Proposition, as well as the Environmental Drivers.

We agree that the IAASB should strengthen its coordination and cooperation with the International Ethics Standards Board for Accountants (IESBA) and the NSS, as part of its collaborative stakeholder value proposition. In addition, we suggest that the IAASB should continue to also strengthen its relationships with international audit regulators and oversight authorities that monitor the implementation of auditing standards and the impact on audit quality. The strengthening of the relationship could involve the IAASB strategy being directly responsive to the annual inspection findings survey conducted by the International Forum of Independent Audit Regulators (IFIAR), as well as to comment letters submitted by IFIAR. The IFIAR's annual inspection findings survey provides useful data points with respect to assessing audit quality.

09_UK FRC

Goal

We support the goal of the IAASB set out on page 6 of the consultation. However, the overriding objective for standard setting, and the primary consideration in determining priorities and allocating resources, must be to serve the public interest. Accordingly, we would expect the goal to encompass the IAASB's responsibility to serve the public interest. This could be articulated as follows: Sustained public trust in financial and other reporting, enhanced by high-quality audits, assurance and related services engagements, through robust global standards that are developed and maintained in the public interest and are capable of consistent and proper implementation.

Environmental drivers

We agree with the external environmental drivers set out on page 7 of the consultation. Collectively they highlight that the accountancy profession needs to adapt and change to an increasing pace of change in society, business and capital markets, rebuild trust, and advocate transparency and accountability. What appears to be absent from the consultation however is this wider context, that is, how the IAASB views the environmental drivers, not in isolation, but collectively in relation to the longer-term view of the audit profession and audit and assurance, and the role of the IAASB in this regard. We urge the IAASB, in finalising the SWP, to consider this as part of its research activities.

We also suggest, in finalising the SWP, that the IAASB clarifies the difference between changing reporting needs of stakeholders, shortcomings or failures in audit, and the 'expectations gap' so that the appropriate analysis can be undertaken, and an effective response achieved. The proposed SWP links changing shareholders' expectations to the topics of fraud, NOCLAR and going concern. These topics are not necessarily related to changing expectations, but instead related to shortcomings or failures in audit or a widening 'expectation gap' between what the public expects from an audit and what an audit is actually designed to do. In our view, changing expectations is more synonymous with changing reporting needs i.e. there is an increasing demand for assurance in areas other than traditional financial reporting in relation to historical and forward-looking information (financial and non-financial). Such assurance could result in an extension to the current scope of an audit or fall outside the scope of an audit.

Most organisations have internal and external environmental drivers. The internal environment is usually associated with the human resource of the organisation, the culture, technology and so forth, including the manner in which work is undertaken in accordance with the goal or objectives of the organisation. To some extent, the IAASB has addressed the internal environment by reference to the strategic actions in Theme D. However, in finalising the SWP, we believe the IAASB should explicitly recognise the internal environmental drivers. For example: lack of a timely response in certain circumstances has led to a degree of criticism from IAASB stakeholders; prioritising and responding to different and competing calls for action from varying stakeholders; resource constraints due to the limited availability of appropriately skilled human capital (expertise and competence).

Stakeholders

The IAASB's processes and work programme is influenced by the needs of varying stakeholders with different jurisdictional needs. Reconciling those needs, or prioritising different and competing calls for action, is challenging. In addressing those challenges, we suggest that the IAASB appropriately identify their stakeholders. Stakeholder identification is not only about determining who the stakeholders are but also about determining their specific needs and whether those needs are matters that should be addressed in the public interest. Stakeholder identification also assists the IAASB in identifying the best ways to manage their expectations.

10_AUASB

The AUASB agrees with the Goals, Keys to Success and Stakeholder Value Proposition outlined on page 6 of the IAASB's Proposed Strategy for 2020–2023 and Work Plan for 2020–2021 publication (the Proposed Strategy). We are particularly pleased to observe the IAASB has explicitly recognised the role that NSS representatives have in its collaboration efforts and look forward to our continued cooperation and collaboration with the IAASB and its staff to support its mandate and the global standard-setting process.

When it comes to the opportunities and challenges faced by the IAASB, the AUASB supports the Environmental Drivers outlined on page 7 of the Proposed Strategy.

However as outlined in our covering letter and described in greater detail under our response to Question 2 below, in a number of areas the AUASB believes the Proposed Strategy has not clearly articulated how all of the Environmental Drivers are going to be addressed in the proposed strategic actions contained in pages 10–13 of the publication. In particular, we consider the layout of the Environmental Drivers should be updated to explicitly link to each relevant strategic action, as well as making it clear which of the Environmental Drivers each strategic action is intended to address.

11_CAASB

Our Goal

The IAASB Proposed Strategy includes an overall goal for the IAASB. We suggest that the IAASB revise its goal to "enhance public trust" (as opposed to "sustain public trust") in light of the environmental drivers that acknowledge a declining confidence and trust in audits. Otherwise we do not disagree with the goal. However, it is not clear how the themes set out in the Proposed Strategy are meant to help the IAASB meet its goal. As noted in our general comments, the IAASB could make improvements to enhance the connectivity and flow of the Proposed Strategy.

Keys to Our Success, Our Stakeholder Value Proposition

There are many different topics addressed in these sections. It is unclear how the keys to success and stakeholder value proposition relate to each other, the other sections of the Consultation Paper and the Proposed Strategy.

Environmental Drivers

We agree with the environmental drivers identified in this section.

The first sentence of this section refers to understanding opportunities and challenges. Such understanding is needed to drive the Proposed Strategy and Work Plan. However, while environmental drivers are identified, there is little mention of the opportunities and challenges related to these environmental drivers. Clearly identifying the challenges and opportunities would provide a link to the strategy and planned actions in the Consultation Paper.

The IAASB identifies the changing reporting needs of stakeholders as an environmental driver. We believe the IAASB should add climate change as another example of evolving corporate reporting, given its significance.

The IAASB also identifies changing expectations and public confidence in audits as an environmental driver, pointing out decreasing confidence and declining trust in audits. We believe the IAASB should emphasize that this driver includes the increasing involvement by government bodies in a number of countries in regulating the auditing profession that may have standard-setting implications.

12_CNCC - CSOEC

We agree with the Goal, Keys to Success and Stakeholder Value proposed in page 6, as well as the Environmental Drivers presented in page 7.

However, we have the following comments:

Concerning the Stakeholder Value Proposition, we consider that the theme “Education” should be added under the caption “Our Methods”. We are convinced that there is value in developing guidance and education material concurrently with the development of the standard, as it was done for Q&A and examples relating to ISQM1.

We also encourage the IAASB to perform an analysis of risks and opportunities relevant to its organization and its strategy to help prioritize the proposed actions.

14_IDW

In addition to the responses to the questions posed in the consultation paper, we have a number of broader strategic issues that we would like to address in this letter.

