

IAASB Strategy and Workplan

Nodes\\Q2 Strategy and Focus and Strategic Actions for 2020–2023\\Q2 2. Agree

Files

15_JICPA

We agree with the proposal. In particular, we welcome the inclusion of Theme D “Strengthen and Broaden Our Capability and Capacity to Respond by Innovating our Ways of Working,” which is critical to the IAASB’s future activities as a whole.

19_BDO

Yes, we agree with the strategy, focus and strategic actions. We agree with all of the strategic actions outlined for each of the five themes and note the following:

Theme A – we agree all of these actions are critical

Theme B – we support all of the actions and believe emphasis should be placed on evolving technologies and automated tools and techniques being used by auditors to perform risk assessments and obtain audit evidence. We also support looking at the changing corporate reporting environment and consideration of relevant reports (e.g. sustainability)

Theme C – we support all of the proposed actions and we are particularly interested in maintaining the scalability and proportionality of the standards to allow for more directed audits of smaller or less complex entities

Theme D – we agree the actions outlined here are key to meeting the ‘timely’ aspect of many of the points set out in the Stakeholder Value Proposition

Theme E – we support all of the proposed actions and believe that working closely with the IASB to develop joint practical guidance would be beneficial to the profession on various initiatives, including disclosures.

38_MICPA

Yes, based on the Board’s Strategy of “Public-interest focused activities and future-oriented processes and work plans that are viewed as meaningful in contributing to the achievement of our goal” the Institute agrees that “Our Strategy” and “Focus and Our Strategic Actions” for 2020-2023, appear to align with that stated strategy. However, as commented in question 1 above, it still hinges on the definition of “public interest”.

43_FAR

FAR applauds the initiative of the Board’s strategy toward “robust information-gathering and research activities” before deciding on new projects as part of the Research Phase of the Proposed Framework for Activities (point 3 of your request for comments).

Nodes\\Q2 Strategy and Focus and Strategic Actions for 2020–2023\\Q2 3. Agree with Suggestions

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01_BCBS

Workplan and activities

The Committee agrees that the IAASB should complete the work that is in progress. Quality management, group audits and implementation activities are particularly important. We further agree that outreach and research are vital to the development of robust standards (see further below). In particular, we are supportive of the IAASB’s research and innovation activities being supported by a framework for assessing potential projects.

However, the Committee is not fully convinced that audits of less complex entities is a key public interest issue that should be a “top priority” (under Theme C on page 11).

Stakeholders

The Committee appreciates that the IAASB strategy includes “timely and meaningful dialogue with a broad range of stakeholders, including with regulatory, user and practitioner communities” (page 6). The IAASB should be carrying out sufficient outreach to be able to issue standards that meet the public interest. We encourage the IAASB to identify its key stakeholders and to focus its efforts on proactively reaching out to those stakeholders to ensure that all relevant views are heard. We believe that Theme E could be developed further so that it is clearer who the IAASB intends to reach out to and for what purpose.

Addressing issues and challenges on a timely basis

The IAASB proposal, on page 12, references ‘limited-scope revisions’. We support this suggestion and also support the idea of having in place an interpretations group. These proposals would allow the IAASB to make necessary amendments to its standards and keep them fit-for-purpose. We understand that the IAASB has limited resources and that international auditing standards are highly interrelated. As such, we suggest that the IAASB scope its work with the objective of better delivering timely and comprehensive changes that are in the public interest. For example, it is not ideal that some of the changes deemed necessary in relation to the audit of estimates were delivered through amendments to International Standard of Auditing (ISA) 540 (effective 2020) and some through amendments to ISA 315 that are still in draft and will not be effective until at least 2021. We would like the IAASB to consider whether there are ways of scoping projects so that, when an issue (or related issues) affects several standards, those standards are all amended at the same time.

Consideration of the broader environment

Any strategy promoting public trust would benefit from considering the broader environment in which standard-setting takes place. This is recognised in the IAASB’s strategy paper in page 7, where the IAASB notes that changing expectations and public confidence in audit is an “environmental driver” behind the IAASB’s strategy. However, it is not clear whether the IAASB’s strategy and workplan includes work that considers changes in the environment and responds in broad and ambitious ways. This may be part of Themes B and D, in which case such elements could be made more explicit and expanded upon.

Following a loss of confidence in audit quality and the audit as a product in at least some jurisdictions, there is much discussion about the future of audit. Some of those discussions – such as those regarding competition within the audit services market and aspects related to audit regulation – fall outside the scope of the IAASB’s responsibilities. Others, perhaps, do not, and we believe that the IAASB’s strategy should place more consideration in those issues and into whether and how auditing standards might be used in response.

For example, one of the questions being asked in some jurisdictions is whether the existing audit product continues to meet stakeholders’ needs.

Behind this question are issues about:

audit reports (does the binary report remain the right model, even including key audit matters, or would users of the audit report find other forms of report more useful?);

considerations about what an audit should deliver under current standards or the need for new standards (eg should the audit be looking to do more on fraud or companies’ business models?); and

scope (should other parts of the annual report be the subject of a reasonable assurance report and should there be a report on internal controls?).

In many cases, the final decision as to whether the existing position should be changed will need to be taken at the national level, but we think the IAASB should be an important voice in the debate and anticipate the need for new standards.

Implementation activity

The Committee agrees with the IAASB’s goal of developing standards that are capable of consistent and proper implementation (page 6). We therefore support the IAASB’s focus on implementation support. A “good” standard that is not implemented well is not indicative of a successful outcome.

We also note that the IAASB is committed to “principle-based standards...able to be applied to a wide variety of circumstances” (page 11). ISA 540 is one of those standards.

Although the strategy paper refers to implementation support and to industry-specific non-authoritative guidance, it is not specific in this regard. We recommend that the IAASB gives consideration to this important element of standard setting. In particular, as the IAASB is aware, the Committee believes that the audits of banks, and of estimates made by banks in particular, require special consideration. Since ISA 540 is a principle-based standard, its proper implementation for bank audits necessitates that the IAASB develop bank-specific implementation guidance (such as a practice note for bank audits). We urge the IAASB to incorporate this into its 2020–21 workplan.

02_IAIS

It appears that the IAASB aims at limiting its standard setting activities to revisions of ISQC1 and ISA 220, ISA 315, ISA 600 and ISRS 4400. All are projects that have already commenced and that (with the exception of the revised ISA 600) have been significantly delayed. Additionally, they are all expected to be completed by the first quarter of 2020 (with the exception of ISA 600 that is expected to be completed by March 2021). All these projects are important, however, we believe that some other ISA’s, particularly those impacted by the developments of data analytics and new technologies deserve careful consideration (eg, ISA 500 to 530 and ISA 330) in a timely manner. Although there may be reluctance to start major new products whilst reforms of the IAASB are under discussion, it will be important to keep the forward workplan under review in the light of such developments.

We acknowledge the importance of research and outreach to boost the IAASB’s reflections. However, there is a risk that if not suitably targeted, such activities could become too time consuming and delay the IAASB’s work on current and actual projects. Moreover, the intended outcomes of these research activities are unclear. We are concerned that the IAASB activities may become overly focused on research activities rather than actual specific deliverables.

We recommend that the IAASB establish a hierarchy amongst all of the research projects and better define their objectives, expected outputs and timeframes. The IAIS is of the view that at this stage the objectives of the Innovation Working Group seem particularly unclear. In addition, if priorities

need to be defined, the strategic actions related to the audit of less complex entities should have a low priority compared to those related to ISAs and structuring the audit approach.

Additionally, the IAASB should prioritize ensuring that the current auditing standards are appropriate for the forthcoming accounting changes for the insurance industry. The IAIS also encourages the IAASB to consider providing additional guidance on how to apply the ISA's (in particular ISA 540) in relation to insurance accounting.

We agree that the themes and areas proposed in the consultation are relevant. However, there is limited information on specific outputs expected to result from the strategy, focus and planned strategic actions. There is also limited information on the respective importance of each strategic action and the resources to be devoted to each item.

03_IFIAR

5. With this in mind, we encourage the IAASB to develop more detailed plans about the targeted output and to provide more information about resources affected and priorities set on the various topics suggested in its proposed work plan. From previous experiences, based on which the lessons should be drawn and incorporated in this plan, the number of topics seems rather large, and actual delivery may lag behind the expectations.

Interaction between IESBA and IAASB 6.

IFIAR supports the current IAASB proposals which aim at fostering coordination of activities between audit and ethical standard setting. We recommend moreover further and more systematic liaison with IESBA.

Completion of current projects (theme A) Support for proposal to finalise ISA 315 – ISQM 1 and 2 – ISA 220

7. We encourage the IAASB to complete the major ongoing projects for which IFIAR has already provided comments and input over the past years, – including timely finalization of the revision of ISA 315 (risk assessment), and the timely completion of the projects on ISQM 1, ISQM 2 and ISA 220 (quality management at firm and engagement levels).

Support for group audit revision - ISA 600

8. The project to review ISA 600 (group audit) should also be a key priority of the next work plan. Some related amendments have been proposed in ISA220 standard, but limited

progress has been made on the topic covered in ISA 600 over the past years, despite repeated requests from IFIAR to address shortcoming in the standard and potential enhancements to foster better quality in audit of consolidated financial statements.

Post-Implementation reviews

9. We support the post-implementation review of the auditor reporting standards, including changes arising from ISA 701 and ISA 720.

10. We also continue to support the post implementation reviews on the recently revised standards, in particular the review of ISA 540 (accounting estimates), given the importance of the topic as evidenced by the number of findings reported in IFIAR inspection surveys.

Further projects to enhance ISAs (ref. theme B) Support for Professional scepticism, data analytics, audit evidence

11. We concur with the inclusion in the workplan of activities to foster enhanced professional scepticism, when revising the standards.

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12. We support the IAASB's investigation of the need to adapt the standards to the increasing use of technology and automated tools and techniques, including those referred to as 'data analytics'.

13. We encourage the IAASB to focus on a holistic project on audit evidence, and to evaluate the needs for enhancements of the standards for areas related to the determination of the level and quality of evidence required, including any related consideration of materiality, audit sampling, and analytical procedures. We also believe the audit evidence standard is an area where the application of professional scepticism could be further enhanced.

Additional area to be investigated: consistency between ISA 315 and ISA 330

14. Regarding the scheduling of additional projects to enhance the current ISA standards, we believe that the IAASB should, once revised ISA 315 (on risk assessment) has been finalized, consider the needs for further alignment of the provisions of ISA 330 (response to assessed risks) assessment) to take into account the enhancements in revised ISA 315 (risk

15. Additional clarification regarding the testing of internal control, stemming from revision of ISA 315, should also be considered by IAASB. Support for a project on fraud

16. We agree that the public's expectations regarding the auditor's role in the detection of fraud, money laundering and other non-compliance with laws and regulations need further scrutiny at global level. We therefore support the IAASB's scheduling of a project to evaluate the needs for revisions of the relevant auditors' responsibilities and work to be performed in connection to fraud.

Support for a project on going concern

17. In the same vein, there is still a gap regarding the current provisions of the ISAs on the work and the reporting of the auditor on going concern issues and the potential public expectations. Therefore, the IAASB should be prepared to contribute to the evolution in this area. A project on going concern could also benefit from the post implementation review of the revised requirements covering audit reporting on going concern matters.

Monitor emerging forms of external reporting

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18. We concur with the view that IAASB should monitor the evolutions towards emerging forms of external reporting, which are in some jurisdictions, required by national regulators. We agree that the IAASB should consider, the need for any clarification, like for instance of ISA 720 (on other information accompanying the financial statements) to avoid the expectation gap widening further in this regard.

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Outreach, collaboration, way of working (ref. theme D and theme E)

19. Regarding the activities to be put in place to enhance incorporation of perspectives stemming from outside the audit profession in standard setting project, we continue to encourage the IAASB to consider wide means and diverse collaboration opportunities to gain better knowledge of the variety of stakeholders' perspectives. Collaboration with investor representatives could be further strengthened in the proposals.

20. The IAASB should also increase their collaboration with the IASB (international accounting standard board). Subjects such as going concern and the audit of estimates are likely to benefit from increased collaboration.

21. Outreach and collaboration with the international accounting education standards setter should also be encouraged on forward looking projects

requiring enhanced skills for auditors.

22. Research is an important phase to inform the IAASB decisions, but we recommend clear targets and deadlines are established for research projects, so that they do not become open ended projects and yield the expected benefit of timely enhancement of standards.

Strategy, workplan and reforms 4.

IFIAR welcomes the IAASB's initiative, to develop and consult on its strategy for the future period and its workplan for 2020-2021, notwithstanding that the Monitoring Group (MG) is currently working on recommendations to strengthen international audit-related standard setting system through reforming the governance, standard setting processes and funding. Before, and as, the new structure becomes operational, IFIAR recommends that the current work of the IAASB and standard setting activities continue, with a primary goal to serve the public interest, by advancing and completing projects and initiatives which contribute to enhancing audit quality. Smooth transition and avoidance of disruption is of high importance to IFIAR during this reform phase. IFIAR also acknowledges that the IAASB's plans for 2020-2023 may need to evolve over time to align with the timeframe of the implementation of the possible MG reforms.

04_CEAOB

2. Comments on Strategy and Focus and Strategic Actions for 2020–2023 (pages 8 to 13).

8. We agree that the themes and areas proposed in the consultation are relevant. There is limited information, however, on specific outputs expected as a result of the strategy, focus and strategic actions, particularly beyond 2020-21.

9. Indications about the resources to be devoted to those different strategic actions would also help to understand the plan. Given the large number of strategic actions mentioned, defining priorities and resources affected would help in the future management of projects (see our comment on research as well).

05_CPAB

We are supportive of developing high quality international standards that support audit quality around the world.

In considering the IAASB's strategy and work plan over the next few years we have the following observations.

Setting of priorities – focus on audit and understanding investor perspectives

In setting of priorities, we believe it is important for the board to focus on projects that improve the quality and consistency of audits. It is also important that the board obtains the perspectives of investors and other users of the financial statements to understand their expectations of the audit and key priorities for action.

Completion of current projects

In considering projects the board should focus its efforts, we are supportive of the board's plans to prioritize completion of its current projects, specifically issuing final standards on ISA 315, ISQM 1 and 2 and ISA 220.

ISA 600 – Group Audits

We believe the board should place a high priority on completing a project to update ISA 600 on group audits. Amendments to this standard have been significantly delayed with significant improvements continuing to be required to improve audit quality globally.

Addressing going concern and fraud

In considering areas of importance to investors and other users of the financial statements we believe the board should prioritize projects to consider the auditor's responsibility to detect fraud and the auditor's work effort and responsibility related to going concern. We think that each of these areas have the potential to have a significant impact on the reputation and credibility of the audit profession and are important areas to reconsider in light of developments around the world.

Other areas of focus

In addition to the topics noted above, we believe the board should also consider the following areas:

Innovation – we encourage the board to increase its efforts to understand innovations in the audit and the impact these developments will have on current and future auditing standards.

Audit evidence – we are supportive of the board's planned project to consider current developments in auditing including the increased use of technology such as data analytics and the impact this has on audit evidence. We expect this project could have an impact across a variety of different auditing standards.

Reduction in focus on less complex entities and scalability

Over the past year we have noted a number of instances of standard setting projects where there is an increased focus on providing alternative approaches to support the scalability of the standards. We also note the prominent focus of the board's project on less complex entities.

We are concerned that an increased effort to build alternatives and options into auditing standards to support audits of very small entities with insignificant audit fees (for example fees of less than \$5,000) and a focus on developing auditing standards for less complex entities could have an impact of reducing the current protection that investors and other stakeholders receive from the audit. We are concerned that an undue focus in this area could damage the credibility of the audit over the longer term. Accordingly, we recommend the board reconsider its effort in these areas and focus its efforts on the projects noted above.

06_ESMA

While ESMA appreciates that the IAASB consults both on its 2020-2023 strategy and detailed biannual work programme, ESMA notes that the most significant part of the 'strategic actions' focuses on the period covered by the work programme. While this might be due to the uncertainty related to the long-term strategy of the organisation resulting from the ongoing governance review, ESMA suggests that the public consultation on the long-term strategy and the short-term work programme be decoupled in the future. This would allow the IAASB to focus in its long-term strategy consultation on those actions that are relevant from a strategic perspective without having to describe and analyse detailed aspects related to the short-term results in the work programme. This approach would enable the IAASB to formulate its strategy in simpler terms, focusing on the main issues rather than on details on each and every project envisaged.

Proposed Strategy for 2020-2023

ESMA agrees with the environmental drivers identified in the proposed IAASB strategy and Work Plan. However, even though ESMA agrees that main areas have been correctly identified, it considers that the corresponding strategic actions should be more ambitious in order to achieve a commensurate response to the environmental assessment.

Advancement in, and Use of, Technology/Changing Reporting Needs of Stakeholders

ESMA strongly agrees that the development of the auditing standards needs to take into account prominent corporate reporting developments, including stakeholders' increasing focus on non-financial information and the impact of technological advancements. ESMA notes that the pattern of consumption of financial information is also evolving, relying to an increasing extent on a structured electronic format. Consequently, ESMA encourages the IAASB to consider the impact of this development on audit and assurance engagements and consider how to ensure market confidence in the use of such financial information.

Qualitative Features of the Auditing Standards

ESMA highlights the need for the auditing standards to be clear and understandable as well as enforceable. While ESMA strongly supports principle-based standard setting, it considers that the ultimate focus of the IAASB should be that standards can be applied in an objective and consistent manner. Consequently, ESMA is of the view that the focus on consistent application should be reflected in the proposed strategy.