We note that in the second bullet of “keys to our success” the IAASB states that it wishes to foster confidence in the quality and relevance of its process and standards. In this context, we would like to raise two concerns.

We continue to believe that the IAASB will need to develop a mechanism to address the continued pressure from regulators and audit oversight authorities towards rules-based standards to facilitate formal enforcement, even if this is not necessarily conducive to high-quality audits (this is important because the IAASB will need to be vigilant in resisting inappropriate pressure in this respect). Ultimately, rules-based standards provide greater opportunity for circumvention and for formal, rather than substantive, compliance and will not lead to standards that foster confidence in the long run. Furthermore, complex rules-based standards are becoming increasingly difficult to understand for firms without a large technical department, which endangers global application and the credibility of the IAASB. Rules-based standards are also less robust over time because they are more susceptible to disruption through changing circumstances. When liaising with audit oversight authorities and inspectors, the IAASB must remain cognizant of the fact that audit inspection groups are just one of many interest groups, but one that often has an interest in reducing the complexity and judgment required to perform their inspection activities by increasing the complexity of the standards through more rules. The increasing complexity of the latest standards and drafts issued by the IAASB (ISA 540, Draft ISA 315, Draft ISQM 1) indicates to us that the IAASB is increasingly losing this battle.

Second, even though we recognize the importance of audits and hence auditing standards, we continue to be concerned that both the strategy and the work program concentrate overly on the audit of historical financial statements and liaison with parties primarily interested in the ISAs. In our view, the IAASB ought to devote a significantly larger proportion of its resources and its time to services other than audit, because audit is a mature service without growth potential, notwithstanding the fact that it remains important for the global economy. Other assurance and related services will have more growth potential, and unless the IAASB is seen to be proactive in this context, it will lose its pre-eminence in this area to other, less-qualified, standard setters that may not actively seek to fulfill the IAASB’s public interest mandate. We are pleased to see that the IAASB addressed agreed-upon procedures engagements and extended external reporting in this context, but we believe that other assurance and related services also need to be an area of greater focus

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We disagree with the goal as worded because it suggests that “sustained public trust in financial and other reporting, enhanced by high-quality audits, assurance and related services engagements” can be achieved solely through the delivery of robust global standards. At most, standards can only contribute to such sustained public trust: other parts of the financial reporting supply chain, such as reporting standards setters, practitioners, oversight authorities, regulators and other stakeholders also have a role to play in sustaining that trust. Furthermore, we also disagree with the use of the term “consistent and proper implementation” because the application of standards needs to be adapted to different circumstances (e.g., scalability): rather, what matters is that standards are appropriately applied. For these reasons, we believe that the goal should be rephrased as follows:

“Contribute to sustained public trust in financial and other reporting, enhanced by high-quality audits, assurance and related services engagements, through delivery of robust global standards that are capable of appropriate application in the circumstances.”

We do not see any fundamental flaws in the keys to success as described with one exception: we are not convinced that it is the sole responsibility of the IAASB to provide implementation support. Rather it is national standards setters and member bodies, or representative organizations thereof such as IFAC, that have the prime responsibility for implementation support. This would not preclude the IAASB from supporting these organizations in the development of implementation support.

We also agree with the environmental drivers as described with four exceptions:

We believe that the environmental drivers are too focused on audits of financial statements. The increasing demand for assurance and related services beyond audits of financial statements – in particular in relation to IT (cybersecurity, data protection, critical IT infrastructure) – means that the environmental drivers need to take this factor into account.

We are also concerned that the issue of increasing complexity is being viewed as a driver for more complex standards. We believe that increases in complexity ought to be a driver for more principles-based standards that stand the test of time, rather than seeking to address every eventuality in standards where such eventualities may change rapidly over time.

We are very concerned about how the final environmental driver about changing expectations and public confidence in audits is dealt with in the bullet points. Expectations of stakeholders are important, but there are real constraints on meeting expectations that are unreasonable or that may be based on stakeholder misconceptions. Auditors can always “do more”, but “doing more”, is always a public interest consideration in which the benefits of “doing more” must be weighed against the costs that would be incurred: the question is, what proportion of a society’s resources does society wish to apply to audits and why? Furthermore, audits are subject to real inherent limitations beyond any considerations of costs and benefits.

We recognize that continuing high levels of reported poor results of external inspections exist, but the methodology for analyzing trends in such results over time or in aggregate globally is not robust because audit oversight authorities performing inspections change their benchmarks for deficiencies over time (i.e., they “move the goal posts”) and different oversight authorities use different methodologies and benchmarks in different jurisdictions. The relationship between inspection results and audit failure, if any, is unclear. Consequently, there needs to be a more robust methodology related to the analysis of inspection findings and their relationship to audit failure. We also note that high profile corporate failures are the result of management failures – not audit failures. There is no doubt that audit failures do exist, but they need to be placed into a proper perspective by stakeholders.

16_MAASB

Generally, we agree with the IAASB’s Goal, Keys to Success and Stakeholder Value Proposition, as well as the environmental drivers.

However, we wish to highlight the following:

There have been concerns among the small and medium-sized practitioners (SMPs) on that the new standards being issued are moving away from being scalable as the standards are getting lengthier and more requirements have been imposed. We noted that the IAASB will focus on the need to maintain the scalability and proportionality of the auditing standards as indicated in Theme C. We also welcome the IAASB’s project on ‘Audit of Less Complex Entities’ and look forward to any consultation in respect of this area.

As indicated in the stakeholder value proposition, public-interest focused activities are intended by the IAASB to achieve meaningful contribution towards the goal. It is therefore essential that the ‘Public Interest’ concept be defined and a ‘public interest framework’ should be developed to assist the IAASB to better understand and address different stakeholders’ needs.

We are, nevertheless, in support of the environmental drivers, specifically, the advancement and use of technology as it is changing the traditional methods of performing assurance engagements. We anticipate that the IAASB will acknowledge the use of automated tools and techniques such as data analytics, in performing audit and assurance engagements in the upcoming standards.

We would also emphasise that it is important for the IAASB to consider evolving new business models and environment in the development of standards to ensure they remain relevant. To that end, the timely development and issuance of standards are critical for the achievement of the IAASB’s goals. We note that although the IAASB had issued a request for input (RFI) paper in September 2016 on the growing use of technology in audits, specifically with a focus on Data Analytics there has been no subsequent update on this project.

17_NBA

We agree. However for further enhancement we provide some specific comments below.

Goal

We would like the goal to be more explicit about the underlying goal to develop effective regulation that influences the behavior of practitioners towards the desired behavior.

In our opinion effective regulation includes:

Relevance:

Regulation contributes to relevant and reliable information.

Quality:

Regulation leads to good professional practice.