Audit Quality Enhancements

ESMA strongly supports the strategic focus on audit quality. From the perspective of securities regulators, ESMA considers that improvement of audit quality is essential for the effective functioning and confidence in the integrity of the capital markets. ESMA welcomes the recent publication of amendments to ISA 220 Quality Control at the Engagement Level and the increased focus on audit quality in the form of two exposure drafts on quality

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management. In addition, a new separate standard in the form of the exposure draft on International Standard on Quality Management 2, with more specific requirements for the engagement quality reviews, is an important step forward to clarify requirements. However, ESMA believes there remains the need to provide on-going implementation support in order to support the proper and robust implementation and application of the quality management requirements.

Consequently, ESMA welcomes that audit quality features prominently in the strategic actions proposed for the next period. This focus should also consider the link to the audit committee. ESMA highlights that audit committees are important in enhancing audit quality. Reflecting this, audit committees are being called on to play a more active role on behalf of investors and other stakeholders; not only in overseeing the financial reporting process, but also in their oversight of the independence of external auditors and interaction with them. Several bodies (including International Organisation of Securities Commissions (IOSCO) and the Public Company Accounting Oversight Board (PCAOB) in the United States) have recently issued reports to assist audit committees in relation to audit quality. ESMA encourages the IAASB to reflect the role of the audit committee in the proposed strategy regarding audit quality.

Increasing Complexity and Its Implications

ESMA agrees that the business environment has become more complex and that a number of financial reporting standards (such as IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, IFRS 17 Insurance Contracts or IAS 36 Impairment of Assets) require the use of significant estimates and management judgement. In this context, ESMA agrees that further guidance and implementation support might be required on the recently published auditing standards, such as ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures, especially when referring to the audit of judgements and complex models.

Changing Expectations and Public Confidence in Audits

ESMA also strongly agrees that stakeholders' expectations on what auditors should be required to do are changing, especially with regards to the detection and reporting of fraud and consideration of going concern issues. ESMA notes that public reactions to a number of corporate reporting failures over the last several years seem to indicate a growing gap between the work which investors and other stakeholders expect auditors to undertake and what auditing standards require. Therefore, ESMA considers that when developing new guidance, the IAASB should focus on addressing this expectation gap, inter alia by providing authoritative guidance in some of the areas where shortcomings have been identified as a result of the financial crisis or corporate reporting failures over the last years. This might require the IAASB to re-prioritise strategic actions towards consideration of fraud, going concern and professional scepticism and to allocate sufficient resources to deliver on these changes in the auditing standards within the period covered by the IAASB strategy.

Mechanisms for addressing issues and challenges on a more timely basis

While ESMA agrees that the IAASB should develop a new mechanism for addressing issues and challenges on a timelier basis, ESMA notes that these mechanisms need to be balanced with the authoritative status of any new guidance and with the need for the appropriate due process. Whereas ESMA does not oppose the development of non-authoritative practical guidance in the form of educational material, it highlights that the authoritative guidance should still be sufficiently robust and comprehensive to address all relevant issues arising from the audit process. Therefore, ESMA disagrees with the proposal to address audit issues that are specific to significant industries (such as banking and insurance) or to specific

topics (such as financial instruments) solely by non-authoritative guidance, as suggested in Appendix II to the CP. In this context, ESMA reiterates its position included in its Comment Letter to the Proposed Strategy and Work Programme for 2015-2019 and in its comment letter on ISA 540 (Revised) that, if the IAASB decides that the development of specific guidance is appropriate for audit of banks and insurance companies, this should be provided in the form of authoritative guidance as part of (or in appendix to) the respective standards.

ESMA strongly supports the initiative to provide maintenance of auditing standards by allowing the IAASB to develop narrow-scope amendments to the existing standards as this would allow the IAASB to provide more timely responses to market developments. On the other hand, ESMA is of the view that the IAASB should carefully consider the development of an interpretations mechanism to clarify the principles already included in the standards as well as to provide insight into the intentions of the Board when developing the standards. While ESMA can support such a mechanism, it notes that the Board's intentions when developing the standards could be more usefully reflected in the basis for conclusions accompanying publication of the new standards and providing the rationale for taking decisions when the standards were developed. Consequently, ESMA is of the view that all the maintenance activity should ensure high quality and enforceability of the narrow-scope amendments and interpretations.

Collaboration opportunities

ESMA considers that the cooperation between accounting and auditing standards setters (i.e. cooperation between the International Accounting Standards Board (IASB) and IAASB) should be significantly reinforced. This is of increasing importance due to the development of new complex accounting standards that increase reliance on management judgement and use of complex models that rely on long forecasting periods. This complexity may raise questions about auditability especially in the first years of implementation of the accounting standards. Therefore, ESMA welcomes the planned post-implementation reviews of the recently implemented ISAs and encourages the IAASB to address any issues arising from these post-implementation reviews or from gaps identified in these new standards on a timely basis.

Furthermore, ESMA is of the view that transversal issues between accounting and auditing standard setters, such as consideration of materiality and assessment of going concern, need to be discussed as part of the IAASB's effort to address the expectation gap mentioned above.

Finally, ESMA reiterates its encouragement to the IAASB to enhance its cooperation with regulatory oversight bodies, similar to the model established by the IASB with the securities regulators (such as IOSCO and ESMA).

07_IAASA

We agree that the proposed themes and areas in the consultation are relevant. However, there is limited information on specific outputs expected as a result of the strategy, focus and strategic actions, particularly beyond 2020-21.

An indication of the resources to be devoted to the different strategic actions would also help to understand the plan. Given the large number of strategic actions mentioned, defining priorities and resources affected would help in the future management of projects, including research activities (paragraphs 11 and 15 below refer).

08_IRBA

We agree with the IAASB's Strategy, Focus and Strategic Actions for 2020-2023 and also welcome public interest being made the focal point of the IAASB's strategy.

We suggest that the IAASB should not over-emphasise scalability in its Proposed Strategy for 2020-2023 and Work Plan for 2020-2021 as the requirements in the International Standards on Auditing (ISAs) are principles-based and, as such, should be applicable to any scenario. However, we acknowledge that scalability could be addressed in the application material to the ISAs as well as in implementation guidance should that direction be taken.

Auditor independence requirements have become vital due to the publicised corporate failures in some jurisdictions and the role of the auditors in those situations. To that end, we recommend that the IAASB in collaboration with IESBA, should strengthen independence requirements in ISQM 1, ISQM 2 and ISA 220 with respect to the following:

the tone at the top, from a firm and an engagement perspective;

the exercise of professional scepticism during an audit; and

the need for the auditor to act objectively.

It is important that the IAASB's new or revised standards, for example ISQM 1, ISQM 2 and ISA 220, do not allow excessive discretion on the part of the audit firms. Auditors, in general, tend towards doing less audit work due to the commercial interests of their businesses. Therefore, there is a potential risk to the public interest if, for example ISQM 1 permits policies and procedures to become too discretionary in setting the level of compliance. Audits might therefore not be able to detect misstatements in the annual financial statements, leading to more corporate audit failures. This will also lead to difficulties for audit regulators to reliably measure the effectiveness of the firm's quality control system and identify deficiencies during inspections of audit files. As opposed to permitting excessive levels of discretion and judgement, the IAASB should ensure consistent application of the ISAs as this will in turn ensure consistency in the quality of the work performed by auditors.

Advancements in, and use of, technology have meant that the audit approach and procedures made possible by data analytics are not contemplated in the current ISAs. Auditors are now able to use data analytics for risk identification as well as in the performance of substantive procedures, and not only to identify trends as in the past. Therefore, we are supportive of the IAASB's initiative to commence a project on audit evidence, including how changes in the use of technology affect the gathering and evaluation of audit evidence.

The IAASB should also consider revisions to the requirements relating to the use of the work of management's expert as their use is expected to increase in light of the complexity of the technology in use as well as the subject matter. As the current requirements focus on assessing the objectivity and experience of a management's expert, this should be extended to, for example, the auditor having to look for contradictory evidence with respect to the assumptions used by a management's expert, as well as corroborating the management's expert's outcomes through the use of an auditor's expert.

We support the IAASB's post implementation review efforts. However, we suggest that this should not only cover new and revised ISAs but rather all ISAs in issue to inform future IAASB strategies and work plans. As the IAASB strategy is for four years, we submit that this is enough time to review all ISAs in order to inform the strategy that follows that review, as well as the work plan.

Further, the IAASB work plan should also be informed by research outcomes from the work being performed by the International Accounting Education Standards Board (IAESB). For example, the outcomes from the IAESB's (or its successor body's) behavioural competency project could inform the IAASB's professional scepticism project.

The IAASB handbook states the following regarding International Auditing Practice Notes (IAPNs): "... IAPNs do not impose additional requirements on auditors beyond those included in the International Standards on Auditing (ISAs), nor do they change the auditor's responsibility to comply with all the ISAs relevant to the audit. IAPNs provide practical assistance to auditors..." As part of the IAASB's rapid response to globally emerging or challenging issues, we suggest that the IAASB could also consider the use of IAPNs for topics such as the auditor's fraud considerations that are industry specific or for less complex entities. This could also include the auditor's going concern considerations that are industry specific. The IAASB has thus far only issued one IAPN (IAPN 1000).

The complexity of the reporting environment has meant that audited annual financial statements, in some instances, form part of integrated reports (an example of extended external reporting), which also contain non-financial information as well as forward-looking information. This has led to an expectation gap as users perceive all the information in the integrated report as being externally/independently assured. To that end, while we applaud the IAASB for initiating a project on extended external reporting, we suggest that the IAASB should also consider an advocacy project to educate users of extended external reports about the different levels of assurance, or lack of assurance, that may exist on the financial and non-financial information in an extended external report. The user education project could be embarked on in collaboration with the International Integrated Reporting Council and IFAC.

The advocacy project could also extend to educating users on the current requirements of the ISAs regarding the auditor’s responsibilities in relation to fraud in an audit of financial statements. As the users’ expectations and perceptions regarding the auditor’s responsibility on fraud pose an expectation gap.

In addition, the IAASB could consider the outcomes from the International Accounting Standards Board’s (IASB) Discussion Paper: Disclosure Initiative – Principles of Disclosure to inform its project on extended external reporting as the focus of the IASB’s project is on improving communication in financial reporting. This topic overlaps between ISA 720 and the IAASB’s extended external reporting project.

While acknowledging the IAASB’s resource constraints, we believe that IFAC and the Public Interest Oversight Board should consider alternative funding methods as well as ways to increase resources available to the IAASB to achieve the IAASB’s goal of sustained public trust in financial and other reporting, enhanced by high-quality audits, assurance and related services engagements, through the delivery of robust global standards that are capable of consistent and proper implementation.

09_UK FRC

Strategic Themes

Theme A – We are supportive of Theme A. It is important that the IAASB prioritises the completion of activities that were already in progress. In this respect, we would recommend that completion of the guidance for the EER project, is encapsulated in Theme A. (see Theme A below)

Theme B – As discussed in our response to Question 2, the references in Theme B to individual standards implies that the IAASB will pursue individual projects in relation to each of the standards before understanding the root cause of the environmental driver. Environmental drivers do not always have an obvious or direct connection with individual standards, such as the decreasing or declining trust in audits as a result of corporate failures, or even standard setting in general. Such drivers are nonetheless critical matters to anticipate and research in order to establish whether they are matters that need to be addressed in the public interest, i.e. to justify further standard-setting activity or other IAASB led activity. The strategic actions articulated in the Themes do not necessarily capture this thought, and we therefore recommend that one of the Themes is articulated as such, for example: “Anticipate, Evaluate and Respond to Economic and Social Trends that Impact our Profession”. (See Theme B below)

Theme C - Theme C articulates a strategy to develop ways to address complexity, while maintaining scalability and proportionality. We believe this matter is fundamental to all standard-setting activities, not just in respect of Audits of Less Complex Entities and therefore it would be more appropriate for the strategic actions in Theme C to fall more generally under “Further Challenge and Enhance the Fundamentals of Our International Standards”. We also propose that matters captured within this strategic theme have a more obvious or direct relationship with individual standards or standard setting more generally. (See Theme C below)

Theme A

Complete Our Major Audit Quality Enhancements And Enable Them To ‘Take Root’

Strategic Actions – In the strategy period commencing in 2020, we will:

Progress and complete, as a top priority, our projects on Quality Management and Group Audits. Develop implementation support for our projects on Quality Management and Group Audits, monitor the ongoing need and develop further support as necessary.

Continue implementation support for ISA 540 (Revised) and ISA 315 (Revised) and monitor the ongoing need.

Complete our Auditor Reporting and ISA 540 (Revised) Post-Implementation Reviews, report findings and determine and carry out necessary actions arising from these reviews.

Complete the guidance for our Extended External Reporting (EER) initiative

Theme B

Anticipate, Evaluate And Respond To Economic And Social Trends That Impact Our Profession

Strategic Actions – We will identify and prioritize future actions through our research activities related to:

Decreasing confidence, and declining trust, in audits arising from continuing high levels of reported poor results of external inspections and recent high-profile corporate failures in some jurisdictions.

The expectations gap (including an analysis of whether there a gap between what is expected from auditors in relation to Fraud, NOCLAR, going concern, Other Information and what the standards require or are these shortcomings or failures in audit, or both)

The increasingly complex business environment(because of, for example, ongoing globalisation and advancing technologies).

Financial Reporting Standards – accounting standards are evolving and becoming more complex —as transactions become more complex and financial reporting changes.

Changing reporting needs of stakeholders.

Theme C

Further Challenge And Enhance The Fundamentals Of Our International Standards

Strategic Actions

Develop ways to address complexity, while maintaining scalability and proportionality:

As a top priority, complete our information-gathering and research activities relating to Audits of Less Complex Entities, which will inform the Board’s future deliberations about the most appropriate actions to address the identified issues and challenges.

Commit to continue considering how to develop principle-based standards and guidance that is clearly articulated, and able to be applied to a wide variety of circumstances.

Enhance the accessibility and ease of use of our standards, for example by digitizing the standards to enhance navigation and search functions.

The need for changes in the standards to address issues and challenges related to audit evidence, in particular in relation to evolving technologies and

automated tools that are being used, as well as thinking more about how professional skepticism can be further enhanced within the ISAs. Further implications on our standards of evolving technologies used by entities and auditors. Ongoing work of the IESBA that may require changes within our standards. Continue our focus on professional skepticism in our ongoing ISA projects and consider what more can be done in this area.

Notwithstanding our response to Question 1, we are generally supportive of the strategic themes and actions articulated in the consultation, subject to the following suggestions:

Theme D

We support the IAASB further considering capacity and whether further resources are needed to deliver on the work plan briefly described in Theme D. However, there is no clear articulation of a vision for, or a proposed pathway to enhancing the IAASB processes in respect of Board time and Staff time. We have made this observation previously, including in our response letter to the Consultation on Proposed Strategy for 2015-2019 and Proposed Work Program for 2015-2016. In finalising the SWP, we strongly recommend that the IAASB identifies how more effective use can be made of current staff and Board members' time. We have offered some suggestions in Appendix 2.

Theme B

We are concerned that the description of the strategic actions in Theme B imply that the IAASB will pursue individual projects in relation to each of the standards, i.e. revise each standard, without first understanding the fundamental underlying issue(s) (i.e. the environmental drivers).

Environmental drivers do not always have an immediately obvious or direct connection with individual standards, or standard-setting more generally, such as the 'decreasing or declining trust in audits as a result of corporate failures'. Such drivers are nonetheless critical matters to anticipate and research in order to establish whether they are matters that need to be addressed in the public interest, i.e. to justify further standard-setting activity or other IAASB led activity such as implementation activities. We therefore strongly encourage the IAASB to clarify in Theme B, that the strategic actions will include research to understand the fundamental underlying issue(s), before pursuing standard setting or implementation activity. In this regard, we suggest that Theme B is more appropriately cast as "Anticipate, Evaluate and Respond to Economic and Social Trends That Impact Our Profession".

In addition, as inferred in our opening remarks, the IAASB has a clear role to play in addressing the decreasing confidence and declining trust in audits arising from continuing high levels of poor inspection findings and high corporate failures in some jurisdictions, yet this environmental driver does not feature in the strategic actions. Also, as noted in our response to Question 1, the difference between changing reporting needs of stakeholders and the expectations gap should be clarified.

We suggest that the IAASB consider the findings of the Brydon review in its research activities. The review is intended to take a fresh look at the scope of the audit, how far it can and should evolve to meet the needs of users of accounts, what other forms of assurance might need to be developed, and to define and manage any residual expectations gap. The review will also consider how audit should be developed to serve the public interest in future, taking account of changing business models, new technology and stronger public expectations.

In respect of Theme B and other Themes articulated in pages 8 to 13 we have made some recommendations in Appendix 2 that we believe would

Effective use of Board and Staff Time

In respect of our response to question 2, Consideration could be given to the following matters:

- Task Forces typically involve a significant number of Board members and IAASB Technical Advisers who contribute significant amounts of their time on a volunteer basis. Reducing the size of task forces to no more than 4 or 5 individuals (which would include technical advisors accompanying members), enabling more task forces to be established.
- The limited number of Board meetings each year can also impose significant restrictions on how quickly projects are progressed. There has been some successful use of Board teleconferences, but it may be helpful to consider whether more meetings through video conferencing or other audio-visual means would be a further option to the call for greater agility, including supporting research and implementation activities, and finding ways to issue pronouncements in a timelier manner. For example, as the Board embraces its research programme, and seeks greater collaboration with external parties, it may be possible to deliver subject matter presentations through web-casts.
- Generally, it is desirable for staff members to follow an underlying project from initiation to conclusion. So, historically a staff member involved in standard setting through to consultation, is generally involved in the finalisation of the standard. However, given the activities of the IAASB are being significantly re-focused into research and implementation programmes, and staff resources are constrained, it may be appropriate to reassess whether this is the most effective model going forward.

10_AUASB

As outlined in our covering letter, there are a number of areas the AUASB believes the Proposed Strategy has not clearly articulated how all of the Environmental Drivers on page 7 of the publication are going to be addressed in the Strategy, Focus and Strategic Actions on pages 8 to 13 of the document.