Innovation:

Regulation is innovating and meets the changing expectations of stakeholders.

Learning:

Regulation corrects, improves and innovates behavior.

Added value:

Regulation leads to behavior that shows the added value of practitioners in specific situations.

Stakeholder value proposition

We recommend to accelerate the work on clarifying and simplifying the standards, not only for less complex entities but more in general. Attention should also be given to behavioral aspects. We do not believe that simply introducing more requirements will help to improve the quality of the audit. As expressed above we agree that collaboration could indeed be enhanced, especially with IESBA.

We welcome the attention given to implementation support. To us the best implementation support starts before finalizing the standards in making sure that standards are clear and easy to understand using plain English and in short sentences.

Environmental drivers

We agree that the following factors are indeed challenges:

Technology : Practitioners really need practical guidance on how to incorporate technology such as data analytics in their engagements. This is a balancing act and we doubt whether this should be implemented by the IAASB in the standards or provided by others (national professional bodies) as not authoritative guidance

Scalability/complexity: Although complexity is getting higher, scalability remains an important issue. We recommend to start by 'simple first' in the ISAs (see also Q2).

Complexity: We recommend to take developments relating to Shared Service Centers, Third Party Revenue and Self Billing, etc. into account. These will have an impact on Auditing Standards.

Corporate reporting: Emerging forms of External Reporting (EER) is mentioned in the paper later on. We would like to stress the importance thereof.

Stakeholders expectations: fraud and going concern are indeed issues that need to be further considered (see also Q5).

19_BDO

Goal, Keys to Success and Stakeholder Value Proposition

Yes, we agree with the Goal, Keys to Success and Stakeholder Value Proposition as outlined by the Board. We also believe that in order to meet the Goal, some flexibility in the Board's work plan in terms of time and staff resources would be beneficial should there be any additional or unforeseen issues arise that need to be addressed on a timely basis.

Environmental Drivers

Yes, we agree with the list of Environmental Drivers. We believe the two most significant drivers are the 'advancement in, and use of, technology' and the 'environment for small- and medium-sized entities' and believe that related scalability and proportionality considerations should underpin all future activities of the IAASB.

In addition, we believe that 'extensive disclosures' should be an additional consideration added to the 'increasing complexity and its implications' driver and we encourage the IAASB to liaise with the International Accounting Standards Board (IASB) as outlined in Theme E in order to contribute to the quality of financial reporting.

20_CI

You agree with Our Goal, Keys to Success and Stakeholder Value Proposition, as well as the Environmental Drivers.
We agree with both Our Goal, Keys to Success and Stakeholder Value Proposition and the Environmental Drivers.

Both statements are very clearly set.

The Environmental Drivers statement ought to:

Under “environment for small and medium-sized entities”, the language and tone ought to shift to “less complex entities” to be consistent with the project that IAASB has initiated;

Under “changing reporting needs”, there ought to be more of an explicit recognition of the shift to “corporate reporting”

21_DTTL

DTTL is supportive of the IAASB’s Goal, Keys to Success, and Stakeholder Value Proposition as set forth on page 6 of the Consultation Paper.

Further, DTTL believes that the following environmental drivers, as set forth in the Consultation Paper, are relevant and provide an appropriate and sound foundation for the development of the IAASB’s Strategy and Work Plan:

Advancement in, and use of, technology.

Environment for small- and medium-sized entities.

Increasing complexity and its implications.

Changing reporting needs of stakeholders.

Changing expectations and public confidence in audits.

By ensuring that strategic actions and pursuant work programs are shaped by these drivers, DTTL believes that the IAASB will continue to foster confidence in its work as a global standard setter through activities that are timely and responsive to the needs of its stakeholders.

DTTL recognizes the important public interest role of the IAASB and the criticality of such considerations to the Board’s activities. In seeking to respond to the changing environment, we believe the IAASB should, in accordance with its Audit Quality Framework, more explicitly recognize, in its outreach and other activities, the roles of other stakeholders with regard to quality financial reporting. As auditors, we are not the only stakeholder in the financial reporting ecosystem; management, those charged with governance/audit committees, analysts, investors, and regulators all have critical roles to play in driving globally consistent, high-quality audits.

22_ETY

- We agree with the Goal, which, as stated allow scalability and proportionality in the standards setting including inside a global single set of standards.
 - Key to Success. Agree with, but we think that a proper implementation is also a key to success element to consider.
 - Stakeholder value proposition. Agree with, as sufficiently detailed to allow measurement and evaluation.
 - Environmental drivers. Agree with these drivers but we believe it can be useful to highlight the complexity generated by the regulations burden arising from new emerging political contexts around the word and its various implications.
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23_EYG

Overall, we agree. However, although we appreciate the value that conciseness can bring to strategy statements, we believe that the conciseness of the statements on page 6 is sometimes at the expense of clarity. We encourage the IAASB to consider whether these statements alone provide enough information to stakeholders that may not be well-versed in the IAASB’s role and activities.

In particular, the Our Goal statement refers to “financial and other reporting”. We do not believe it is clear from this statement (or from the Strategy document as a whole) what “other reporting” falls within the scope of the IAASB strategy or remit. To help clarify the full breadth of the engagements performed under IAASB standards, we believe including an overview of the IAASB (such as the section in the IAASB’s 2015-19 Strategy entitled “Our Standards”) would provide useful context. It would also be useful for the Strategy document to clarify and emphasize the public interest role that the IAASB’s International Standards have in addressing stakeholder needs for engagements other than audits.

We have the following specific observations related to the clarity of the statements made in the Our Stakeholder Value Proposition section:

The scope of “public-interest focused activities” in the proposition related to Our Strategy is not clear. It would be useful to include an expanded description of what such activities entail.

The proposition for Our Standards should more explicitly address the importance of their capability to be consistently and practically applied to audits and other engagements for all entities. We do not believe the words ‘scalable’ or ‘globally relevant’ are adequate to convey this critical objective. We also do not believe that the IAASB “implements” the standards; they support the implementation thereof (which is sufficiently addressed through the last proposition in the list).

Regarding the proposition for Our Methods, the critical importance of the IAASB’s due process to achieving high-quality widely-accepted International Standards should be included. We would also recommend highlighting public transparency as a critical aspect of this due process. Such transparency also facilitates stakeholder engagement and collaboration with others.

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Regarding Our Engagement with Our Stakeholders, the IAASB’s coordination with IFAC and its committees as a key mechanism through which the IAASB engages with stakeholders is particularly relevant in light of the contemplated reforms, which could be highlighted in this section or elsewhere in the document.