The AUASB considers that the IAASB's Proposed Strategy should, as a priority, undertake as part of the strategic actions in Themes A, B & C, activities to reduce the complexity and improve the understanding of IAASB Standards. Whilst we fully support the initiatives that the IAASB has highlighted as potential responses to this issue in the recently released Discussion Paper on Audits of Less Complex Entities: Exploring Possible Options to Address the

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Challenges in Applying the ISAs, we consider there is a need for the IAASB to immediately address the impact the issues in this Discussion Paper is having on all audits and not just auditors from small and medium practices as part of its current Work Plan. This will likely require a different approach to the development of new and revised auditing standards, such as the amendments currently being proposed to the revised version of ISA 315 Identifying and Assessing the Risks of Material Misstatement as a result of feedback from stakeholders on the IAASB's Exposure Draft for this proposed standard with regards issues of scalability and proportionality. Whilst acknowledging the need for the IAASB to develop standards that address the needs of all stakeholders, including those who have responsibility for enforcing the auditing standards in the public interest, the AUASB considers that the increasingly prescriptive nature of the requirements and application guidance in recently released ISA's and Exposure Drafts has had a negative impact on the ability of practitioners to apply professional judgement and increased the level of documentation required, with arguably no commensurate increase in the level of audit quality. Failure to achieve the right balance between public interest considerations and the practicality of the standards impacts not only the complexity and workability of the auditing standards themselves, but the confidence in the audit product and profile of the auditing and assurance profession as a whole. We would encourage the IAASB to address this matter as its highest priority by:

Potentially re-exposing any agreed restructuring to ISA 315 for public comment to gather feedback and, if supported, applying this revised approach to the ISAs to other proposed standards current in development (e.g. the Quality Management Standards, ISA 600); and

Ensuring the responses to the LCE Discussion Paper are analysed and responded to as part of the updated IAASB Work Plan as soon as possible. The IAASB's response to consider the impact of the use of technology on an audit and the corresponding impact on the auditing standards requires greater consideration and a more granular response. The AUASB does not consider the current proposal to assess further implications on the IAASB's standards of evolving technologies used by entities and auditors under Theme B to be a sufficient response to this matter, considering its pervasive impact on the future of auditing and the potential for technology to revolutionise or disrupt the auditing profession.

The AUASB believes the strategic actions contained under Theme B of the Proposed Strategy require greater attention to be paid to activities that increase trust and confidence in the auditing and assurance profession globally. We consider the IAASB, in collaboration with other relevant parties, should increase its focus on enhancing not only the quality of audit and assurance standards, but also identify and implement measures that enhance and convey the value and benefits of audit and assurance in the current global environment. There should be a greater emphasis from the IAASB on developing guidance and tools that not only support implementation by practitioners, but also inform all stakeholders about the critical role audit and assurance has in the global environment. This could potentially be achieved through an increased focus on thought leadership and the value of audit and assurance by the IAASB as part of its global outreach activities, as well addressing these matters in further detail as part of the Research Phase of the IAASB's new Framework for Activities.

The IAASB's Proposed Strategy and Work Plan acknowledges that the increased complexity and detail of the auditing standards currently being observed is in response to a more complex business environment and more complex financial reporting requirements (for example, greater requirement for estimates and management judgments in accounting standards). Whilst the Proposed Strategy notes that there is a regular liaison with the International Accounting Standards Board (IASB) that provides input on auditability and verifiability of new and revised International Financial Reporting Standards, the AUASB considers that there should be greater focus by the IAASB on the impact that this issue has on auditing requirements and audit quality. Improvements in the clarity of accounting requirements have a positive impact on the quality of preparation of financial reports and clarify the role of both preparers and their auditors. In particular, we would like the IAASB to consider what more could be done to clarify the evidentiary requirements and the responsibilities of management and those charged with governance when it comes to the accounting requirements, with a view to making the auditing standards in certain areas easier to understand and apply in those areas where complex accounting requirements are applicable.

The broadening of assurance offerings and the trend for stakeholders to demand different forms of information, as well as have this information assured, means the IAASB should place a greater focus in its strategic actions on developing assurance standards and guidance that meet user needs for external reporting beyond historical financial reporting. This includes considering that the current IAASB Assurance Framework (which segments the standards between those addressing 'traditional' forms of assurance over historical financial information and other non-financial or non-historical information) may no longer be fit for purpose and is under threat. As the information needs and reporting information demanded by stakeholders evolves, often being a hybrid of different types of subject matter, the distinction between ISAs and ISAEs is being challenged. Whilst the current project on EER Assurance Guidance is a good start, the AUASB considers this issue needs to have a greater focus from the IAASB going forward.

The AUASB fully supports the IAASB's intention under Theme A to prioritise the completion of its existing major audit quality enhancement projects underway and the intention to expand its activities focusing on the effective and efficient implementation of the ISAs in development or finalised over the 2015–2019 strategy period. In particular we believe there is an urgent need to allocate greater priority to the development of implementation materials for ISA 540, including the requirements relating to the use of the work of Managements Experts in connection with this standard. We would also encourage the IAASB to undertake the Post Implementation Review of the Auditor Reporting standards that became effective in December 2016 as soon as possible.

As part of the strategic action under Theme B to assess the need for changes in the auditing and assurance standards to address issues and

challenges related to audit evidence, we encourage the IAASB to look at this topic comprehensively and carefully scope the nature and extent of updates required to respond to this issue appropriately. Whilst welcomed and considered a good start, current efforts focusing predominately on the update of ISA 500 are not considered sufficient by the AUASB to address the breadth of issues impacting how evolving technologies and automated tools impact the audit, as well as how the consideration of how professional scepticism applies to alternative sources of audit evidence. In particular the AUASB would like to see the IAASB (perhaps through its Audit Evidence Working Group) evaluate what changes may be necessary to the whole suite of Audit Evidence Standards in the IAASB Framework (e.g. ISA 505, 520, 530). Work the AUASB has undertaken locally has already highlighted a

number of areas where the current Audit Evidence standards are seen as a barrier to implementation or acceptance by practitioners, regulators and other stakeholders when it comes to innovative audit and assurance techniques which increase the efficiency and effectiveness of the audit.

Additional considerations the AUASB requests the IAASB should include as part of its strategic actions are to:

Review and update its standards governing the conduct of review engagements. With so many competing pressures on what constitutes the requirements for an audit, perhaps one solution is for the IAASB to reconsider how the different needs of stakeholders could be met by positioning review engagements as a genuine alternative to an audit rather than just a poorer option, which is how they are sometimes currently perceived. Additionally, the reporting requirements within the suite of review engagement standards need to be updated as soon as possible to align them with the changes made to the ISAs in respect of the auditor reporting project in recent years. The AUASB already has in progress a project, being performed concurrently with the New Zealand Auditing and Assurance Standards Board, to update its local version of ISRE 2410 with this issue in mind and we would be happy to share our efforts on this standard with the IAASB.

Specifically consider how the IAASB could utilise technology to increase the usability and availability of its pronouncements. As we have seen with the development of IESBA's 'eCode', producing its standards and guidance in alternative formats using different technologies we believe will make the IAASB's pronouncements easier for practitioners to access and interpret, which in turn would hopefully have a positive impact on compliance, audit quality and the efficiency and effectiveness of implementation.

The AUASB is very supportive of the overall approach the IAASB has taken when developing its Proposed Strategy for 2020-2023 and Work Plan for 2020-2021. In particular, as the National Standards Setter (NSS) responsible for the adoption and implementation of IAASB standards in our jurisdiction, we strongly endorse the IAASB's new Framework for Activities as a means for the IAASB to broaden and strengthen its capacity and capability to implement the strategic actions proposed in the Proposed Strategy and Work Plan. The AUASB is particularly pleased to observe the IAASB has explicitly recognised the role that NSS representatives have in adopting and implementing IAASB standards across the world and the NSS's capacity and capability to contribute to the global standard setting process. We would encourage the IAASB to continue the work it has already commenced at recent NSS meetings and deepen collaborations with NSS representatives in order to deliver the strategic actions contained within the Proposed Strategy and Work Plan.

Generally we consider the Proposed Strategy and Work Plan supports the IAASB's objective to develop and maintain robust international standards that contributes to enhanced engagement quality and consistency of practice throughout the world, and strengthened public confidence in the global auditing and assurance profession. We commend the IAASB and its staff on the structure and content of the document, and note the strong alignment with many aspects of our current AUASB Strategy and Work Plan.

In formulating our responses the AUASB has considered feedback from a range of Australian stakeholders, including formal discussions and deliberations about the IAASB's Proposed Strategy and Work Plan with AUASB members at recent AUASB meetings.

Our replies to the specific questions that the IAASB has requested feedback on in the Proposed Strategy and Work Plan are contained in the attached Appendix. However there are a number of headline matters which the AUASB would highlight as worthy of consideration and potential change to the IAASB's Proposed Strategy and Work Plan in our response:

Reducing the complexity of IAASB Standards

The AUASB notes with concern that the auditing standards or exposure drafts recently issued or currently in development by the IAASB all contain greater complexity and detail than the extant standards they are replacing. This makes the implementation and application of these standards more challenging, and often results in increased costs for auditors of all types of entities.

Whilst we fully support the initiatives the IAASB has highlighted as potential responses to this issue in the recently released Discussion Paper on Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs, we consider that there is a need for the IAASB to immediately address the impact this issue has on all auditors, not just auditors from small and medium practices, as part of its current Work Plan. This will likely require a different approach to the development of new and revised auditing standards, such as the amendments currently being proposed to the revised version of ISA 315 Identifying and Assessing the Risks of Material Misstatement following feedback from stakeholders on the IAASB's Exposure Draft for this standard.

The AUASB considers that the increasingly prescriptive nature of the requirements and application guidance in recently released ISA's and Exposure Drafts has had a negative impact on the ability of practitioners to apply professional judgement and increased the level of documentation required, with arguably no commensurate increase in the level of audit quality. Whilst acknowledging the IAASB is required to develop standards in the public interest that address the needs of all stakeholders, as part of its Proposed Strategy we consider the IAASB should strive for an improved balance between developing sector-neutral, principles-based standards for practitioners and the needs of regulators who oversee the audit environment in each jurisdiction. Failure to achieve this balance impacts not only the complexity, implementation costs and workability of the auditing standards themselves, but diminishes the value and confidence in the audit product and profile of the auditing and assurance profession as a whole.

The AUASB is encouraged that the IAASB's new Framework for Activities includes a specific Research Phase which may draw these issues and the appropriate responses out as part of the standards setting process, and whilst deliberations are still on going, we are very supportive of the proposed restructuring of ISA 315 presented at recent IAASB meetings.

We would encourage the IAASB to address this matter as its highest priority by:

Potentially re-exposing any agreed restructuring to ISA 315 for public comment to gather feedback and, if supported, applying this revised approach to the ISAs to other proposed standards current in development (e.g. the Quality Management Standards, ISA 600)

Evaluating whether the 'Clarity' principles of the auditing standards need to be refreshed and demonstrated with more transparency in the standard setting process; and

Ensuring the responses to the LCE Discussion Paper are analysed and responded to as part of the updated IAASB Work Plan as soon as possible.

Addressing gaps between opportunities and challenges and the strategic actions, especially when it comes to use of technology

The AUASB supports the 'environmental drivers' the IAASB has outlined in its Proposed Strategy and Work Plan on page 7, but in a number of areas

believes the IAASB needs to more clearly articulate how these are going to be addressed in the proposed strategic actions contained in pages 10 – 13 of the publication.

In particular we believe the IAASB’s response to consider the impact of the use of technology on an audit and the corresponding impact on the auditing standards requires greater consideration and a more granular response. We do not consider the current proposal to assess further implications on the IAASB’s standards of evolving technologies used by entities and auditors under Theme B to be a sufficient response to this matter considering its pervasive impact on the future of auditing and the potential for technology to revolutionise or disrupt the auditing profession.

Greater focus on thought leadership and the value of audit

The AUASB considers the strategic actions contained under Theme B of the Proposed Strategy require greater emphasis on what activities the IAASB intends to undertake to increase trust and confidence in auditing and assurance globally.

This could potentially be achieved through an increased focus on thought leadership highlighting the value of audit and assurance to the global economy by the IAASB as part of its global outreach activities. Also the IAASB should specifically address how the development of new and revised auditing and assurance standards enhances the value of auditing and assurance in further detail as part of the Research Phase of the IAASB’s new Framework for Activities.

Increasing complexity of accounting requirements and the impact this has on IAASB standards

The IAASB’s Proposed Strategy and Work Plan acknowledges that the increased complexity and detail of the auditing standards currently being

observed is in response to a more complex business environment and more complex financial reporting requirements (for example, greater requirement for estimates and management judgments in accounting standards). Whilst the Proposed Strategy and Work Plan notes that there is a regular liaison with the International Accounting Standards Board (IASB) that provides input on auditability and verifiability of new and revised International Financial Reporting Standards, the AUASB considers that there should be greater focus by the IAASB on the impact this issue has on auditing requirements. In particular we would like the IAASB to consider what more could be done to clarify the evidentiary requirements and the responsibility of management and those charged with governance when it comes to the accounting requirements, with a view to making the auditing standards easier to understand and apply in those areas where complex accounting requirements are applicable.

To illustrate this point, accounting standards now more regularly require balances or transactions to be management’s estimates that are based on complex calculations, external expert input or prospective financial information. Accordingly, stakeholders have requested auditing standards in turn require an auditor to source additional authoritative information or forecasts as evidence in order to be capable of obtaining reasonable assurance on these balances or transactions. These developments inevitably increase the cost and difficulty of the auditors’ role at a time when the value and quality of auditors are subject to increased scrutiny. The AUASB would like the IAASB to assess ways in which they could work with the IASB to reduce the complexity of accounting requirements and thus make the requirements of the auditing standards easier for an auditor to comply with.

11_CAASB

The five themes individually appear appropriate. They focus on the public interest and are forward looking. However, it is not clear what a theme represents and how themes relate to the other elements of the Proposed Strategy. Further, the themes seem to be very tactic-oriented and do not focus on or establish expected strategic outcomes. Each theme includes a number of strategic actions that the IAASB proposes to undertake. However, because there are no strategic outcomes for these actions, it is not clear whether the actions are the appropriate ones to take. Also, it is not clear whether achieving or completing the actions will mean that the IAASB has met its goal. As a result, it is not possible to determine whether these are the appropriate themes or whether there are other themes the IAASB should consider. We believe the themes should be revised to be strategic in nature, rather than tactical.

Specific comments on each theme are as follows:

Theme A

We agree with adding focus on implementation support. We encourage the IAASB to work with NSSs to identify implementation risks and responses and enhance collaborative efforts to make implementation actions more effective across jurisdictions.

We believe there is a need to make sure that implementation efforts respond to a broad range of stakeholders. Post-implementation efforts on auditor reporting and ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures, as well as implementation support for ISA 540 (Revised) and ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement, should address the needs of a broad range of stakeholders, including practitioners from firms of different sizes.

Theme B

We find some strategic actions to be vague and unclear. The IAASB states that it will identify and prioritize future actions. However, there is not enough explanation of how this will be done to give stakeholders confidence that the IAASB will be able to “raise the bar” or do things differently.

We believe that the IAASB should emphasize that audit data analytics is a continuing priority and it should be referred to specifically within the strategic actions. Recently, the CPA Canada Audit Data Analytics Committee consulted with external auditors, who raised concerns with challenges in applying audit data analytics. In particular, participants identified concerns related to ISAs 315, 330, The Auditor’s Responses to Assessed Risks, and

520, Analytical Procedures. We support the IAASB's continuing work in this area.

It is not clear what the IAASB means by "consider what more can be done" under professional skepticism. A lot has been and is being done on this topic. We believe that continuing to reflect professional skepticism in each project is the appropriate approach.

Theme C

The IAASB indicates that activities relating to Audits of Less Complex Entities is a top priority. However, the strategic action is only to complete information-gathering and research activities. Further, the IAASB says that it will "commit to continue considering" how to develop principles-based standards and guidance that is able to be applied to a wide variety of circumstances. We believe this is a very important initiative as Canadian stakeholders have told us repeatedly that auditing less complex entities presents a big challenge. Because this is a top priority, we believe that activities over the four-year period of the Proposed Strategy should go beyond information-gathering and research. We suggest a clearer commitment to output or follow up actions that will be undertaken before the end of 2023. This will help address the urgency of the initiative.

We fully support the strategic action to digitize the standards. Having the ability to search a digital version of standards that is user friendly will aid stakeholders in understanding the standards. We have heard positive reaction to the IESBA eCode and encourage the IAASB to do something similar.

Theme D

This is a key area of change for the IAASB. We agree that the IAASB should ensure that it does the right work at the right time. However, we believe that the primary focus of the strategic actions should be on the second bullet – identifying mechanisms for addressing issues and challenges on a timelier basis. Timeliness of the IAASB's response to issues is mentioned in several sections of the Proposed Strategy. It should be a key focus in the future.

With regard to information-gathering and research activities, we believe the IAASB should be proactively monitoring global developments as a source of information. For example, there are developments in a number of countries where governments are responding to the decreasing confidence and declining trust in audits identified as an environmental driver on page 7. It is important that the IAASB is aware of such developments to be able to proactively address issues.

We agree with the points listed below the second bullet. These are appropriate mechanisms to address challenges on a timely basis. We agree that the IAASB should become more involved in developing non-authoritative guidance. However, the timing of issuing such guidance could be improved. For example, we suggest that the IAASB identify implementation needs at an early stage, through considering what it hears from stakeholders during consultations and in written comment letters. This input can be used to begin developing non-authoritative guidance before a standard is finalized and issued. Such an approach could assist the IAASB to make important guidance available to stakeholders closer to the time that a standard is issued to aid in preparing for implementation. We believe that early attention to implementation needs may even help highlight areas for possible improvements in the standards before they are finalized.

The IAASB refers to collaboration opportunities (see, for example, Theme E). We encourage the IAASB to consider making use of NSSs in developing non-authoritative guidance or other material under the mechanisms set out on page 12 of the consultation paper.

As noted above, the IAASB could take advantage of collaboration opportunities and determine if NSSs could perform some of the information-gathering and research activities. We also believe the IAASB should review the approach followed for the Enhancing Audit Quality initiative and resulting projects and the Agreed-upon Procedures project to determine what worked well and what could be improved.

The strategic actions for this theme refer to leveraging technology but none of the subsequent discussion addresses what this means and how this will be done.

Theme E

We agree that outreach, interaction and collaboration is critical to the IAASB's success. We support further enhancement of collaboration and interaction opportunities with the groups listed, in particular, with NSSs. We have noted in our previous comments that NSSs could possibly assist the IAASB. We believe that such collaboration will be critical to the success of the IAASB's Proposed Strategy. NSSs provide the IAASB, among other things, with knowledge of local auditing requirements and relationships with key stakeholders, experience in standard setting in their jurisdictions and technical auditing capabilities.

We support the efforts of the IAASB to follow a transparent process in developing a Strategy for 2020-2023 and Work Plan for 2020-2021. It is very important for the IAASB to set a clear direction for its activities in the upcoming years. Such clarity will help the AASB and other National Standard Setters (NSS) to develop their own strategic priorities. It will also help us to continue supporting the efforts of the IAASB to build on the existing strong base of standards and address new topics where there is a need, consistent with the public interest.

We believe the IAASB could make some improvements to the flow and connectivity of the Proposed Strategy. It is not clear how the sections in the

Consultation Paper relate and integrate with each other. The IAASB could consider following an approach similar to the International Ethics Standards Board for Accountant's (IESBA) Strategy and Work Plan for 2019–2023. The IESBA sets out a vision, which is supported by three strategic themes. The projects/work stream/activities set out in the plan tie back to these strategic themes. This is a format that is much clearer and easier to follow. It appropriately links the pieces of the strategic plan together. This approach makes it easier to determine whether the proposed actions are the ones that should be taken in order to achieve the strategy.

12_CNCC - CSOEC

We agree with the proposed Strategy and Focus and with the Strategic actions for 2020-2023.

Of course we are in favor of developing the actions relating to audits of less complex entities (Theme C page 11). We are, in France, particularly proud to organize the 2nd SMP/SME working conference in Paris in May 2019 to build on the success of the 1st conference on this topic.

We have however the following comments:

Concerning the theme B – Further challenge and enhance the fundamentals of our international standards, we consider that the following topics should be added in the identification and prioritization of future actions:

the important findings from the IAASB post implementation review performed in July 2013 (it is unclear if all findings have been appropriately addressed by the IAASB) ;

joint audit engagements. In France we have a long experience in joint audit and joint audit has recently been implemented in several countries and is being discussed in the UK as part of the debate on the future of the audit;

the opportunity to deal with performance audit and compliance audit in the international standards.

Moreover, we believe that "XBRL filings" should be mentioned to illustrate the changing corporate reporting environment, as there is currently an expectation of an auditor's involvement on e-XBRL filings (ESEF) for listed companies in Europe.

Concerning the theme C – Develop ways to address complexity, while maintaining scalability and proportionality, we consider that the IAASB should: add the following action : developing international auditing practice notes (IAPN) for specific business sectors, for example public sector, banks and insurance companies;

promote the use of tools such as "Pack SMEs" to illustrate the third strategic action, i.e. enhance the accessibility and ease the use of the standards.

This Audit Pack for Small and Medium Sized entities ("Pack SMEs") was developed by the CNCC in cooperation with IRE – IBRE. It is a package of tools designed to enable the auditor to plan and perform audit procedures and to structure the approach on SME audit, in accordance with International Standards on Auditing (ISAs). These tools were prepared to save auditors' time. In designing them, the characteristics of SMEs was considered.

Tools are divided into two categories, i.e. « structuring tools », considered to be essential to the audit approach and to be used in all cases and « other tools », considered to be useful to the audit approach, they are selected depending on the circumstances of the engagement, on the basis of the auditor's judgment.

The "Pack SMEs" was presented at the IAASB SMP/SME working conference held in Paris in January 2017 and has been updated with new and revised ISAs. This pack was translated into English, Spanish and Dutch.

Concerning theme D – Strengthen and broaden our capability and capacity to respond by innovating our ways of working, we fully support the development and the implementation of a Framework for Activities. But we noticed that the project was not listed in the detailed work plan for 2020-2021. We encourage the IAASB to include this framework in the detailed workplan. We also encourage the IAASB to develop criteria to define the "right work at the right time". We consider that these criteria should be specified in the Framework.

Moreover, we do not understand if this project will be managed by the IAASB staff or by the Board. Due to the importance of this project, we believe it is important that the project be lead by the Board.

As far as the diagram is concerned, we have the following additional comments:

Caption "Outreach" : the diagram should clarify that the outreach is based on a two-way communication, i.e. communication between external and internal environment;

Caption "Research phase": the IAASB should enhance the transparency of this phase. We therefore consider that the IAASB should appropriately communicate on the outputs of this phase and make available the underlying documentation.

Concerning theme E – Deepen our connectivity and collaboration opportunities, we consider that the IAASB should:

connect and liaise with the International Accounting Education Standards Board;

obtain an understanding of the landscape of existing alternative sets of assurance standards and liaise with other assurance providers to inform IAASB work, (such as MSI 20000, ISO ...)

13_HKICPA

We agree with the strategic themes and focus for the period. Given that there is an increasing trend of using new technology for audit and assurance engagements, we appreciate the IAASB forming the Audit Evidence Working Group to assess the need for changes in the standards to address issues and challenges. The standards must continue to be robust and based on solid principles that can accommodate the changes that are expected and as yet unexpected.

With the revisions to various auditing and quality management standards completing in the coming years, we would welcome the implementation

support from the IAASB. This would be helpful for users to have a consistent understanding of the standards and ensure an effective global implementation.

In addition, we are supportive of the IAASB's efforts to address complexity, while maintaining scalability and proportionality.

After the completion of these significant projects in the current work plan, there should be a period of stability. It would allow the orderly and effective implementation of these standards and enable them to take root.

We understand that the IAASB plans to continue to focus on outreach and strengthening working relationships with key stakeholders groups, including international regulators, audit oversight bodies, NSS. We are open to collaboration opportunities with the IAASB such as research, post-implementation reviews and outreach to stakeholders.

Though the IAASB has taken a "business as usual" approach when drafting this CP, with the ongoing discussion and development of the Monitoring Group's review and the possible changes to the standard setting model, the IAASB (and IESBA) will have to be nimble and reactive to keep all options open.

14_IDW

We refer to our response to Question 2 in relation to Theme B on the difference between, on the one hand, for the purposes of the auditor's audit opinion on the financial statements, improving auditor performance and perhaps reporting specifically on fraud, non-compliance with laws and regulations, and going concern matters, and on the other hand extending the responsibilities of the auditor in relation to fraud, non-compliance with laws and regulations and going concern matters beyond the opinion on the financial statements. As noted in our response, we regard the latter to be beyond the remit of the IAASB as a private sector standard setter.

We believe that the topics on the "radar" are too audit-centric. In our view, the IAASB needs to focus more on other assurance engagements and related services. In particular, the IAASB should consider:

Whether standards may be appropriate for other kinds of related services engagements, such as expert opinions and agreed-upon assurance procedures,

The need for assurance engagements in relation to IT (e.g., cybersecurity, data protection, and safeguarding essential IT infrastructure).

The need for direct engagements under ISAE 3000 for historical financial information and for exploring the distinction between "certifications" and assurance engagements.

The issue of "blended engagements" (and in particular, reporting for these), when many different kinds of information and assurance and related services are performed in one engagement and provided in one report.

We would also like to point out that two standards remain that are increasingly anachronistic because they have not been revised for a long time and are not in clarity format: ISRE 2410 and ISAE 3400. Both standards are used in practice around the world (for lack of better standards). We therefore strongly recommend that the IAASB consider commencing projects to revise these two standards as was done for ISRS 4400, which was addressed largely when time was available and used national standard setting resources.

We generally agree with the strategy and focus as described in the consultation paper, but we have the following comments in this respect. We are concerned with the treatment of Theme C on developing ways to address complexity while maintaining scalability and proportionality. We are not convinced that more complex standards are an appropriate response to greater complexity but do believe that the complexity of standards impairs scalability and proportionality. The description of Theme C referring to "make sure our standards are fit-for-purpose for audits of all entities, regardless of their complexity" appears to prejudge the outcome of the IAASB Project on the audit of less-complex entities (LCEs). The IAASB will need to choose: either increase the complexity of standards to deal with more complex entities, but develop separate standards for LCEs, or write less complex, principles-based standards that can be applied in all cases. We believe the latter approach to be appropriate, but standards and exposure drafts recently issue by the IAASB (ISA 540, Draft ISA 315 and Draft ISQM 1) suggest that the IAASB is following the former course, with the concomitant implications for standard setting for audits of LCEs.

We do not agree with Themes A and B in relation to the strategic actions for 2020-2023. However, we would also like to comment on Theme D.

In relation to Theme A, we are concerned about the IAASB developing its own implementation support for Quality Management, Group Audits, ISA 540 and ISA 315. We believe that if the IAASB needs to prepare detailed implementation support, then the standards lack the clarity needed to have been issued as standards in the first place. It is another matter for the IAASB to contribute to implementation support prepared by national standard setters, IFAC member bodies, or IFAC when these deem such support to be helpful. We believe the IAASB needs to spend more time on "getting the standards right" so that they are principles-based, less complex and more understandable, than immediately afterwards spending time and resources on developing implementation support to mitigate complex, unclear standards.

We are concerned with the possible topics on the IAASB's radar under the first bullet, fourth item of Theme B on page 10. In particular, the expectations about "the role" of auditors in connection with fraud, non-compliance with laws and regulations, and going concern have the potential to cause severe standard setting problems for financial statement audits. We would like to point out that there is only one common denominator among

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all audits of financial statements worldwide: the fact that the auditor audits the financial statements and gives an opinion on those financial statements. A private sector standard setter, such as the IAASB, can determine what auditors need to do for an ISA audit in relation to fraud, non-compliance with laws and regulation, and going concern to enable the auditor to give an audit opinion on the financial statements and report on going concern matters, but a private standard setter such as the IAASB cannot and should not seek to expand the scope of the audit of financial statements to fraud and non-compliance with laws and regulations beyond giving an opinion on those financial statements and reporting on related going concern matters. Additional responsibilities beyond such an opinion and reporting on going concern per se are a matter for local law and regulation or private contract. The IAASB, as a private sector standard setter, should not allow itself to be misused by regulators that seek to have the IAASB expand the scope of the audit – particularly when those regulators were unable to expand the scope of the audit in their own jurisdiction through legislation or regulation.

In relation to the issue of implementing an “interpretation mechanism” as noted on page 12 under Theme D, we note that crucial in any such interpretation mechanism is that the Board members have a means of making their views on any draft interpretation known and that the Board can block an interpretation with which it disagrees. Without these safeguards, interpretation mechanisms can (and have) been misused to seek to “correct” requirements in standards that lead to uncomfortable results. We believe that the use of limited scope projects to address only a specific requirement or specific item of application material may represent an alternative to an “interpretation” mechanism.

16_MAASB

Appendix 1 sets out our responses to the questions contained in the Consultation Paper. Consistent with the strategy for Theme B, we would like to emphasise the need for the IAASB to continuously evaluate whether the standards developed are fit for purpose and responsive to the rapidly changing business environment.

We agree with the IAASB’s strategy and focus and strategic actions for 2020-2023.

In relation to Theme A, we support the Quality Management project to be the top priority. In addition, in providing the implementation support, we recommend the IAASB to consider issuing illustrations and application guidance to address the scalability issue.

For Theme C, it would be essential for the IAASB to develop and understand the nature, size, categories and levels of ‘less complex entities’ to appropriately address their needs.

We fully support the IAASB’s consideration to enhance the accessibility and ease of use of the standards by enhancing the navigation and search functions as mentioned in Theme C.

17_NBA

We appreciate the proposals and all the activities that the IAASB has done so far. Our main comments are as follows:

We have taken notice of the proposals to restructure ISA 315 with shortened requirements, focused on the “what” and application material focusing on the “why” and the “how”. Although we have not seen the impact of this approach on the whole standard we are enthusiastic of this approach. To us this approach could mean a great step forward in making the standards scalable for the audits of Less Complex Entities (LCE) and thus for the majority of SME audits. To fully achieve this the IAASB might consider whether there is a need to apply a requirement when the “why” is not relevant for an LCE and whether there is a need for further procedures to achieve the “what” when the “why” of a requirement is covered.

We assume that it does not surprise the board that applying this approach to ISA 315 creates expectations. To us it is essential that this approach will be applied to all standards starting with the more critical standards such as the Revised ISA 540 and the under construction ISA 600.

We accept that it will be challenging for the IAASB to run this project, which will take a lot of resources to complete. We wonder whether NSS could help the IAASB by providing staff that could draft standards, based on the principles set by the IAASB without changing the objectives and the purpose of the requirements (a kind of system replacement) with the board leading this work in a more strategic manner. Naturally the board would be responsible for approving the standards.

Furthermore, the Standards should help to ensure consistent application worldwide and promote a consistent professional practice. This is not necessarily achieved by having more and strict requirements, but by consistent application of the Standards. Therefore we recommend the IAASB to also pay attention to unambiguous interpretation of the Standards and behavioral aspects of effective regulation.

Finally, we support the importance of the current projects on the IAASB agenda. Therefore we understand the urgency to finalize these projects as soon as possible. However new standards should be fit for purpose for a longer period of time, Therefore in our opinion the IAASB should take

sufficient time to develop fit-for-purpose Standards that are easy to apply for auditors of all entities.

At this moment in time it is unclear what the final proposals of the Monitoring Group will be and how this will impact the strategy and the work of the IAASB. It is therefore difficult to take this into account when finalizing the Strategy. If there are quick wins in the proposals of the Monitoring Group that make sense anyhow we encourage the IAASB to implement them. We have the feeling that the IAASB and IESBA have taken this approach already while improving their processes to collaborate more.

We do have the following comments regarding the themes.

Themes

In general standards are developed or revised for a longer period. Therefore we recommend to take enough time to make them as practicable as possible. (see also Q4). This will decrease the level of implementation support that is needed after finalizing the standard.

The two Paris conferences have shown that there is a need for clear standards that are easier to understand, not only for less complex entities but for all entities. Enhancing the accessibility and ease of use of the Standards should have the highest priority.

We would like to mention that for EER not only assurance engagements are important, but also other engagements relating to EER as well.

To be able to respond to the needs of all stakeholders in a balanced manner it is probably necessary to involve more resources and evaluate the efficiency of the processes of the IAASB. NSS might be able to support the IAASB in its role given their local mandates that equal the mandate of the IAASB to develop standards in the public interest.

18_NZAuASB

Overall Comments

The NZAuASB acknowledges the broad strategic approach the IAASB has taken in developing the proposed strategy for 2020-2023, and welcomes the context provided in the introduction to the proposed strategy. The NZAuASB applauds the IAASB's continued efforts in its outreach activities with various stakeholder groups in exploring how best to meet the public interest need in an evolving world. The NZAuASB encourages the IAASB to continue with its strong outreach program to key stakeholders, in particular:

Liaison with the IASB, recognising that quality accounting standards are a key contributor to audit quality.

Collaborating with national standard setters recognising their role in adopting the international standards in their jurisdictions and their ability to contribute to the standard setting process both individually and collectively.

Enhancing coordination efforts with the IESBA to ensure that the auditing and assurance standards are consistent with the International Code of Ethics for Professional Accountants (including International Independence Standards).

The NZAuASB supports the strategy and focus of the IAASB and the strategic actions for 2020-2023. In particular, we support the decision to prioritise and focus on completing current key projects, including quality management and group audits, as well as developing the necessary implementation support. In addition, the NZAuASB is fully supportive of the less complex entity (LCE) initiative. It looks forward to the next steps to be considered by the LCE working group and the Board following the recent Paris conference, noting the Chairperson's acknowledgment at the conclusion of the conference that the topic needs to be progressed urgently.

In progressing all projects, the NZAuASB encourages the IAASB to balance, in the public interest, the need to develop standards that enhance both the ability of regulators to oversee the delivery of audits through their inspection functions, and the ability of practitioners to use professional judgement, while also avoiding unnecessary compliance burdens. The NZAuASB considers such a balanced approach to be essential to promoting and achieving audit quality in the current global environment.

At the heart of this balance is the tension between including sufficient prescription and guidance in the standards to ensure regulatory interests are met, while also maintaining the underlying principles-based approach to standard-setting. The feedback from national standard setters in relation to recently-exposed standards, both individually (when commenting on exposure drafts) and collectively (including in their recent discussions with the IAASB), is that the balance is becoming unduly skewed by the inclusion of increased prescription and guidance, with resulting impacts on the length, complexity, and ultimately the scalability and usability of the standards. This could have far-reaching impacts which are not in the public interest – including by decreasing the attractiveness of the profession, and impacting the ability to attract and retain good talent.

While the NZAuASB is following closely the debate about meeting the audit needs of LCEs, including the discussions at the recent Paris conference, it believes that the key to developing standards that are scalable for all entities is to take a bottom up approach, developing standards that are applicable to all engagements and then to consider the additional requirements to address complexities. Standards must be high level, principles-based. Detailed compliance and guidance could be contained in separate industry and other technical guidance.

The NZAuASB welcomes the moves being taken by the IAASB, discussed at the recent national standard setters meeting, to revisit the drafting style of the standards to achieve greater simplicity, while also continuing to strike the balance appropriately between principle and prescriptiveness. The NZAuASB considers this essential to achieving the overall objective of audit quality in the long term.