In addition, we observe that there is no mention of the “people” of the IAASB in these statements. The competence and capabilities of the IAASB, its supporting staff and its advisory groups are essential to the success of the IAASB. We would suggest adding a stakeholder value proposition that addresses Our Expertise and Capabilities, or something similar. This should focus on the need to obtain or maintain relevant skills and knowledge to

24_GTI

Overall, we agree with the Goal, Keys to Success and Stakeholder Value Proposition as well as the Environmental Drivers. We do, however, have the following additional suggestions for consideration by the IAASB.

Response to new and emerging issues – It is important that the IAASB responds promptly to new and emerging issues, if a suite of global standards is to maintain its value. Already, there are examples of local regulators starting to incorporate local enhancements into the ISAs. For example, in the UK, the Financial Reporting Council (FRC) has recently published for comment, an exposure draft proposing a number of additional requirements to ISA 570. There are also discussions on the future of audit and increasing interest in reporting graduated audit findings rather than providing a binary opinion. The IAASB could develop a framework, to identify, assess and filter emerging trends to determine how the IAASB should respond to these emerging trends. For example, the framework could help determine the most appropriate action or actions, such as:

Promoting awareness of the matter through means such as IFAC articles or NSS publications;

Performing a deeper analysis of the matter to highlight the potential impact on the audit and considerations for an appropriate response, through means such as papers issued by jurisdictional member bodies; and/or

Developing new or amending existing standards; or providing formal guidance in the form of practice notes as appropriate.

Collaboration – As noted above, there is the risk of increasing divergence between International Standards and local standards. The divergence between the standards issued by the Public Company Accounting Oversight Board (PCAOB) and the IAASB is of particular importance, as this affects many large international group audit engagements, and consequently impacts firms’ methodologies. A recent example of this is the IAASB’s revised auditor reporting standards that introduced extended auditor reports, including Key Audit Matters (KAM). This extended form of external reporting had been introduced in the UK a number of years prior to the development of the international standards. Although the requirements in the international standards are similar in many respects, they are less extensive and use different terminology to that used in the UK. For example, UK standards include requirements to report on key observations and to report on planning and scoping matters and include the concept that a KAM is the “most significant assessed risk of material misstatement.” Another example is the PCAOB’s recently revised auditor reporting standards that introduced Critical Audit Matters (CAM). The standards are sufficiently different such that it appears possible that a matter could meet the definition of a KAM but does not meet the definition of a CAM. For example, because the matter is not viewed as relating to accounts or disclosures that are material to the financial statements. Such differences are confusing for many stakeholders and result in conclusions that appear illogical. Better collaboration between National Standard Setters (NSS) and the IAASB, working together to identify areas where differences can be eliminated, is essential to maintaining the value of International Standards.

Technological advances – The Proposed Strategy identifies advancement in, and use of technology, and its use in audits and assurance engagements. However, such advancements in technology will not only change the way in which an audit is performed, they will also provide the opportunity for assurance engagements on new subject matter information. For example, assurance engagement on the controls in place at a crypto currency exchanges, including when acting as a custodian, or on compliance with the General Data Protection Regulation (GDPR). The IAASB’s Innovation Working Group could explore whether such new types of technology lend themselves to assurance engagements, and if so, the form that such engagements may take.

Engagement with Stakeholders – More specificity in this area would be helpful. For example, the IAASB could vary the way in which it engages with different types of stakeholders. This could be based on how the proposals would affect the particular stakeholder group. For example, investors are likely more interested in, and would provide more input into, proposals concerning auditor reporting, than in proposals concerning a technical aspect of auditing, such as auditing accounting estimates. In addition to engagement with auditors, this type of focused engagement with the various stakeholder groups, based on the specific proposal, could be incorporated into the IAASB’s due process, which may help reduce the time to develop new or amended standards or guidance.

Standards – It is key that that issues brought to the attention of, or identified by, the IAASB are considered in a strategic manner. Not all issues require that a standard be changed. If a change is warranted, the issues need to be clear for the IAASB process to be efficient and for the change to be effective. As further explained below, we see the research phase of the proposed Framework for Activities (the Framework) as critical to the success of future projects. Specifically, that the cause or nature of the issues is properly identified, and that the resulting solution is both proportionate and responsive.

26_PWC

Strategic goal, themes and actions

We support the IAASB’s defined goal of sustaining public trust in financial and other reporting through high quality audit and other services, delivered via robust global standards. Trust and confidence in the information needed for decision-making is vital to support the effective functioning of markets and economies.

Suggestions for clarification and emphasis

While we support the proposed overall content of the strategy document, we have identified a number of areas that we believe could be clarified or that may warrant further emphasis:

As well as the standards being capable of consistent and proper implementation, we believe their general acceptance will be influenced by whether the standards are perceived to be relevant, scalable, forward-looking and practicable. Therefore, those attributes should be, in our view, an integral part of the goal, rather than presumed as part of the stakeholder value proposition, which otherwise address the how, rather than the what.

Reflecting on the principles of effective quality management being proposed by the Board for firms in ISQM 1, we believe the Board may wish to reflect on whether it would be appropriate to apply these principles to its own work. Taken together, the “Goal”, “Keys to our success” and “Our stakeholder value proposition”, in essence, reflect the Board’s objectives. We believe the Board could more clearly articulate the risks it sees to achieving these objectives, many of which may be closely linked to the environmental drivers, such that it is clearer to stakeholders how the Board’s planned strategic actions and activities (the Board’s “responses”) are responsive to the identified risks, enabling the Board to meet its stated objectives. Doing so would improve the strategy document and demonstrate the robustness of the Board’s strategy and plan. We provide some further observations on the proposed “Keys to success”, “Stakeholder value proposition” and “Environmental drivers” in our response to question 1 in the appendix to this letter. We support the IAASB’s defined goal of sustaining public trust in financial and other reporting through high quality audit and other services, delivered via robust global standards. Trust and confidence in the information needed for decision making is vital to support the effective functioning of markets and economies.

As well as the standards being capable of consistent and proper implementation, we believe their general acceptance will be influenced by whether the standards are perceived to be relevant, scalable, forward-looking and practicable. Therefore, those attributes should be, in our view, an integral part of the goal, rather than presumed as part of the stakeholder value proposition, which otherwise address the how, rather than the what.

Reflecting on the principles of effective quality management being proposed by the Board for firms in ISQM 1, we believe the Board may wish to reflect on whether it would be appropriate to apply these principles to its own work. Taken together, the “Goal”, “Keys to our success” and “Our stakeholder value proposition”, in essence, reflect the Board’s objectives.

We find the articulation of the Board’s “Keys to our success” mischaracterised. We interpret these as not keys to success, but rather two high-level objectives, which are supported by the stakeholder value proposition. Fostering confidence is important, but we consider that this “objective” should go further, by describing the importance of the Board “maintaining support for, and adoption of, its standards, by fostering confidence...”. As we comment in the environmental drivers section below, there is a risk of a reversal in commitment to adoption by national standard-setters of the ISAs. Therefore, we believe this should be a critical objective of the Board.