The NZAuASB is fully supportive of the IAASB's strategic action, theme E: deepen our connectivity and collaboration opportunities. In particular, the NZAuASB encourages the IAASB to:

Continue the two-way liaison with the IASB, providing input on auditability and verifiability of new and revised International Financial Reporting

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Standards, thereby contributing to the quality of financial reporting (for example, there is a strong overlap between the IAASB's EER project and the IASB's management commentary). The NZAuASB is of the view, supported by recent constituency feedback, that quality accounting standards are a key contributor to audit quality. Achieving good audit quality can be difficult when the objective of a requirement in the accounting standards is not clear. The NZAuASB encourages the IAASB to continue encouraging the IASB to review those accounting standards which are recognised as being in need of updating, particularly in those areas that are of significant interest to regulator oversight (for example, impairment and intangible assets). Continue the work of exploring new ways to expand collaboration with national standard setters to optimise activities to optimise their contribution to the international standard setting process, as well as leveraging their experience, resources and capability to help ensure that projects remain on track. The NZAuASB acknowledges the heavy work load and ambitious work plan of the IAASB and, along with other national standard setters which contributed to the Paris discussions, is encouraged by the IAASB's willingness to engage with the group to this end. Further enhance its coordination efforts with the IESBA, thereby ensuring consistency between the auditing and assurance standards and the IESBA, International Code of Ethics for Professional Accountants (including International Independence Standards). As a national standard setter with a mandate in both auditing standards and ethics, we also strongly support the efforts of the two Boards to increase their collaboration with national standard setters – as discussed at the recent joint session at the Paris meeting.

20_CI

We agree with both Our Strategy and Focus and Our Strategic Actions

Theme D of Our Strategy and Focus is important because IAASB has to be seen to respond more promptly to the changing agenda than the way it sometimes has been perceived to act. Projects have to be turned around more quickly.

Our Strategic Actions is clearly matched to IAASB's projects in progress. Delivering Theme A, the audit quality projects, is critical. Several of these projects are long anticipated and have to be delivered.

There is no mention to joint audit. This is going to receive greater attention following regulatory developments in the United Kingdom, and may come into the regulatory agenda in other countries. IAASB has to recognise joint audit in its standards, beginning with a project to identify areas where standards might need to be adapted or guidance added.

21_DTTL

We recognize that the future will be different from the past. This is especially true considering changes in technology, business practices, and societal expectations. Accordingly, as the center of its Strategy and Focus, DTTL is supportive of the IAASB's attention to the public interest and the future-oriented nature of its processes and work plans. We also agree with the related strategic actions, as set forth on pages 10–13 of the Consultation Paper.

With respect to Theme E, Deepen our Connectivity and Collaboration Opportunities, DTTL acknowledges:

The importance of further enhancing working relationships with regulators, firms, and others (as appropriate) to understand their concerns, explore causal factors, and work to develop responses, which further drive the quality of financial reporting;

The value in engaging the profession, audit regulators, and other standard setters as technological advancements progress to determine where standards may need to evolve to remain relevant; and

The availability of limited resources and supports the IAASB's continued efforts to collaborate with national standard setters to assist in achieving its objectives.

In seeking to establish global standards, and in connection with its efforts to collaborate with other standard setters, DTTL believes the IAASB has a role in:

Articulating the necessity of consistent regulations, inspection regimes, and standards across countries that will facilitate the proper functioning of increasingly global capital markets; and

Avoiding unnecessary differences in standards that lead to increased complexity for practitioners and firms in developing methodologies, training personnel, and performing consistently high-quality audits and working with other global standard setters to articulate such differences.

With respect to its Strategy and Focus, as well as related strategic actions, DTTL further recommends that the Board remain adaptable to accommodate any future changes arising from the Monitoring Group review.

22_ETY

Strategy and Focus. Agree with the strategy and focus as set • Strategic Actions for 20-23. Agree with the action plan. We however expect that, in the Theme A, you for plan a post-implementation review for ISA-315 as the ISA given the key place of this standard in the audit process and its complexity. Theme C: A commitment to release alerts and positions on emerging issues that can challenge the use of the standards would sometime help to address complexity

23_EYG

Overall, we agree that the strategic themes are appropriate and are consistent with the relevant issues affecting the global standards. Consistent with our response to Q1, we also see that conciseness has come at an expense to clarity in the descriptions of the themes and strategic actions. We have the following suggestions to enhance clarity:

Theme B – Further Challenge and Enhance the Fundamentals of Our International Standards

We do not understand why Theme B focuses solely on the “fundamentals” of the international standards. We would expect standard-setting activities to involve a more holistic consideration of the standards. We would therefore delete “the fundamentals of” in the title of this theme.

In relation to the IAASB’s activities in the assurance space, we believe that the IAASB’s 2015-2019 strategic objective to “Ensure the IAASB’s Suite of Standards Continues to be Relevant in a Changing World by Responding to Stakeholder Needs” provides a clearer focus than Theme B’s “Further Challenge and Enhance the Fundamentals of our International Standards”, which does not draw out the extended external reporting being performed by entities and for which assurance is being sought.

Theme C - Develop Ways to Address Complexity, While Maintaining Scalability and Proportionality

We believe that the terms “scalability” and “proportionately” would benefit from further explanation to drive a consistent understanding by all stakeholders of the objective of the IAASB’s activities in this theme.

We do not believe that this theme should be limited to the standards being fit-for-purpose for audits or that this theme should focus only on the importance of principles-based standards for audits of less complex entities. Instead, it is evident to us that the importance of the IAASB’s International Standards remaining principles-based is ever increasing due to the environmental drivers included on page 7. Although standards can never be completely “future-proof”, they need to be capable of implementation in the face of innovation and changes in the environment that cannot be anticipated, as well as adaptable to the specific entities and environments within the 120+ jurisdictions that use the standards. Accordingly, we believe this theme should take a wider focus.

Theme D – Strengthen and Broaden Our Capability and Capacity to Respond by Innovating Our Ways of Working. We view Theme D as a critically important theme to the ability of the IAASB to address emerging demands and innovations relevant to auditing and assurance. We recommend that the strategic actions be expanded to address specific actions related to resourcing as follows:

Actions to attract, retain and develop IAASB staff. At present, the theme appears solely focused on consider capacity and obtaining further resources. We believe an equal priority is to enhance the competence and capabilities of the current staff.

Obtaining and effectively utilizing subject matter expertise for specific projects. We recognize that it is not realistic to have in-house expertise related to all projects on the Board’s agenda, particularly technology, integrated reporting and other innovative or emerging areas in audit and assurance services. Instead, we see a strong need for IAASB staff to have access to appropriate external resources such that the staff are properly enabled to analyze and distill the issues for the Board’s consumption and for timely dialogue with its stakeholders. Although the IAASB has taken steps to obtain expertise through correspondent members or project advisory panels, we are not convinced that these resources are used as effectively as possible in all circumstances. In particular, we see a lack of progress in the data analytics initiative despite the presence of a project advisory panel with appropriate expertise.

Establishing formal collaboration with National Standard Setters to provide more timely identification of national standard-setting priorities and applicability to global standard-setting. We recognize that the IAASB does have coordination with the National Standard Setters in place, but we believe a focus should be placed on how this coordination can be enhanced and formalized when the issues driving a national standard-setting project have global relevance. Such coordination would have an objective of the IAASB leading the way in addressing emerging issues of global relevance, including through timelier issuance of interpretations and non-authoritative guidance.

Establishing formal collaboration with IFAC, member bodies, National Standard Setters or others as relevant for activities related to the development of non-authoritative guidance and implementation and application of the standards. We recognize that the nature of the IAASB’s latest standard-setting projects is such that they will require fundamental change in the management of engagement quality and the approach to the audit. We also agree with the IAASB’s focus on the development of implementation materials for these new standards; however, we do not believe that the IAASB staff capacity alone will be sufficient to produce these, especially in a timely manner. For the IAASB to commit to robust implementation support, we believe formal collaboration protocols with others needs to be established.

Theme E – Deepen Our Connectivity and Collaboration Opportunities

We recommend including a more fulsome description of the IFAC committees that play an important role in informing the IAASB’s initiatives and actions (e.g., the Small and Medium Practices Committee, the Transnational Auditors Committee).

As we note in our comments to Theme D above, we see the establishment of collaboration opportunities as important to the resourcing of the IAASB in completing its projects. We recommend drawing out this specific importance of collaboration in the strategic actions of Theme E.

We recognize the uncertainty that exists regarding the IAASB’s future operations due to the reforms being contemplated by the Monitoring Group that are likely to affect the IAASB during the 2020-2023 strategy period. However, we see the timing of the refresh of the IAASB’s Strategy as opportune because it is generating timely stakeholder input that is highly relevant to establishing and confirming the value of, and priorities for, the IAASB’s operations.

Publishing a refreshed Strategy for 2020-2023 allows the IAASB to crystallize to its stakeholders how it views its mandate, the critical aspects of its operations that allow the IAASB to achieve that mandate, the challenges it sees to its success and how its planned actions are expected to address

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those challenges. In this period of reform, we view the clarity and thoroughness of the Strategy and Work Plan to have a new importance because the final publication may be viewed by new audiences or viewed differently through the lens of reform.

We recognize that the drivers for reform to the audit standard-setting model are occurring mainly in the context of enhancing audits of listed or other public interest entities. However, we believe it to be vitally important that any reform undertaken also appropriately acknowledge and address audits of non-public interest entities, as well as the other assurance and related services engagements addressed by the IAASB standards. We see the IAASB's Strategy and Work Plan as an important mechanism for explaining and reinforcing the value of the full suite of the IAASB's quality control, audit, review, other assurance and related services standards, including how these standards contribute toward the profession's role to serve the public interest.

Because the IAASB's Strategy and Work Plan may become an important point of reference for stakeholders proving input and making decisions around reforms of the standard-setting model, we have attempted to read the documents from the perspective of an interested party that may not be highly knowledgeable about the IAASB's mandate or operations, including the supporting role that the Consultative Advisory Group and certain IFAC committees (e.g., Small and Medium Practices Committee) play in the current standard-setting model. In reading the document from this perspective, our observation is that the IAASB's decision to take perhaps a more streamlined approach to the Strategy than in prior strategy periods potentially comes at a cost of clarity in certain instances.

As the IAASB moves forward in finalizing the Strategy and Work Plan, we encourage the IAASB to specifically review these documents through the lens of reform and determine whether there is sufficient clarity on the entire remit of the IAASB in addition to the descriptions of the areas of focus and the operating protocols of the IAASB. We have included specific recommendations in our comments where we believe clarity could be improved or certain aspects of the IAASB's operations could be better highlighted. The majority of our comments are provided from this perspective. In addition, we have the following significant comments:

We believe the IAASB's research activities should have an explicit focus on the audit of the future. Monitoring developments that indicate changing demands and stakeholder needs for the audit should be a central theme in the IAASB's research activities because of the critical importance of maintaining the relevance of the audit in the current fast-changing environment and is necessary for the role of the audit to continue to appropriately serve the public interest.

We believe the Audit Evidence project needs to be expedited and escalated beyond the research phase as quickly as possible in this new Work Plan period. We encourage the IAASB to actively collaborate with the AICPA (which has an equivalent project currently underway and is approaching the release of an exposure draft) as a primary mechanism for expediting the IAASB's project.

We believe ISA 520, Analytical Procedures, needs specific consideration to address challenges in practice resulting from the use of data analytics, as well as regulator expectations for how the auditor sets expectations and documents those expectations. We understand that ISA 520 is identified as a standard that will be given further consideration as part of the Audit Evidence project. However, we believe that the responses to the IAASB's 2016 Data Analytics consultation justify specific research activities related to ISA 520.

We support the proposed Framework for Activities; however, we believe a project should be added to the Work Plan for the design and implementation of the Framework because the Framework for Activities would introduce a new and formal process to IAASB project identification and scoping. This project should include establishing clear protocols, including due process procedures where necessary, around each activity. In particular, we believe that the IAASB should have an objective of putting processes in place to respond to challenges in practice on a timely basis through a greater focus on issuing interpretations and non-authoritative guidance and through enhanced protocols for identification of national standard-setting projects that have global relevance. Firms are currently in the position of needing to determine an approach or solution to emerging practice issues years ahead of when the IAASB releases revisions to its standards to address the issues. Improved timeliness of the IAASB's standard-setting activities is particularly important to improving the IAASB's credibility with its stakeholders.

Because of the significance and extent of implementation assistance that may be required for these standards, we strongly encourage the IAASB to institute formal cooperation with IFAC, member bodies, National Standard Setters or others to obtain assistance with these implementation activities, including potentially outsourcing some of the specific enablement.

Considering the April 2019 release of the IESBA Strategy and Work Plan 2019-2023, we believe that the IAASB's Strategy and Work Plan should include more specifics around the planned topics for coordination, including that the projects related to non-audit services, fees, service delivery models and the definitions of listed and public interest entities should be identified for specific coordination.

24_GTI

However, we do note that limited consideration is given to the current Monitoring Group Consultation on strengthening the governance and oversight of international audit-related standard-setting. We recommend that consideration be given to ways in which the IAASB is able to continue to respond to the Monitoring Group's criticisms within its current construct.

We also highlight the need for collaboration with National Standard Setters to identify opportunities to minimize the differences between the International Auditing Standards and locally adopted standards, thus maintaining the value of International Auditing Standards.

We generally agree with the themes identified as part of the Strategy and Focus and have the following additional comments in relation to these themes:

Theme B – It is not clear what is meant by 'challenging the fundamentals' of the International Standards. For example, is this referring only to the auditor's responsibility with respect to evaluating the going concern basis of accounting and fraud risk considerations or are there additional matters that underpin the auditor's responsibilities that are being contemplated? We believe more context for this theme is necessary to appropriately consider and comment.

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Theme C – We agree with the importance of addressing scalability and proportionality of the International Standards. However, we note that some of the issues in the context of audits of less complex entities have broader applicability. For example, the audit implications when the entity lacks resources to carry certain accounting processes, such as accounting for complex transactions, or the understanding of relevant controls when it is evident that a purely substantive approach is necessary. We believe that the answers to questions such as these can help auditors of both complex and less complex entities. Further, in respect of the standards themselves, we note that to address the issues of complexity and scalability, the requirements need to be high level principles-based requirements that are supported by application and implementation guidance.

Theme C and Theme D – In these themes, we would also suggest thinking more broadly than the standards themselves, to include other types of guidance, such as non-authoritative guidance. This may also help to alleviate the problem of standards that have a disproportionate volume of application material in support of relatively few requirements. Further, it should be made clear that such guidance is non-authoritative, so it does not become ‘de-facto’ requirements.

Theme D – We are of the view that this theme is the most likely to be affected by the results of the current Monitoring Group consultation. As such, we would suggest including considerations of how the IAASB could work collaboratively with the Monitoring Group in enhancing its processes.

25_KPMG

As we noted in our response to the 2018 IAASB Consultation Paper: Envisioning the Future: IAASB Strategy 2020-2023, we agree with the opportunities and key challenges that the IAASB has identified as being of primary relevance for this strategic cycle, and with the environmental drivers that are of most significance in shaping their objectives.

We are supportive of the IAASB’s planned response to these matters, set out in more detail in Our Strategy and Focus and Our Strategic Actions, as well as the proposed Framework for Activities. We consider these to be appropriate proposed responses to the identified opportunities and challenges. The responses include the need to prioritise addressing the significant changes to the audit environment as a result of rapid developments in technology, including data analytics, as well as the need for standards that are capable of consistent and effective implementation, in a manner that allows them to be scalable, acknowledging that audits are performed in an increasingly global environment, with businesses ranging across a broad spectrum in terms of nature, size and complexity.

We recognise and welcome the significant activity undertaken by the IAASB in recent years in developing new/clarified standards addressing key aspects of an audit, and in enhancing the reporting suite of standards. We are supportive of the IAASB’s focus on completion of existing projects in its detailed Work Plan for 2020-2021.

As we noted in our response to the 2018 Consultation Paper, we believe it critical that, as part of achieving its overall objectives, the IAASB direct a significant proportion of effort to deepening their understanding of specific implementation challenges as well as more widespread issues/areas of stakeholder concern, to help ensure that targeted and effective solutions are developed in response to market need in a fast-paced environment. We believe this would involve consideration of more immediate solutions to address these matters on a timely basis, which would not be limited to the development of new, or revisions to existing, standards, but rather would focus on non-authoritative guidance such as issuance of Staff Papers.

We therefore welcome the IAASB’s plans in this area, including the current project to address Extended External Reporting (EER) Assurance through development of a guidance document, which considers assurance challenges more holistically, and addresses broader concepts such as application of materiality to an assurance engagement.

We are also supportive of the planned activities to deepen understanding of implementation challenges/concerns in respect of the reporting suite of standards; the recently issued standard, ISA 540 (Revised); the Exposure Drafts of ISA 315 (Revised) and the Quality Management standards/ ISA 220 (Revised), which we believe are important, in particular, because these (proposed) standards involve a significant degree of complexity. We are also supportive of the research activities planned, most notably in respect of Audit Evidence, Professional Skepticism, and Audits of Less Complex Entities. We consider these workstreams to be very important as they aim to address feedback from various stakeholders regarding the need for solutions that address more pervasive challenges, in particular, that of scalability, as we note above.

We also welcome the plans for stakeholder outreach and coordination/ liaison with other standard setters, including IESBA and IASB. We reiterate our previous comments regarding the importance of broad outreach also to National Standard Setters, to help address stakeholder needs in a coordinated and efficient manner.

We also suggested, in our response to the 2018 Consultation Paper, that the IAASB consider interactive solutions, both in terms of stakeholder outreach and standards development processes, as well as, more broadly, regarding the ability to facilitate end user application of the standards themselves. We believe that in a technologically evolving environment it would be helpful to explore innovations to increase user interaction with standards, and to investigate increased inter-connectivity within the ISAs as part of the overall audit process, as well as with other sets of standards, e.g. financial reporting standards, such as IFRSs.

We are also supportive of the IAASB’s plans to consider changes to its operations, structure and processes, driven by the outcome of the Monitoring Group review.

26_PWC

We believe the proposed strategic themes, together with the proposed framework for activities (see question 3) provide an appropriate framework to guide the key areas of focus of the Board.

Our views on each theme are as follows:

Theme A

We support taking the appropriate time to ensure that final standards are robust and fit for purpose. See our further comments in response to question 4.

Theme B

See our comments on technology in response to question 1. The strategic actions described here do not, in our view, provide sufficient context as to the magnitude of the potential impact of technology on the audit. It would be useful to provide some more detail on this topic.

It is unclear as to what is envisaged by an assessment of the changing corporate reporting environment. For example, is this alluding to new accounting standards or more holistically around how entities report, including integrated reporting and reporting solely through digital means? Some additional context would help clarify.

See our comments on Theme E with respect to working with the IESBA.

See our comments in response to question 5 with respect to other possible topics on the IAASB's radar.

Theme C

We agree that taking action in response to the feedback on the consultation on audits of less complex entities will be a top priority in the strategy period, in light of the calls for action from the SMP community and risk of national standard-setters diverging from the global ISAs.

We strongly support a focus on principle-based standards. See also our response to question 3 with respect to establishing clear guidelines or criteria to assess whether a proposed standard is achieving this aim, as well as being understandable, practical and scalable.

It is important to distinguish between identified deficiencies in the standards and implementation issues. If there is consensus that the requirements of a standard are clear, then seeking to make revisions to the standard to address its poor implementation, often making the standard longer and more complex, is unlikely to be the right response. Nor should the Board address issues that are driven by poor implementation by making the standards more directive about the approach to be taken or process to be followed (i.e., defining a methodology). Doing so inevitably results in standards that are less fit for purpose in all circumstances - more rules-based and driving a "tick the box" compliance approach to audit. Rather, what is needed is clarity as to objectives, the inputs and the expected outcomes - the what, rather than the how. Understanding root-causes of issues as a basis for determining whether standard-setting or further implementation support is the most appropriate response could be made more prominent within the framework for activities. Furthermore, implementation guidance can be very valuable, but often others, in addition to the Board itself, have not only a role to play in developing that guidance, but are best placed to do so. Such implementation guidance can be geared to different segments.

Digitisation of the standards would be useful in aiding accessibility.

Theme D

See our response to question 3 on the proposed framework for activities.

We support the Board looking at ways to better utilise technology to develop meeting materials and standards. Collaboration tools would help reduce elements of inefficiency in the current processes, freeing up valuable staff and board member time. We would also encourage greater use of technology to gather feedback from stakeholders (being careful to manage the possible risks of bias that its processes might inadvertently introduce). We strongly encourage consideration of a "rapid response mechanism" to make targeted, limited scope, amendments to standards to address clearly defined issues. Arguably, a number of recent projects have suffered from scope creep, resulting in wholesale revisions to all aspects of a standard when the case for full revision was not fully supported by evidence of issues with all requirements. We believe this is an important principle to bear in mind in the current revision of ISA 600. Narrow scope maintenance may enhance the ability of the Board to be seen as responding in a more timely manner, including addressing emerging issues. However, in doing so, it is important that speed is not achieved at the cost of appropriate due process.

It is important that, during this strategy period, consideration be given to how the projects and other work being undertaken by the Board can continue under a future model, without any significant adverse disruption. That includes ensuring the Board has sufficient staff resources and mechanisms for obtaining appropriate technical input on its projects. Further considering the use of seconded staff may be appropriate.

Theme E

Effective collaboration is essential to the Board's success:

IESBA

In particular, it is vital that the Board demonstrates effective collaboration and coordination with the IESBA. While we acknowledge the actions taken by both Boards to seek reciprocal input on projects that affect each other's work, we believe it is regrettable that the two Boards were unable to align their strategy and work plan periods prior to 2023, and there continues to be examples where the alignment stakeholders might reasonably expect is not being achieved. Continued efforts to demonstrate effective and strategic cooperation during this intervening period remains critical. For example, we suggest there may be potential significant implications for compliance with relevant ethical requirements arising from revisions to ISA 600. And, given its pervasive impact, a more combined approach to addressing the impact of technology would also be welcomed.

The IESBA's recent strategy consultation identifies proposed projects that will have a direct bearing on the IAASB's standards and we encourage proactive, rather than reactive, involvement to ensure balanced decisions are reached. For example, it is vital that the IAASB be engaged in projects relating to revising the definitions of PIE and listed entity, materiality and communications with those charged with governance.

Likewise, the IESBA needs to be fully engaged in the IAASB's relevant projects impacting the Code. The IESBA's recent strategy consultation notes projects looking at evolving technologies and service delivery models. There are clear areas of overlap with the IAASB's current projects, and both Boards should leverage each other's work.

From a stakeholder's perspective, the aim ought to be to have joint exposure drafts, whereby the relevant changes to the auditing standards and the ethical standards are exposed as a package.

Risk to quality of standards due to volume of consultations

The IAASB is currently consulting on three exposure drafts and has issued two further consultations, on audits of less complex entities and extended

external reporting, in addition to this strategy consultation. This is at the same time as expected implementation of the significant revision to ISA 540. The volume of materials issued concurrently poses a risk to the number, quality and depth of responses from stakeholders.

To ensure meaningful scrutiny and input on proposed revisions, we strongly recommend seeking to avoid multiple concurrent consultations. Where this cannot be avoided, we believe additional emphasis must be placed on robust dialogue and outreach with the Board’s stakeholders, in addition to the formal responses received. We, therefore, support the proposed collaboration and outreach opportunities noted under this Theme.

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 standard-setting processes.

Technology is changing how audits are performed and evidence obtained. We acknowledge that the Board has technology as a key consideration in all of its current standard setting projects. However, we believe efforts in this area need to be further reinforced within the overall strategy. Increasingly, businesses are operating in a digital environment, with information only available in electronic form. To ensure that the ISAs, and audit, remain relevant, we believe the IAASB needs to be thinking about how audit evidence can be obtained in such an environment. At the same time, advances in tools and techniques, including artificial intelligence, is giving rise to questions about how such tools affect or change risk assessment and the auditor’s approach to obtaining evidence. 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 national standard-setters (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. We comment further on this topic in our response to question 1 in the appendix to this letter.

Scalability is a significant challenge for the Board. 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, perceived increase in their specificity about not just outcomes, but also process, 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. There is a risk of jurisdictions actively considering de-recognising certain 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. We recognise that a separate consultation on audits of less complex entities has been issued by the Board. However, we believe the magnitude of the underlying issue could be better reflected in the strategy.

Coordination with the IESBA is vital in demonstrating effective and strategic revisions to standards. Within the context of the Monitoring Group’s review, one of its key areas of concern is effective collaboration and coordination between the IESBA and the IAASB. While we acknowledge the actions taken by both Boards to seek reciprocal input on projects that affect each other’s work, we believe it is regrettable that the two Boards were unable to align their strategy and work plan periods prior to 2023, and there continue to be examples where the alignment stakeholders might reasonably expect is not being achieved. It would be useful to better evidence the planned efforts to demonstrate effective and strategic cooperation during this intervening period.

Work plan for 2020-2021

We support the key guiding considerations. We believe it is appropriate to reiterate these overall guiding considerations as an overlay to the proposed “Framework for Activities”, or as considerations to be applied to the outcome of the research phase.

As noted, much of the work plan for 2020-2021 is dictated by the projects commenced during the current strategy period. It is appropriate that the focus be on bringing the projects on ISA 315, Quality Management, ISA 600 and ISA 500 to successful completion.

With respect to the specific activities and actions described:

We highlight the importance of the proposed project to revise ISA 500. Many significant questions raised in respect of the appropriate exercise of professional scepticism were in fact questions about the sufficiency of audit evidence. And, as noted above and described in our response to question 1, technology is increasingly challenging how auditors think about risks of material misstatement and how to obtain audit evidence. Ensuring the scope of this project is appropriately defined, with clarity on the issues to be addressed, is essential and the challenge in building consensus not underestimated.

We support the development of practical implementation support materials for new and revised standards. With a focus on clearer, principles-based, scalable standards there may often be a need for effective examples and other supporting materials that enable effective implementation. In particular, ISA 315 (Revised), ISQM 1 and ISA 220 (Revised) are likely to need significant implementation support. Others, in addition to the Board, have a role to play in this regard. A balance is needed between the Board developing the implementation guidance itself, as an integral part of standards development, and the Board recognising the need for implementation guidance and collaborating with others to deliver it.

We also support post-implementation reviews on the Board’s recently issued standards to identify if they are meeting their objectives and also if implementation support materials have been effective. This will be particularly important as ISA 540 (Revised) and ISA 315 (Revised) become effective, and, in due course, the revised quality management standards.

Work plan for 2022-2023

Notwithstanding the expected completion of the ISA 500 project in the preceding work plan period, we believe an ongoing focus on developments in technology, and how the IAASB’s standards may need to further evolve to reflect practice, will remain important. In this period, we suggest the IAASB’s other priority should be the development of implementation support materials for the revised group audits standard and commencement of planning for post-implementation reviews of ISA 540 (Revised) and ISA 315 (Revised).

27_RSM

Yes, we agree with the IAASB's Strategy and Focus and Our Strategic Actions for 2020-2023.

Theme A includes implementation support for firms following the introduction of the Quality Management standards. Given the very significant changes that firms will face, our view is that the IAASB will find that there is a considerable need for implementation support and we urge the IAASB to prioritise the development of this support. Unless considerable support is provided in terms of tools, documentation examples, best practice strategies for implementation etc, the benefits of these standards, which are an essential element of quality improvement may take an extended period to emerge.

The completion of existing projects to enhance the standards is important. However, one of the key challenges remains, as mentioned in Theme B, issues relating to audit evidence, with regards to evolving technologies and emerging tools. In our view this should be given a high priority.

We support the Strategy and Work Plan although we consider that considerable resource needs to be directed towards finding solutions for smaller or less complex entities, whilst still retaining the integrity of the ISAs. We also believe that the IAASB should not under-estimate the resources that will be required to provide implementation support after the final quality standards are issued.

28_ACCA-CAANZ

However, in our view, this strategic period needs to be one of consolidation and implementation support, rather than of significant new directions. The changes arising from the board's audit quality enhancement projects need ongoing post-implementation support and then review in this time period, in order to ensure they are achieving the desired outcomes (e.g. audit quality is actually improving).

In particular, we believe it is of very high importance that over this strategic period the IAASB prioritizes:

Focusing on the time and resources to support the effective implementation of all its audit quality related projects

Prioritising the work in the "Less Complex Entities" project, which we see as a crucial part of the next stage of the board's ongoing implementation work because of critical need in the SMP space.

Maintaining its existing standards in other areas such as audit evidence in light of significant environmental change and public expectations.

Performing implementation activities for the new ISRS 4400 which is also of considerable importance for our SMP members.

In achieving all its outputs, we believe it is important that the board ensure that the pervasive nature of technology and professional scepticism is fully embedded in each of its projects, rather than seeking to producing discrete outputs for these two important topics.

We agree that the board's activities need to be public interest and future focused and that the five strategic themes identified are all essential to achieving this objective.

We also recognise that the specific work associated with each of these themes are areas of real need. However, noting that the board has limited resources, we would prefer these strategic actions to be prioritised differently. We set out below our preferred order of priority (numbering each theme in order below) and have also included suggested changes to the discussion about those themes in the strategy document where we feel this is necessary.

Theme A – Completing the audit quality enhancements

We support the board's view that work on theme A should be of high priority in this strategic period, given the importance of these projects to audit quality worldwide.

Theme C – Addressing complexity

We support the board's view that work on theme C should be of high priority in this strategic period as the complexity of standards such as ISA 315 and 540 have clearly highlighted the challenges small and medium practitioners worldwide now face effectively implementing them.

Theme E – Deepen connectivity and collaboration

We agree that effective collaborations with stakeholders is essential to effective standard setting. We consider that the strategy document (page 13) identifies all the appropriate sources of collaborative opportunities. However we consider it would be helpful to group these under the following headings:

public interest (CAG, regulators);

users (firms, IFAC, IASB); and

effective workload management (standard setters, IESBA, advisory panels).

The comments on outreach should then be reallocated to the stakeholder category where they best fit. This will ensure that focus is placed on ensuring the effectiveness of outreach associated with each of these collaborative activities, which will need to be achieved in different ways and for different

reasons.

We also consider that Theme E should acknowledge its interrelationship with effectively achieving Themes A and B by adding the text in bold below to its “description” on page 9:

Leveraging external resources and maintaining and building relationships with stakeholders to achieve globally relevant progressive and operable standards that are effectively applied and achieve their objectives

Finally, we recommend that the board reconsider the time that will need to be devoted to this theme in this strategic period in light of the reform proposals of the Monitoring Group and other concerns about the quality of audit practice worldwide. These challenges need to be effectively addressed in a timely manner in order to ensure a robust and effective international standard setting framework continues to operate.

Theme D – Innovating our ways of working

We support the board in the development of its framework of activities to ensure it does the right work at the right time. With so many important issues and limited resources, it is important to ensure the board’s efforts are expended where they will offer maximum stakeholder and public interest benefit. Effectively performing this work will then significantly contribute to ensuring public trust in the profession is maintained and that stakeholders are adequately served, helping to reduce current concerns.

However this theme treats topics of pervasive impact, such as professional scepticism and technology as separate discrete projects, which will diminish the effectiveness of any associated reforms. We therefore recommend that the strategy document make it clearer that these topics are, and should be, embedded in all aspects of the board’s work.

Theme B – Challenge and enhance the fundamentals of the standards

We consider that the strategic actions for theme B inadequately draw the distinction between its two separate aspects of: maintaining and improving existing standards (the revising aspect of theme B); and developing new standards (the developing aspect).

Both are important, but when faced with limited resources, the priority needs to be on essential maintenance.

Given the pace of change, without clarity around the content and objectives of this theme there is a risk that the needs to address future change could draw focus from the achievement of other necessary work within this theme. More importantly such demands could also overtake work on themes A, C, D and E which we see as the more important, and necessary, current priorities for this strategic period.

maintenance work in prioritising actions. For this reason we support the board prioritising its work on audit evidence as maintenance of the standards in this area is crucial in light of changing technology and professional scepticism expectations. However we do support the completion of the “extended external reporting” project as a development aspect as this too is an important need for stakeholders at this current time.

We would also prefer that Theme B better articulates the pervasive impact both these forces for change have on all the board’s current and ongoing work via a reorganisation of the boards planned actions under these headings. We also consider work in response to IESBA reforms should be similarly categorised and prioritised.

Work on other matters should then only be undertaken in this strategic period if resources exist.

29_AE

Nevertheless, we have concerns on the deadlines announced that seem unrealistic. We suggest reviewing the deadline proposed considering a ‘worst case scenario’. For example, for such as important standard as ISA 315, sufficient time should be dedicated to address the issues raised by stakeholders in the consultation period.

Additionally, theme C should be given more prominence. This theme reflects one of the main strategic issues that the IAASB is currently facing. We think that addressing it is vital for the public interest. If the IAASB fails to find a solution, it will threaten global adoption and proper application of international standards, and potentially endanger the IAASB’s aims of enhancing audit quality.

Finally, we are all aware about the current Monitoring Group project which objective is to reform the independent standard-setting boards operating under the auspices of IFAC. This project is not mentioned in the IAASB proposed strategy and work plan as it is outside the IAASB’s remit and should not refrain the IAASB from advancing its standard-setting activities. Nevertheless, should this reform go through, a significant impact on the IAASB workload should be expected. This is why we think that the currently debated Monitoring Group project should be mentioned as an external factor to inform all stakeholders about it.

We generally support the proposed strategy and focus and the strategic actions for 2020-2023, but have the following comments to be considered per theme proposed:

Under theme A

This theme makes sense and is the one where stakeholders expect the IAASB to deliver on.

Under theme B

Whilst legislators define the scope of audit, the IAASB is an important participant and should do all within its remit, not only to optimise audit quality, but also to optimise the audit model. The IAASB should also monitor what is happening around the world in order to be ready to react at international level if necessary, but it is not in the IAASB's remit to set nor to amend the scope of audit at global level.

We think that XBRL or iXBRL should be mentioned to illustrate the changing corporate reporting environment, as there is currently an expectation for the auditor's involvement on iXBRL filings (called the European Single Electronic Format (ESEF)) for listed companies in the European Union.

Under theme C

In general, theme C should be given more prominence. This theme reflects one of the main strategic issues that the IAASB is currently facing. We think that addressing it is vital for the public interest. There is a significant number of SMEs around the world that are subject to audit in which international auditing standards are used. The reliability of these financial statements often underpins efficient allocation of capital and supports societal development and economic growth. If the IAASB fails to find a solution, it will threaten global adoption and proper application of international standards, and potentially endanger the IAASB's aims of enhancing audit quality.

We are concerned that the wording used does not sound very ambitious with forms of words such as 'commit to continue considering'. Additionally, working on the accessibility and ease of use of the standards is important, but this aspect should not distract the IAASB from the real challenge of addressing complexity, while maintaining scalability and proportionality.

Under theme D

The IAASB should be more transparent on the work performed under the research phase. Furthermore, we wonder how this theme is translated into the work plan.

Regarding outreach, we think that it should be clear that the IAASB should enter effective two-way communication, but also balanced communication. It would be counterproductive for the IAASB's efficiency to only outreach to certain categories of stakeholders and be less and less inclusive.

Additionally, collecting feedback in roundtables and outreach meetings is important, but may sometimes focus on perceptions and high-level considerations. In any case, it should not shadow the consultation process that offers detailed and through analysis from all interested stakeholders.