We agree (subject to our comments below) with the identified environmental drivers, but believe the Board could more clearly articulate the risks it sees to achieving its objectives, many of which may be closely linked to the environmental drivers, such that it is clearer to stakeholders how the Board’s planned strategic actions and activities (the Board’s “responses”) are responsive to the identified risks, enabling the Board to meet its stated objectives.

While we recognise the pressure on the Board to be seen to be able to develop or revise standards more quickly, it is important to the credibility of the Board and its standards that sufficient time be taken to ensure proposed new or revised standards are understandable, scalable and have benefited from robust consideration of practical implications - areas that have been highlighted as of significant concern in feedback on recent exposure drafts, in particular ISA 540 (Revised) and ISA 315 (Revised). It is important that the Board reflect on why - aligned to the key success factor of listening, learning, and adapting. We believe the Board ought to build in a “root-cause” element to its process, to better understand the causal factors that led to that feedback. This could allow enhancements to be made to ongoing and future standard-setting projects, building an element of continuous improvement into the Board’s standard-setting processes.

Environmental drivers

We agree with the broad topics set out as the environmental drivers that shape the opportunities and challenges faced by the Board. However, many of these represent complex matters that cannot fully be described in a few bullets, and include a number of underlying drivers and associated issues. Certain drivers are also interconnected. For example, the increasing complexity of financial reporting is one of the drivers of increasing complexity in auditing standards, which in turn is raising questions over scalability. The articulation of these issues within the Board’s consultation on less complex audits may be useful material to bring across to the strategy document to help better explain the relationship of these drivers in the context of the Board’s forward strategy.

It is not always directly apparent how these environmental drivers are, or will, specifically impact upon standards and how they are reflected in the identified strategic themes and actions.

We suggest it would be helpful to provide a clearer indication of how the proposed strategic themes and actions relate back to the identified environmental drivers. To the extent relevant, the description of current projects and initiatives in Appendix 3 could also more clearly describe the extent to which they are considered to be responsive to these environmental drivers.

We highlight two specific drivers that we see as being critical to the success of the Board’s forward strategy:

Advancements in, and use of, technology

We agree that technology is changing how audits are performed and evidence is obtained. At the same time, technological advancements are changing the way organisations operate, which in turn further affects the way the auditor needs to think about how to audit the business. Technological advancements have the potential to be harnessed to enhance audit quality, but it might also be a disruptor, fundamentally changing the whole audit proposition.

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Technology can change both the scale and frequency of assurance providing activities. The framing of an audit as an annual process based on the testing of controls with limited tests of details reflects what was possible historically but is unlikely to reflect either the needs or expectations of stakeholders in a technology-enabled world.

The advent of artificial intelligence (“AI”) can change how an audit is performed significantly. It can both supplement the auditor’s understanding of risk as well as generate audit evidence. We believe unless standards recognise the ability of technology and AI in particular to perform activities previously reserved for human auditors, the ability to respond to profound changes in the quantity of data generated by companies and the changing expectations of stakeholders will be restricted.

A further result of the increased use of technology is that documentation is increasingly stored and made available electronically i.e. no physical version of the data ever existed. We believe that the IAASB needs to consider how data that is obtained electronically to support risk assessments and provide substantive evidence should be validated. In considering how the integrity of data can be established, the implications of new technologies such as those based on Blockchain which create immutable distributed ledgers are clearly relevant.

The IAASB’s proposed project on ISA 500 (Audit Evidence) needs to explore these significant questions to determine whether consensus with the IAASB’s stakeholders, including NSS, can be reached and changes made as necessary to the standards, which may also necessitate changes to other standards. A more holistic strategic review of the standards through the lens of technological advances may be necessary.

~~As the Board tackles these issues, the challenge will be to strike a balance between modernising the ISAs to be fit-for-purpose and reflective of technological auditing techniques, and avoiding requirements that inadvertently inhibit innovation - particularly if the audit is to retain its relevance to stakeholders.~~

Environment for small and medium sized entities

In certain jurisdictions, there are significant questions being asked about the future of audit and whether auditing standards remain fit for purpose.

Retaining support for the ISAs as the basis for high quality financial statement audits that are adopted in national standards is paramount to the IAASB’s success and recognition as the global auditing standard setter.

The ever-increasing length and complexity of the standards, and the resulting implications for audits of smaller-to-medium sized (“less complex”) entities is a growing threat to the continuing adoption of the ISAs for all entities, in all jurisdictions. There is a risk of jurisdictions actively considering not adopting certain of the new ISAs being issued and/or de-recognising the ISAs for certain segments because they are no longer seen as fit-for-purpose. While recognising that the Board has to manage the competing expectations of different stakeholders, the proposed changes in drafting style to address “scalability” in standards under revision may not be seen as going far enough, or as simply acknowledging but not really addressing the underlying issues. In that regard, Theme C, on which we comment in response to question 2, is most directly relevant to the Board achieving its objectives.

27_RSM

Yes, we agree with the Goal, Keys to Success, Stakeholder Value Proposition and Environmental Drivers. It is critical that the IAASB continues to produce standards which are robust and capable of consistent and proper application across all sectors and markets.

We particularly welcome the reference to scalability, as progress in this area is essential for continued confidence in the relevance of the IAASB’s processes and standards. We were pleased to hear Professor Schilder’s closing remarks at the Paris Conference in May this year dedicated to responding to the challenges of Less Complex Entities in which he stated that the concerns about scalability had been heard and that action would be taken.

In addition, we believe it is imperative that, whilst still maintaining quality through a robust standard setting process, the IAASB is able to react nimbly to the issues faced in applying standards in an environment beset with increasing change and complexity.

Changing expectations and declining trust in audits are critical issues that must be addressed profession-wide. We need to move swiftly in developing responses to the questions raised of us, particularly in relation to the detection and reporting of fraud and the consideration of going concern issues. We encourage the IAASB to be bold its consideration of how these challenges are addressed to ensure the needs of users are met and open-minded in considering the various solutions.

28_ACCA-CAANZ

Goals

We agree that the goal statement adequately reflects what we see as the IAASB’s key objective.

Keys to success

We consider that the board’s “keys to success” statement adequately covers the necessary important concepts.

Stakeholder value proposition

We agree that the stakeholder value proposition articulates all of the benefits that we believe the IAASB should be offering all its varied stakeholders.

However, we would prefer that the order of the elements was changed with “stakeholder engagement” moving to position 2, “our standards” to position 3 and “implementation support” to position 4. This order better reflects the importance of the board’s accountability to its stakeholders for its standards in this rapidly changing world. Work plans, methods and collaboration can then follow as important ways of ensuring stakeholders receive the value they expect from the standards the board is setting.