Under theme E

We support closer coordination between the setting of auditing and ethical standards in their standard setting activities and in the alignment of their strategic process, without losing focus of speed to market. Ethics though is not only about independence and not only relevant to audit and assurance engagements. A single and clear set of ethical principles applies to all professional accountants.

Although we understand that the IAESB has recently been under strategic review, it is important that the IAASB does not lose connection to the strategic issues included in education and develops working relationship with the newly created body that will follow this agenda.

It may be worth for the IAASB to map out activities of other standard setting bodies such as ISO to understand the landscape of alternative types of assurance standards and the societal needs the IAASB should address. There may be links to the core activities of the IAASB.

The standard-setting process should support greater innovation in audit practice by keeping the pace with the increased use of technology. From an IAASB's internal perspective, we fully support the Board to leverage the use of technologies to enhance the standard-setting process. An example in

30_CPAA

Overall, CPA Australia supports the IAASB's proposed strategy and work plan. We consider that it clearly reflects the outreach conducted, particularly through the Strategy Survey. In our response to the Strategy Survey, CPA Australia identified two issues which we considered would have greatest impact on stakeholders from 2020. These issues are data analytics and technological developments, and extended external reporting. The development of guidance on extended external reporting is already well-advanced and its finalisation is reflected in the strategy and work plan. However, we suggest that the impacts of technology need greater emphasis as the IAASB's work is arguably falling behind practice and technological advances

Yes, we agree with the Strategy and Focus and the Strategic Actions, with the exception of the approach to evolving technologies and automated tools under Theme B. We are concerned that greater emphasis is needed on addressing technology in the audit as we consider that the existing standards do present some impediment to innovation in technology. We suggest that technology needs to be more highly prioritised in the strategic actions and not limited to the current strategic action: to identify and prioritize future actions through our research activities. Given that the project on "Technology" has been underway since 2015, we hope that this information gathering phase may soon come to an end and more direct action taken under the new strategy.

31_EFAA

Prioritization of Less Complex Entities / SMEs / non-PIEs

Our response to the IAASB Strategy Survey urged the Board to place a high priority on addressing audits of less complex entities. There is an acute tendency of the development of diverging national standards and practice in the SMPs and SMEs arena as a reaction to widespread belief that the ISAs are not sufficiently scalable for these purposes. We therefore urge the IAASB to accelerate Theme C activities. Where necessary, we suggest to defer the completion of projects that may ultimately be impacted by the outcome of the project "Audits of Less Complex Entities" and its expected significant reengineering of the ISAs to make them sufficiently scalable for such purpose.

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While supporting the efforts to improve the scalability of the auditing standards we have doubts that this immense task can be accomplished in time for the current acute demands for the audit of less-complex entities. We therefore urge the Board to consider, as a matter of urgency, whether stand-alone SME auditing standard for less-complex entities, based on the same principles as the ISAs, could be developed in a much shorter timeframe rather than trying to reengineer the ISAs.

We also suggest that the Board reconsiders the definition of the set of enterprises eligible for simplified treatment. While “less complex”, which inevitably poses not so trivial definition questions, appears convincing from a risk-oriented approach we can see merit in applying the easier to convey concept of “small and medium-sized” as a classification criterion. This seemingly simple criterion, however, has the inherent disadvantage that entities can, unjustifiably, become small whether by fraud or error, for example by externalizing liabilities. A similar inherent disadvantage would come with the common approach in practice to differentiate between public interest entities (PIEs) and non-public interest entities. We will continue to support the Board in finding an appropriate definition and criteria.

Engagement with SMPs and SMEs

While we broadly support the proposed framework of activities and new approach to how the Board will revise and develop standards we are concerned at the present lack of involvement of SMPs and SMEs in the standard setting process potentially resulting in biased outcomes. Therefore, we encourage the Board to consider how it will obtain more feedback/ input from SMPs and whether to undertake a more comprehensive impact analysis covering proposed future changes to international standards for example, covering costs related to translation, staff training, methodology changes, etc.

Value and Purpose of SME Audit

EFAA has recently published a report ‘Evidence on the Value of Audit for SMEs in Europe: Perspectives of Owner-Managers, Company Accountants and Directors’ that presents new and previous evidence on the perceived value of audit for SMEs in Europe. The key finding, summarized in the news release, is that the top three most commonly cited benefits from having an audit were ‘audit provides a check on accounting systems and records’, ‘auditor provides useful advice to management’ and ‘improves internal control’, significantly ahead of ‘gives assurance to external providers of finance’. The evidence has potentially significant implications. The European Commission (EC) and national regulators may have gone too far in exempting small companies from having to have an audit as part of a perceived relief from regulatory burdens on SMEs. Furthermore, if SMEs have a strong desire to receive advice from the auditor as part of the audit then this may ultimately demand that the current auditing and ethical standards be modified to allow for auditors of SMEs to render certain types of advice during the ordinary course of the audit engagement, while at the same time maintaining a high level of auditing and ethical standards.

Non-Audit Standards

We encourage the Board to be alert to the importance of its non-audit standards, particularly in the increasing number of jurisdictions that have introduced or raised audit thresholds. It is, therefore, vital that the Board keeps to the timetable for the revision of ISRS 4400 (Revised) and, if possible, initiates post-implementation reviews including assessment of use of both compilation and review standards.

Yes, we broadly agree with the IAASB’s strategy and focus and the strategic actions for 2020-2023.

General

We note that Themes D and E differ from A, B and C in that they are about operating capacity and effectiveness, means rather than the ends. These themes are closely related to the key guiding principles set out in the introduction to the WP 2020-2023 on page 14. Therefore, we wonder whether these be presented as 'enablers' or else integrated with the guiding principles.

Theme A

While we accept the emphasis on completing outstanding projects it is vital that these projects culminate in scalable standards. Hence, if the Discussion Paper on Audits for Less Complex Entities under Theme C gives rise to a project to reengineer the ISAs then there may be a case for delaying such impacted projects. Once the Board has finished projects such as quality management and ISA 315 we suggest that there then be a period of stability with no new or revised auditing standards becoming effective, to allow adequate time for effective adoption and implementation.

While supporting the efforts to improve the scalability of the auditing standards we have doubts that this immense task can be accomplished in time for the current acute demands for the audit of less-complex entities. We therefore urge the Board to consider, as a matter of urgency, if the development of stand-alone SME auditing standard for less-complex entities, based on the same principles as the ISAs, could be developed in a much shorter timeframe rather than trying to reengineer the ISAs. We also suggest that the Board reconsiders the definition of the set of enterprises eligible for a simplified treatment and refer to our comments under GENERAL OBSERVATIONS above.

Theme B

In respect of EER we suggest the Board broaden the scope beyond assurance engagements as SMEs may seek simpler and, therefore, less costly related service engagements as opposed to assurance.

Theme C

We especially welcome this theme. “Principle-based standards and guidance that is clearly articulated, and able to be applied to a wide variety of circumstances”, as stated in the consultation paper on page 11, stand to benefit the audit of all entities not just less complex and smaller entities. Hence, we recommend that the Board consider having an overt “think simple first” approach. We believe there is already more than enough evidence, accepted largely anecdotal, to demonstrate beyond reasonable doubt that the ISAs are too complex and insufficiently scalable for less-complex entities and, further, that this deficiency is a serious and pressing issue that demands timely action. We believe that there is a strong correlation between complexity and size of organization. Ceteris paribus small entities tend to be less complex than large ones so that SMEs are especially affected by the lack of scalability. Under GENERAL OBSERVATIONS above we also suggest that the Board reconsiders the definition of the set of enterprises eligible for

a simplified treatment.

Theme D

We welcome the proposed approach for the Board to develop and implement a Framework for Activities which encompasses robust information-gathering and research activities. This is especially critical in the context of SMEs and we refer to our comments above about the relevance of SMEs.

Theme E

We support exploring collaboration in relation to implementation support activities. Quality Management and ISA 315 (Revised) will require substantial implementation support.

In the light of decreasing confidence and trust in audits, at least in some countries, and a persistent expectation gap between what auditors are required to do and what stakeholders expect, the Board might wish to consider increased activity and effort centered on educating stakeholders on the role and value of audit. Please see our own research referred to above.

32_FACPCCE

Answer: We agree, some specific observations are added in our responses to this document.

33_ICAEW

IAASB's strategy and work plan are challenging and ambitious, given the number of core ISAs which are scheduled for finalisation by the first quarter of 2021. These revisions have been extensive and represent significant change. We believe for these revisions to be successful, the following actions are critical:

Ensure sufficient time is taken to reflect stakeholder feedback when finalising the revisions to the standards under review. Our preference is for the time necessary to be always taken to produce robust standards, rather than rushing to complete standards to set schedules.

Allow for adequate time to be taken to ensure implementation takes root. We have concerns that poor implementation of these changes would damage the credibility of standard-setters, perceptions of the effectiveness of audit regulation, and the wider value of audit, both perceived and real. Standards must be robust, capable of consistent application, and have longevity. We believe the current standards require further discussion of and guidance on acceptable approaches in two areas to ensure ISAs remain relevant and useable:

Use of technology – auditors are facing a rapidly changing technological environment. Changes in technology are impacting how auditors work, allowing for more effective and efficient audits. New technology may open the audit and assurance market to non-accountants, such as IT technology firms, whose methodologies may allow for fully substantive reviews of electronic ledgers. Standards which fail to adequately take into account the reliance on and use of technology will lack relevance to users and may put at risk continued reliance on international standards. Indeed, concern has already been expressed by stakeholders about the failure of ED 315 to reflect the prevalence of analytics in risk assessments.

Less Complex Entities (LCEs) – LCEs play a crucial role in the world economy and their collective economic health is of key public interest. We note the Board's consultation on LCEs and support IAASB's efforts to address these issues. Current standards are proving unwieldy for LCE audits. Simply asserting a standard is scalable does not make it so; this must be backed by clarity on the standard's baseline and guidance explaining whether this means scaling down for LCEs or scaling up for more complex entities. Failure to address this issue could result in LCE audits slowing, stopping or even reversing adoption of international standards around the world.

We acknowledge that the Board has identified both technology and LCEs as significant environmental drivers in shaping this strategy and work plan. These words must be backed with actions; failure to address these points puts the future of international standards at risk.

The proposed framework for activities looks at topics or issues in isolation, without regard to technology or LCE issues. We believe these are not standalone issues and that technology and LCE issues cut across all standards. Due consideration of each should form part of IAASB's framework for all research and revision activities. We also believe the Board's framework should include plans to improve the accessibility and usability of standards more generally, including drafting standards using plain English.

IAASB is in the midst of a demanding work programme, and faced by potential uncertainty and significant change. This is likely to challenge the Board's ability to remain focused on the strategy it has laid out. To help support its work, we urge IAASB to reach out as much as possible to professional bodies, including ourselves, as well as National Standard Setters (NSS) and audit regulators, to help achieve the collective objective of improving public trust in auditors and audits.

The Board has organised the strategy into five key areas for action. We agree with these overall strategic foci, However, we have the following views on each strategic area and its respective actions.

Theme A: Complete our Major Audit Quality Enhancements and Enable them to 'Take Root'

The significant revisions to core ISAs are scheduled in the work plan for finalisation by the first quarter of 2021. These revisions have been ambitious and represent significant change. We stress the need for adequate time to be taken to ensure implementation takes root. We have concerns that poor implementation of these changes would further damage the credibility of standard-setters, perceptions of the effectiveness of audit regulation, and the wider value of audit, both perceived and real.

We urge IAASB to take the time needed to reflect on stakeholder feedback when finalising the revisions to the standards under review. Our preference is for the time necessary to be taken to produce robust standards, rather than rushing to complete standards to set schedules.

Recent experience with ED 315 demonstrates the need to avoid premature exposure of standards. We note that ISA 315 is expected to be delayed and would support the delay if it allows for sufficient time to revise and enhance the quality and usability of this key ISA.

Theme B: Further Challenge and Enhance the Fundamentals of our International Standards

We support the need to complete the Extended External Reporting initiative. We also emphasise the need to consider technology further within the audit evidence project. We reiterate the concern we raised in our pre-consultation survey response, that a lack of reference in ISAs to data analytics techniques will inhibit their use in certain jurisdictions due to regulator wariness or fears that they are not appropriate on the grounds that they are not mentioned in the standards.

Changing technology has had, and will continue to have a significant impact on how audits are delivered. Technology can enhance an auditor's scepticism by providing new tools to review transactions, while also potentially threaten scepticism, by overreliance on tools. These new tools auditors to review entire populations of transactions. These changes raise questions for example, how would the ability to review an entire population impact risk assessment under ISA 315 and the auditor's response under ISA 330? What supporting evidence should be captured from such a review under ISA 500?

Standards which fail to take into account the reliance on and use of technology will lack relevance to users and may jeopardise the continued reliance on international standards. This is especially crucial given that technological changes may open the audit and assurance markets to non-accountants, such as IT technology firms, in the future. IAASB needs to take account of changes in methodologies in response to technological developments if international standards are to remain relevant to practice.

As noted in our response to Question 1 above, we believe issues relating to public confidence and trust in audit should be considered further by IAASB. In the UK, high profile corporate failures have resulted in calls to significantly rewrite ISA (UK) 570 Going Concern, and a number of reviews being undertaken on the nature, scope and expectation gaps of audits. We recommend that IAASB considers whether ISA 570 remains fit for purpose, and the potential wider impact of the UK changes on consistent adoption and application of ISAs internationally.

Theme C: Develop Ways to Address Complexity, While Maintaining Scalability and Proportionality

Addressing complexity, while maintaining scalability and proportionality, is a key concern. We strongly support the need to address issues identified in applying ISAs to audits of LCEs. Audit regulations and standards often focus on the larger Public Interest Entity (PIE) side of the audit market, however we believe that more work should be done on LCE audits. LCEs play a crucial role in the world economy and their collective health is of key public interest. We believe the LCE audit project is crucial to supporting high quality audits for these types of entities. An increased focus on LCE issues is necessary, as the status quo risks making ISAs irrelevant to this segment of audits internationally.

We have previously raised significant concerns relating to ISAs 315 and 540 to the effect that more needs to be done to ensure those standards are scalable. We believe that for standards to be more scalable, IAASB should explain what is the standard's baseline, and how it may be scaled, whether this means scaling down for LCEs or scaling up for more complex entities. We understand that providing examples in the standards can be difficult, both for regulators and practitioners. IAASB should use the LCE and quality management projects as an opportunity to experiment and innovate with non-authoritative guidance with examples of acceptable scaling against the standards' baseline requirements. This would provide regulators and auditors with a mutual basis of understanding of how to practically scale principles of the standards to account for both LCEs and more complex or risky entities.

We urge IAASB to be bold and to not delay in acting on this issue. We would recommend liaising with professional bodies throughout the process. Our membership includes many small- and medium-sized practitioner firms and we would be happy to facilitate discussions between them and IAASB.

We also stress the need for a continued focus on the digitisation project. This should promote the ease of use by rendering ISAs more easily navigable by auditors for implementation.

Theme D: Strengthen and Broaden Capability and Capacity to Respond by Innovating our Ways of Working

We believe the Board should strive to operate in a more strategic and timely manner, although we do appreciate that IAASB faces resource constraints in doing so. We believe IAASB should begin use of the mechanisms identified as a point of urgency, but would add a few points of caution. There is a risk that the process of identifying which mechanism is most appropriate for a particular issue becomes a long due process that could inadvertently slow down the response. For these mechanisms to be meaningful, IAASB needs to ensure that the consideration and classification of issues is timely. Likewise, limited scope revisions should be limited but also avoid knee-jerk reactions to political issues.

We support greater use of non-authoritative guidance. Non-authoritative guidance should not be limited to narrow technical areas but used to deal with issues in long and complex standards for core areas. Providing non-authoritative guidance on standards could also be part of a meaningful solution addressing the issue of scalability of standards. However, for this to be successful, it will require non-authoritative guidance to be enhanced beyond current guidance. Current non-authoritative guidance, such as staff publications, rarely develop the baseline understanding of the ISA requirements further for readers. We believe there is scope to enhance the explanatory value of these publications if they were to discuss the ISAs, rather than replicate requirements.

We also believe the 'interpretations' mechanism would be an innovative solution, by providing a significant element of high-quality examples. We

would be happy to help the Board explore this option further, drawing upon our knowledge of the experience of accounting standard-setters.

We agree that a Framework for Activities (Framework) is useful – we discuss this further in our response to Question 3 below.

Theme E: Deepen our Connectivity and Collaboration Opportunities

IAASB has a complex stakeholder base and we support the need to engage and collaborate. We believe this will drive the creation and improvement of high-quality international standards. We are disappointed that IAASB's strategy does not include collaborating with professional bodies, such as ICAEW. We believe engagement with professional bodies is crucial for meeting IAASB's objectives, as these bodies represent the views of practitioners across the audit market spectrum. Our members apply IAASB standards daily and have first-hand experience and knowledge of emerging issues and risks that are critical to understand when updating and improving international standards. We welcome engagement with IAASB on behalf of our members and believe that collaboration with professional bodies should be a key part of the Board's strategy.

The topics the Board has listed are highly relevant both in the UK and internationally. These are high-profile issues that have been raised in a number of the current UK reviews, including the focus on fraud and the auditor expectation gap. We encourage IAASB to engage with professional bodies and the NSS on these areas. As noted in our response to Question 2 above, the UK is undertaking reviews and reforms on a number of topics which could have implications for the consistency of adoption and application of ISAs internationally.

34_ICAS

We are generally supportive of the proposed strategy and work plan as set out in the document but would draw to your attention our key observations as follows:

We welcome the focus being given to developing ways to address complexity while maintaining proportionality and scalability in the standards. We have become concerned with the increased length of some of the recent standards and extent to which the requirements have become more prescriptive which does not facilitate a scalable application of the standards.

We would 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.

We would also encourage the IAASB to consider whether any of the recommendations emerging from the Brydon Review being conducted into the UK audit market might also have a global impact that would necessitate further revisions to the standards.