Environmental drivers

We agree that the IAASB has appropriately identified the key environmental drivers that are currently impacting the profession and so should be shaping the board’s strategy for the next three years.

However, we recommend that the “changing expectations” driver includes a reference to greater public expectations around ethics. The board is clearly aware of this as a driver given the reference to its intention to improve collaboration with IESBA referred to elsewhere in the strategy document (see strategic action theme B).

29_AE

We support the IAASB goal, keys to success and stakeholder value proposition, as well as the environmental drivers. These are very well thought-through and are difficult to argue against.

On the value proposition and the implementation support on major new and revised standards, the IAASB will have to find the right balance. We support truly principles-based standards rather than the more prescriptive standards development that we have witnessed lately. Nevertheless, as standards become more complex, requests for implementation support is likely to become more and more recurrent. While the role of the standard-setter should be limited in this area, coordination with national standard-setters will be the key to success.

On the environmental drivers, it is important to make sure that this analysis is connected to the actions that are proposed further in the consultation. In some instances, this connection may have been lost, for instance on ‘advancement in, and use of, technology’ or on ‘changing reporting needs of stakeholders’.

31_EFAA

Yes, we generally agree with the goal, keys to success and stakeholder value proposition, as well as the environmental drivers.

While we are pleased to see emphasis on strengthening implementation support, we encourage the Board to continue to strive for the standards themselves to be clear, comprehensible and only as complex as is absolutely necessary.

We especially welcome more attention being directed towards SMEs and SMPs as reflected in the inclusion of the environment for SMEs. This is appropriate given the fact that the vast majority of audits conducted around the world in accordance with ISAs are of less complex and smaller entities and, moreover, the fact that over the past decade or so we have witnessed a trend away from truly principles-based ISAs towards more prescriptive and detailed standards.

Technological change is pervasive, partially disruptive and ongoing and so rightly included. The Board, however, should recognize that SMPs and their SME clients have, relatively speaking, less resources than larger firms and clients to invest in order to keep up with all aspects of technological change. We therefore suggest the Board ensures that changes to international standards do not inadvertently limit their use by or place undue demands or expectations on SMPs in supplying their services to SMEs. The Board might need to consider using staff publications to provide additional and specific guidance about automated tools and techniques for these circumstances.

33_ICAEW

We support IAASB’s overall goal for the period 2020-2023 of continuing to promote public trust through financial and other reporting. IAASB has a key role to play in promoting high quality audit and assurance through robust international standards. This is especially important given the heightened focus on audit and assurance in the UK and a number of other jurisdictions at present. There is a clear need for focusing on actions that improve public trust in audit quality.

We agree that the keys to success are engagement, listening and learning, and leading and adapting. We emphasise the need to learn from the issues raised by stakeholders during the recent consultation on ED 315. Engagement should be responsive, and include consideration of re-exposure if warranted. To promote high quality audits, standards must be relevant, scalable and capable of consistent implementation. Practitioners have raised concerns on the applicability of standards to LCE audits, as well as their relevance to a rapidly changing technological environment. We urge IAASB to continue to focus on how to ensure global standards reflect these two key issues: technology and LCEs.

We support the list of stakeholder value propositions. We believe collaboration with professional bodies as well as NSS will be key in helping IAASB achieve its challenging work plan.

We agree with the environmental drivers identified, and believe responding to these will be key for IAASB. However, we have two points of concern in relation to these.

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Firstly, we note that not all of the drivers are well connected to the outputs of the work plan. Drivers relating to technology and small- and medium-sized entities are mapped to work plan objectives on audit evidence and the LCE audit work. However, the work plan does not include detail on how IAASB will be researching or addressing the drivers of complexities arising in financial reporting standards or corporate reporting requirements. We acknowledge the Board intends to engage with IASB; it would be useful to set out in further detail the topics and standards that IAASB will engage with IASB on.

In a similar vein, while public confidence is an item for potential research, we believe this will be a crucial focus area in the near future which would benefit from a more focused approach. In the UK, audit is currently subject to a number of high-profile reviews, including potential revisions to the UK application of ISA 570. We encourage IAASB to include in the plan working closely with NSS to understand the local implications of corporate failures and how lessons may be learned and shared internationally.

Secondly, research work IAASB intends to undertake would benefit from a focus on the collective impact of the drivers, rather than looking at them in isolation. These drivers are highly interrelated. Use of rapidly changing technology, as well as increasing complexity in financial and corporate reporting requirements, is leading to more complex auditing standards, which is exacerbating scalability issues. This in turn can lead to implementation problems, giving rise to issues with public confidence and trust. We encourage bold thinking on the future of audit and how it is impacted by these drivers.

34_ICAS

We support the IAASB's goal, keys to success and stakeholder value proposition, as well as the environmental drivers.

On stakeholder value the ultimate objective of sustained public trust is increasingly important and relevant, and in an ever-changing business environment, it is imperative that the standard-setting bodies and professional bodies keep pace with these changes. This point was emphasised in the joint ICAS/FRC Report: Auditor skills in a changing business world <https://www.icas.com/technical-resources/auditor-skills-in-a-changing-business-world-icas-frc-report>

We are also concerned that some of the recently issued standards have become much longer and much more prescriptive with a greater emphasis on the consistency of their application as opposed to being focused on the overall objectives of the standards. We would therefore welcome a move back to more principles-based standards where the requirements focus on the objectives of the standard with any supporting or implementation material in another document or in an appendix to the standard. We therefore find it encouraging that the IAASB is giving due consideration to a potential alternative approach in its development of the revised ISA 315.

As far as environmental drivers are concerned, we agree that those referred to in the strategy document represent the most significant of these for the work of the IAASB. Nevertheless, there is a need to prioritise these drivers in terms of urgency given the current resourcing constraints of the IAASB.

35_ICPAU

ICPAU agrees with the IAASB's Goal of sustained public trust by delivering robust global standards capable of consistent and proper implementation. ICPAU also agrees with the keys to success and stakeholder value proposition proposed by the IAASB.

ICPAU further believes that the proposals rightly identify the opportunities and challenges and environmental drivers that would affect the IAASB strategy.

ICPAU further believes that the following additional environmental drivers should be considered by the Board:

a) The challenge of continuous changes in regulation which will impact the profession both positively and negatively. These developments in regulations, driven largely by the high profile corporate failures, may create challenges in implementation of standards in certain jurisdictions and may drive action towards more jurisdictional requirements in the audit and assurance space. ICPAU certainly supports the Board's proposed focus on declining trust and confidence in the audit and strongly urges the Board, through strategic initiatives, to get involved in the discussion and be a part of the solution.

b) Given the significant advancements in technology, the skills required by the auditor of the future are an important consideration for the IAASB. ICPAU is cognizant that this discussion may be more directly within the realm of the IAESB or its successor body. ICPAU proposes close collaboration between the IAASB and IEASB on these activities. ICPAU believes that proper and consistent implementation of the IAASB standards requires specific skills, the acquisition of which the Board may have little control over. However the success of most of the Board's activities depends on whether the practitioners have or will acquire the desired skills for the future.

37_ISCA

We agree with the IAASB's strategic objectives and value proposition, as well as the environmental drivers identified. In particular, changing stakeholder expectations about auditor's responsibilities over fraud and going concern is prevalent here in Singapore.

In addition to the observations described under Advancement in, and Use of, Technology, cybersecurity risk has become an area of focus as businesses make use of rapidly changing and evolving technologies. Stakeholders are increasingly concerned about how auditors incorporate procedures to respond to cybersecurity risk in their audits. Cybersecurity risk, if not managed properly, may even extend to going concern risk.

38_MICPA

Whist MICPA agrees with “Our Goal, Keys to Success and Stakeholder Value Proposition”, as well as the “Environmental Drivers”, the Institute notes the emphasis placed on “public trust” and “public interest” which we believe led to the IAASB’s strategy to be stated as “Public-interest focused activities and future-oriented processes and work plans that are viewed as meaningful in contributing to the achievement of our goal.” As the debate on what constitutes “public interest” is on-going, the Institute would like to propose that the Board works on this further to a conclusion as its activities and work plans are directly dependent on what is defined as “public interest”.

39_NFPA

In general, we agree with the goal, keys to success and stakeholder value proposition, as well as the environmental drivers. However, the scope is very broad and seems to capture ‘everything’ with the same level of importance. Our view is that some matters are more urgent than others, especially matters related to the environment of small- and medium sized entities.

In addition to the focus on trust, we would also encourage a more explicit focus on relevance, since we believe that several of the mentioned environmental drivers are closely linked to the future relevance of the profession and its services.

We support the development of principles-based standards rather than the more prescriptive standards we have witnessed recently. We also believe that the need for implementation support and activities are closely linked to the complexity of the standards. As a standard setter the IAASB should focus on developing standards and related non-authoritative guidance. Implementation activities should primarily be tailored and performed regionally because of the differences around the world. The IAASB’s role should be limited to supporting and coordinating such regional implementation activities.

40_SAICA

IAASB’s Goals

100% of survey respondents agree with the IAASB’s goal.

We support the IAASB’s goal to sustain public trust through the delivery of robust global standards that are capable of consistent and proper implementation. Sustaining public trust is critical as the profession will cease to exist without it. The key to this is the consistent performance of high-quality audits, which is achieved by planning, performing and reporting in accordance with high-quality professional standards. The integrity of the auditing process is also crucial to the continued existence of the auditing profession in that this process gives the public a certain level of trust in the financial statements subject to an audit. For these reasons, we agree with the goal of the IAASB.

Keys to Success

We agree with the Keys to Success. SAICA believes that we have seen this being practically implemented and working over the past few years. As an example, with the issue of the Invitation to Comment (ITC), Enhancing Audit Quality in the Public Interest – A Focus on Professional Scepticism, Quality Control and Group Audits as an outcome of the post implementation review of the clarified ISAs and the subsequent approval of the IAASB projects on quality control, professional scepticism and ISA 600.

Stakeholder Value Proposition

In principle we agree with the IAASB’s Stakeholder Value Proposition. One respondent to the survey noted that, although they agree with the stakeholder value proposition, they get the impression that it will result in a lot of work and effort, therefore, care should be taken that they are realistically achievable. Below, please find additional commentary on certain of the identified stakeholder value propositions:

Our Standards

60% of the survey respondents agree that the performance of an assurance engagement in accordance with the IAASB standards fosters confidence in audit quality.

Due to the rapid pace at which business and the modern world are evolving, the importance of the IAASB being forward-looking in ensuring that the standards are revised to be as future-proof as far as possible should not be underestimated. It is SAICA’s view that the impact of technological developments in revising the ISAs should remain a focal point, especially as it relates to how audit evidence is gathered and the types of evidence gathered for audit and assurance engagements. The development and issue of any implementation guidance in relation to the impact of technological developments on the ISAs and the auditing process will also be most welcomed by the profession.

In continuing with the theme of keeping abreast with developments in setting standards that are fit-for-purpose, timely response to changes that impact on the profession is of paramount importance. In responding timeously to these changes, SAICA’s is of the view that, in addition to the international standards issued as part of the formal due processes, the IAASB should consider implementing and following a less formal or more flexible approach, with a shorter time around time that allows for issuing authoritative pronouncements, such as International Auditing Practice Notes or Staff

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Questions and Answers or other staff publications. To this end, we are pleased to see that the development of non-authoritative practical guidance is included in as part of the framework of activities.

80% of the survey respondents believe that the IAASB should explore opportunities to follow a less formal or more flexible approach than that required in issuing authoritative pronouncements that result in shorter turnaround.

SAICA is aware of and recognises the IAASB's continuing efforts to address the needs of Small and Medium Practices (SMPs) in the audit of smaller and less complex entities. This includes that scalability has been a strategic focus in each of the IAASB's current projects relating to the revision of certain ISAs. In our response to IAASB Future Strategy Survey, we indicated that we are supportive of the move away from the concept of Small-and Medium-Sized Entities (SMEs) and SMPs auditing SMEs, to a more inclusive approach of all types of audit firms (i.e. not only SMPs) auditing smaller and less complex entities. We indicated that this is more representative of the actual practice environment, for example, there are smaller entities that could still have complex businesses and complex financial statement items.

In the South African jurisdiction, there are many SMPs that do not necessarily operate in the space of auditing complex entities that are considered to be of significant public interest and it may be argued that there is no need for these practitioners to comply with all the requirements set out in the IAASB standards. One respondent stated, "The IAASB serves an international community for international companies and their reporting. E.g. this net is big and works well with big fish. It is however too big and cumbersome for any other kind of fishing community. As a perception of prestige all local entities align with the IAASB but at the detriment of the local circumstances and unique reporting that may be required. Standardization comes at a price and actually provides the opportunity for clients to manipulate the system because of the audit and accounting need to force everything into the same box."

On the other hand, it can be argued that since the ISAs are principles based, they are capable of being adapted and practically applied to the audit of ~~any engagement, large or small, simple or complex~~
comment letter on the Discussion Paper: LCE.

Engagement with Stakeholders

80% of survey respondents are aware of the IAASB outreach activities and are satisfied with the level of engagement by the IAASB. Of the 80% that are aware of the outreach activities, only 20% have actually been involved in such activities.

It is our view that engagement with preparers and users of financial statements as part of the outreach activities is of particular importance. The reactions of the public towards recent corporate failures, both locally and internationally seem to indicate that there is a gap between what the public expects an audit to achieve and what is being delivered based on the current auditing model, especially in relation to the auditors role in detecting and reporting fraud. SAICA believes that the IAASB is best positioned to lead engagements with all stakeholders in order to understand and manage expectations of all parties, thereby address this expectation gap. These engagements may provide the basis for meaningful discussions regarding changes that may be necessary to ensure that audit and assurance reports remain relevant.

It may be useful for the IAASB to consider conducting an in-depth study on the shortcomings that have led to the recent corporate failures, analyse their root causes and the regulatory environments in which these failures have occurred. The results of this study can then be used to identify potential shortcomings in the ISAs and the standard-setting process and provide a basis for the development of future strategies and the related work plan.

In the engagement with stakeholders, it is recommended that the IAASB monitor developments in the various regulatory environments and their impact on audit quality. For example, in South Africa the Independent Regulatory Board for Auditors (IRBA) is working on a number of initiatives such as Mandatory Audit Firm Rotation (MAFR), which comes into effect in 2023, Audit Firm Transparency Reporting and a project on Audit Quality Indicators.

Implementation Support on Major New and Revised Standards

In relation to current IAASB projects underway, 100% of the respondents to survey agreed that implementation guidance should be issued for the projects on Group audits and Quality Management. One respondent noted, "Any implementation support is useful to practitioners to assist with proper and consistent implementation. I believe implementation support will be very useful for the smaller firms as the standards require a new way of thinking and application."

The changes proposed in the new and revised requirements for Quality Management standards are significant. Since quality management is the corner-stone to the performance of high quality engagements, achieving consistent, appropriate and effective implementation of the new and revised requirements by practitioners of all sizes, with varying circumstances is of paramount importance. To assist practitioners to achieve this, it is SAICA's recommendation that the IAASB issue implementation guidance and provide implementation support on these standards. We welcome and support the FAQ for Proposed ISQM 1 as well as the practical examples but our outreach activities seem to suggest that more implementation support and

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guidance may be needed. At the time of writing this letter, the results of the outreach activities to solicit comments on the Quality Management Exposure Drafts were yet to be formally analysed. Please refer to the official SAICA comment letter for a more detailed recommendation in this regard.

In relating to Extended External Reporting (EER), this initiative comes at a time when there is an increased focus on enhancing credibility and trust in EER. SAICA welcomes and supports the IAASB's initiative on issuing non-authoritative practical guidance with respect to certain aspects of these types of assurance engagements.

In addition to issuing non-authoritative guidance, it is SAICA's view that the IAASB should also consider other less formal, timelier means of providing implementation guidance such as Frequently Asked Questions, case studies, Infographics and other diagrams to clarify complex concepts in the standards.

Environmental Drivers

SAICA is in agreement with the Environmental Drivers identified by the IAASB. The Environmental Drivers noted are all very important. Quick turnaround time to adapt to these drivers is of utmost importance. One respondent noted, "through the recent updates of revised standards, one gets the comfort that the standards are constantly updated and revised for the modern world." 80% of survey respondents do not believe that there are other significant factors that the IAASB should consider in shaping the IAASB strategy.

In ensuring that the auditing and assurance profession remains relevant to in relation to the needs of the market, SAICA supports the IAASB's continued collaboration with the Consultative Advisory Group (CAG). It may be beneficial for the IAASB to consider collaborating with the International Accounting Education Standards Board (IAESB) to ensure that the professional accountants have the required competencies to cope with these future needs. The IAASB may have robust standards in place, however, without a competent auditor to comprehend and apply those standards, the efforts of the IAASB may be futile.

41_SMPC

In general the SMPC agrees with the goal, keys to success and stakeholder value proposition, as well as the environmental drivers.

We specifically support the inclusion of the environment for small- and medium-sized entities (SMEs). The Board needs to be very cognizant that the use of the ISAs remains predominately in audit engagements of less complex entities and the value of SMEs to economies worldwide.

We acknowledge the necessity for the IAASB to balance the needs of all stakeholders, but there are strong concerns that the IAASB has in recent years had an increasing tendency to move away from developing truly principles-based auditing standards, to longer, more rules-based, complex and detailed standards. We therefore support more attention being directed towards SMEs and SMPs, particularly given the importance of SMEs and that SMPs are major users of the ISAs

We agree with the environmental driver of the advancement in, and use of, technology. The 'traditional' approaches to performing audit procedures are already being impacted with questions raised about 'continuous assurance' on current information (therefore the value of a year-end financial statement audit) and around the use of sampling procedures if all transactions in an entire population can be analyzed through technology, with a greater focus on exceptions.

Nevertheless, the IAASB should be mindful that globally not all sized organizations are moving at the same pace with technological developments. For example, SMPs, by their nature, may have less resources to invest. Changes to international standards should not therefore inadvertently restrict their use or place unreasonable demands or expectations from smaller practitioners. For example, how technology developments are reflected in the standards should not result in a significant gap with what is happening in practice. It may also be that action outside the standards e.g. greater clarity and guidance about automated tools and techniques in a staff publication could be more beneficial.

We agree that in certain jurisdictions it is necessary to increase confidence and trust in audits and there remains an expectation gap between what auditors are required to do and what stakeholders' expectations are (pg. 7). This does not seem to be explicitly picked up in the IAASB work plan for 2020-2021 and we suggest that consideration could be given to whether, and how, the IAASB can take a greater leadership role in this space, perhaps in collaboration with other organizations in activities and messaging around the value of audit under theme E – "Deepen our connectivity and collaboration opportunities". In addition, the changing reporting needs of stakeholders and the enhanced focus on non-financial information may also be an opportunity for auditors to provide assurance and build trust in both the private and public sectors.

42_WPK

We basically agree with the stated Goal, Keys to Success and Stakeholder Value Proposition.

However IAASB's goal should not be limited to sustain public trust in financial and other reporting by providing robust standards. Considering current discussions in some European countries (UK, Netherlands) about audit market reforms such as mandatory joint audits, extending external rotation or creation of audit-only firms, due to (possible) failures in audit quality and market competition, IAASB and IESBA must be perceived and trusted even more as the international Standard Setters that are willing and able to address possible shortcomings when it comes to audit methodology and ethics. This might also strengthen IAASB's position considering the Monitoring Group's contemplations about reforming the international standard setting process.

Furthermore IAASB's activities, especially the setting of international standards, take place in the 'public interest'. In this context we think it is important to have a clear understanding of the meaning of the term 'public interest'.

Also we basically agree with the proposed Environmental Drivers. The above mentioned activities and initiatives of legislators and regulators in certain European countries should be part of the driver 'Changing Expectations and Public Confidence in Audits'

Nodes\\Q1 Goal, Keys to Success and Stakeholder Value Proposition\\Q1 4. Disagree