We generally support the proposed strategy and focus and the strategic actions for 2020-2023, but would make the following comments on each theme:

Under theme A: Complete our major audit quality enhancements and enable them to take root

This theme gets to the core of what stakeholders would expect the IAASB to deliver. Consequently, we are supportive of this theme.

Under theme B: Further challenge and enhance the fundamentals of our international standards

The use of technology within the audit process is at different stages and will depend on a variety of factors, for example, the jurisdiction or size of firm. Consequently, it becomes difficult to design a solution to tackle the evolving use of technology that will be suitable for all.

We believe that a return to more principles-based standards will help to address this issue as the requirements will focus only on the objectives of the standard. Further implementation guidance should be included outside of the standard or in an appendix to the standard.

However, in the meantime, we would be supportive of 'limited-scope' updates to the current standards to ensure that there is nothing that would deter or prevent the use of technology or automated tools in the audit process.

Under theme C: develop ways to address complexity, while maintaining scalability and proportionality

We welcome the inclusion of this theme within the IAASB strategy. We believe that this is one of the challenges that the IAASB is currently facing.

As previously stated, we are concerned with the increased length of some of the recent standards and extent to which the requirements have become more prescriptive. This does not facilitate a scalable application of the standards and presents a challenge for many auditors in determining the work effort required.

It has also been noted that many of the standards have been updated to capture the most complex of transactions, most of which will be irrelevant for auditors working in SMPs.

As a result, we would prefer to see this theme being given even greater priority with the aim of developing a solution. Such a solution could take the form of separate standards being made applicable to the audits of smaller and less complex entities, or building a solution (building blocks approach from an SME first perspective) based on the current ISAs.

We also believe that greater use could be made of technology to facilitate navigation of the current standards. The inclusion of hyperlinks and other tools might create documents that are more interactive and more user-friendly. In this respect the e-Code being developed by the International Ethics Standards Board for Accountants (IESBA) might serve as a useful example of how such an approach could be applied in practice.

Under theme D: Strengthen and broaden our capability and capacity to respond by innovating our ways of working

As previously stated, the greater application and use of technology will facilitate more effective application of limited resources. We also favour the use of stakeholder roundtables at an early stage in the work of Task Forces to help mitigate the risk that a project inadvertently goes off in the wrong direction. Input from key stakeholders can be vital at this stage and save considerable time at a later stage in the standard setting process.

Under theme E: Deepen our connectivity and collaboration opportunities

We support closer coordination between auditing and ethical standard setting bodies in order that their respective activities are sufficiently aligned.

We would also encourage closer interaction with the accounting standard setting bodies to ensure that any emerging changes to the financial reporting environment are identified at an early stage. In particular, the relationship with the International Accounting Standards Board (IASB) is key.

There are currently a series of reviews underway in the UK into the future of the UK audit market. We are also aware of other such reviews in other jurisdictions. We would urge the IAASB to reach out to those responsible for conducting these reviews, in particular the Brydon Review, as any proposed changes are likely to have an international dimension. The IAASB needs to be made aware of the potential implications for its standards that such proposals may have on the delivery of transnational audits.

35_ICPAU

ICPAU agrees with the Board's proposed strategy and focus of timely identification and resolution of issues that affect global standards as well as delivery of committed work which will require completion of the current projects.

However the IAASB should clearly identify the support and implementation of IAASB standards as a focus area. The IAASB standards require continuous monitoring in order for the Board to be informed about any challenges in the application of the standards. The provision of interpretation support is a way of reducing these challenges.

Support and implementation activities will require that the Board maintains close interaction with the National Standards Setters and Regulators so as to not only identify areas of noncompliance but the causes of such noncompliance.

36_IIA

We commend you on a thorough and well-conceived plan. We particularly welcome the emphasis on ensuring that standard-setting is relevant and timely. It is a difficult balance to maintain both the necessary rigor and the much needed responsiveness in such a complex and fast changing world. Ultimately, timeliness and relevance are issues that can impact credibility, and others may step in to fill any perceived gaps caused by delay, resulting in possible confusion and fragmentation.

The focus on key topics that include a continued spotlight on technology, agility, and extended forms of external reporting are also welcomed. It is vital that the work of the IAASB is, and is seen to be, innovative and transformative. Theme A is critical in helping the profession gain trust from stakeholders. These are among the areas of great importance to The IIA, and the internal audit profession stands ready to work alongside external auditors and professional accountants in business toward a common purpose. The roles are highly complementary and we urge the IAASB to encourage its audience to work closely with internal auditors, drawing upon their work, judgment, and expertise, confident in the knowledge that it is underpinned by comparable and exacting standards. Internal auditors are experts in governance, risk management, and control, and are deeply familiar with how these operate within their organizations. At the same time, they provide credible, objective assurance by reporting to the governing body independently of management. In the same way that it is good practice for external auditors to use independent valuation experts, in the future there will be an increasing need to leverage others who can provide assurance related to distributed ledgers, AI algorithms, nonfinancial reporting, and so on. In many instances, these are areas where internal audit is able to provide valuable support.

The paper identifies a number of opportunities and challenges, including the need for more estimates and management judgments. This is a practice that has resulted in more subjectivity in financial reporting and can increase the risk of poor judgment and inaccuracies. IAASB may wish to review standards that allow for more subjectivity in financial reporting as part of a single point of focus to determine whether improvements can be made. This links to Theme B and the drive to enhance standards.

Theme E of the paper calls for a deepening of connectivity and collaboration opportunities. This can certainly extend beyond the national standard-setters identified to include global standard-setters, such as The IIA. Being able to promote our respective standards as part of a single coherent, integrated framework could add considerable benefit to the practitioners we aim to serve and the organizations and stakeholders they support. The paper references the development of principle-based standards, non-authoritative practical guidance, and an interpretations mechanism to communicate intentions of a standard, all of which are approaches The IIA has adopted over many years. We would be pleased to share our experiences and insights on this matter.

The collaboration between our respective organizations continues to provide real benefits to the audiences we serve and we are pleased to be able to provide input to the strategic planning and delivery of the work of the IAASB.

37_ISCA

We agree with the IAASB's strategy, focus areas and actions.

Arising from widening stakeholder expectations, we hope to see the inclusion of actions to review the scope of auditor's responsibilities under Theme B Further Challenge and Enhance the Fundamentals of our International Standards, especially over going concern and fraud.

On the going concern and fraud agenda, we observed that stakeholders have expectations on the auditor's responsibilities that go beyond the requirements of auditing standards. From the perspective of going concern, stakeholders appear to expect that an audit provides assurance over the sustainability of an entity or its business model when an unmodified auditor's report is issued. From the perspective of fraud, stakeholders have an expectation that auditors have a responsibility to detect fraud but owing to inherent limitations of an audit, there is an unavoidable risk that fraud may not be detected even though an audit has been properly planned and performed. We acknowledge that with changing stakeholder expectations, the status quo is not sustainable and there is a need to urgently review and build a new consensus around the role of the auditor and the scope and expectations of an audit, otherwise such expectation gaps will continue to undermine the perceived value of an audit. With that said, however, the costs arising from any widening of scope and expectations of an audit needs to be balanced against the benefits to stakeholders.

Arising from the attention on technology, we observed that stakeholders may expect auditors to cover IT-related risk areas outside the IT risk over accounting and financial reporting system, which is outside the scope of an external audit of the financial statements. As such, we feel that there is a need to ring fence the auditor's responsibilities over cybersecurity and advancing technologies in the context of a financial statements audit in our

39_NFPA

Overall, we agree with the proposed strategic actions, but we are concerned that the strategy might be too ambitious.

We strongly support that IAASB has put activities relating to audits of less complex entities as a top priority as this reflects one of the main strategic issues that the IAASB is currently facing. If the IAASB does not deal with this issue, it could threaten global adoption and use of international standards. In light of international developments with national initiatives and the time already spent within the IAASB trying to address audits of less complex entities, we think it is not ambitious enough to only include 'information-gathering and research activities' in this strategy. In the same way, it is our view that the wording used, such as 'commit to continue considering' does not reflect an ambitious enough level of commitment to address this matter. Audits of less complex entities are vital for the public interest and the need for a solution is urgent.

We also support the strategic actions regarding strengthening and broadening the capability and capacity to respond by innovating ways of working. We note that the IAASB has highlighted 'scoping future projects' as an important part of robust information-gathering and research activities. We agree that determining the scope for future projects is important and that a more focused and limited scope should in some cases be considered. We believe that projects can be completed faster and that more issues, that needs to be dealt with, can be delivered in a shorter time period. Faster delivery of projects will also help the future relevance of the profession and the services provided.

We would like to stress the importance of conducting impact assessments and cost-benefit analyzes, especially with regard to the impact any changes will have on SMPs.

Since both scalability and audits of less complex entities are highlighted in the strategy, we would like to emphasize the need to also include the SMP community in the IAASB's connectivity and collaboration activities.

Bearing in mind IAASB's current work with a revised ISA 315 and the Quality Management standards, we urge the IAASB to provide sufficient time for both professional bodies to translate the standards and provide appropriate guidance and training material, and for practitioners to make necessary adaptations.

With regard to recent developments with very voluminous and complex standards and the magnitude of criticism these have received, we would encourage the IAASB, as part of finalizing this strategy and work plan, to consider an overall evaluation of its drafting process and initiate a clarity project. Such project should, in our opinion, be focused on clarifying scalability options and the use of simpler language and shorter sentences. It could also include directives on how to use application material in the standards. For example, in order to support shorter, more robust and distinct standards, application material that consists of explanations of the rationale behind the requirements could, in our opinion, rather be placed in a Basis for Conclusions.

40_SAICA

100% of survey respondents agree with the Strategy and Focus description of the IAASB.

SAICA is in agreement with the themes identified in the Proposed Strategy and Work Plan. We support the fact that there is focus on reviewing the extant standards and to revise them in order to incorporate emerging technologies. In this regard, we recommend that the IAASB continues being responsive to other developments in business and other challenges facing practitioners. In addition to the strategic areas identified by the IAASB, external inspections findings from audit regulators and bodies such as the International Forum of Independent Audit Regulators (IFIAR) could be used

as a reference point to determine other areas where clarity or revision of requirements may be required.

Theme C, Develop Ways to Address Complexity, while maintain Scalability and Proportionality is seen as an important theme because of the concerns around scalability of the suite of standards that are perceived as a one size fits all. As indicated above, SAICA welcomes the issue of the Discussion Paper: LCE and we will continue to engage with our members in soliciting input to inform the SAICA comment letter on this.

The timely response to changes will go a long way in achieving the robust global standards that result in the performance of high quality audits thereby sustaining and maintaining the public's trust in the profession. To this end, SAICA is in agreement with Theme D, Strengthening and Broaden our Capacity to Respond by Innovating our Ways of Thinking. Some of the respondents to the SAICA survey expressed the sentiment that in achieving the identified strategic objectives, the IAASB will have to move swiftly in advancing the Proposed Strategy and Work Plan. We envisage that the strengthening and broadening of capacity will aid the IAASB in responding on a timelier basis to identified issues and challenges.

With respect to Theme E, Deepen Our Connectivity and Collaboration Opportunities in the performance of outreach activities, the important role that the users of financial statements play in directing the standard setting activities must not be underestimated. We believe that meaningful engagement with users of financial statements with the aim of understanding their expectations of the auditor will go a long way in address the audit expectation gap. Other stakeholders we have identified include IFIAR and other audit regulators, as well as the IAESB and the role that they play in setting the standards on the competence of professional accountants.

Collaboration with the IAESB could prove particularly important in the professional scepticism project as the competency framework for professional accountants could be revised to address the concept of professional scepticism and how it should be applied in practice. The earlier in their careers that professional accountants are made aware of this skill, the greater the chances that it will be better applied in practice.

In the survey, we posed a question to the respondents on what additional guidance or projects the IAASB can implement in relation to the concept of professional scepticism. One of the respondents noted, "Professional scepticism is a difficult topic to teach a person, especially at a younger age (trainees) whereby the person does not necessarily have the experience as to how to apply professional scepticism. At this stage, the only additional guidance that I can think of is constant reminder of applying professional scepticism throughout an engagement."

41_SMPC

In general, we agree with IAASB's strategy and focus and the strategic actions for 2020-2023. In particular, we strongly welcome Theme C (Develop ways to address complexity, while maintaining scalability and proportionality) and the top priority of completing the information-gathering and research activities related to audits of less complex entities as there is an urgent need for global action to successfully address the identified challenges. Whilst we support the initiative of enhancing accessibility by digitizing the standards to enhance navigation and search functions this will not, on its own, address the challenges in applying the ISAs, so far more other actions by the Board will be required.

We support the proposed approach for the Board to develop and implement a Framework for Activities so it does "the right work at the right time". In particular, we welcome the feature of ensuring there is robust information-gathering and research activities, which includes fully understanding the issues and developments and defining the challenge/ problem being addressed through causal analysis. In the assessment of available options, this should include recognition that if the standards are sound, but non-compliance is the issue, there may be no need for action by the IAASB. For instance, where misunderstanding/ misinterpretation of the standards has led to non-compliance, clarification (e.g. implementation support to assist with education) could be warranted.

In addition, while we support the consideration of developing a process for 'limited-scope' revisions to standards as a method of addressing isolated or specific issues and challenges (rather than revising the entire standard), we strongly believe that an excessive number of piecemeal changes to the requirements in isolated standards should be avoided wherever possible. In addition, the IAASB would need to be careful about opening up individual standards more than once in a relatively short period of time.

Amongst IFAC member organizations, concerns are often raised about the volume and number of changes made to the ISAs, particularly as translations are needed in many parts of the world. We are also aware that those responsible for developing and updating firm or network methodologies face similar challenges. The Board needs to continue carefully balancing the pressure to react to changes in the marketplace with both its remit as a global standard setter and the need to be sensitive to the impact of the changes on PAOs, practitioners and other stakeholders. In this context, the Board could explore how it can enhance its work through undertaking a more comprehensive impact analysis of any proposed changes e.g. covering costs related to translation, staff training, methodology changes etc. for all auditors. Such a thorough cost/benefit exercise may help guide the determination on whether, and the extent of, any future revisions may be necessary. In this context, it is important that the Board remain mindful that cost increases must be perceived as adding quality, thus enhancing the value of audit perceived by society as a whole.

We believe that to enable the major audit quality enhancements to 'take root' under theme A, there needs to be a period of stability where no new or revised auditing standards become effective for a period of time. It is in the public interest for firms, PAOs and national standard setters to have adequate time for effective adoption and implementation.

The SMPC welcomes the indication of exploring collaboration in relation to implementation support activities (Theme E) and looks forward to continuing to work closely with the IAASB in this important area. The current projects on both Quality Management and ISA 315 (Revised) will require substantial implementation and guidance support to be developed.

We fully support enhancing coordination with the IESBA. This is very important given the interaction of the Code of Ethics for Professional Accountants with IAASB's standards, both for assurance and non-assurance services. We recognize the increased efforts that have been undertaken, including the establishment of a coordination framework and the organization of annual joint board meetings.

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We consider that sufficient implementation support will continue to be extremely important to enable SMPs to efficiently and effectively apply the ISAs. This will be increasingly critical with the significant projects due to be finalized in the next two years, including ISA 315 (Revised) and Quality Management. In this context, we believe that once the major audit quality enhancements are finalized there needs to be a period of stability where no new or revised auditing standards become effective for a period of time.

In general, we support the proposed framework of activities and new approach to how the Board will revise and develop standards. We would like to encourage the IAASB to consider how it will obtain more feedback/ input from SMPs in the future research phases and believe that the Board would benefit from a more comprehensive impact analysis covering proposed future changes to international standards e.g. covering costs related to translation, staff training, methodology changes etc.

The Board should also be cognizant of the importance of its related services pronouncements, particularly in jurisdictions that have introduced or changed audit thresholds. We recognize the pressure to ensure projects revising the ISAs and Quality Management are given priority, but would encourage the Board to ensure the timetable for the revision of ISRS 4400 (Revised) is not adversely impacted. We also encourage consideration of post-implementation reviews for both compilation and review engagements and a greater understanding of the adoption and use of these standards globally.

42_WPK

Theme A: We agree with the proposed strategy and strategic actions. Major projects in progress should be completed. From our perception implementation support for ISA 315 (revised) will be highly appreciated.

Theme B: We basically welcome the proposed strategy and strategic actions, especially IAASB's intention to focus on evolving technologies and their implications on the audit methodology. In this context it might be reasonable to include providers of audit software in the connectivity and collaboration activities of Theme E.

Regarding professional scepticism we think IAASB should reduce its activities in this area. Professional scepticism is first and foremost a set of mind, which is hardly influenced by standards.

Theme C: We agree with the proposed strategy and strategic actions and share IAASB's assessment that Audits of Less Complex Entities should be a top priority (page 11).

According to the statement on page 9, the strategy also comprises 'addressing the robustness of auditing standards in an increasing complex business environment...'. We are not quite sure what the difference between this statement and the strategy of Theme B is. We would expect this issue to be covered under Theme B.

Theme D: Please see our comments to Question 3.

Theme E: Please see our comment to Theme B.

44_AICPA

Implementation support (Themes A and D, and Work Plan)

We appreciate the commitment expressed in the paper to a focus on the implementation of changes to the standards, and to working with others as necessary to support effective and efficient adoption. We agree that supporting the timely and effective implementation of the IAASB's standards is key to the achievement of the quality assurance services these standards are intended to support.

We have noted certain concerns however in achieving the proposal's objectives including certain lack of specificity that we believe would be helpful, including the followings:

The Framework for Activities includes Board activities to support the implementation of new and revised standards by developing supporting materials. However, the Work Plan does not include any scheduled time for implementation activities. Footnote 4 notes that "Due to the uncertain nature of the implementation activities at this time, specific Board discussions have not been presented. However, it is likely during the period of activity there will be Board plenary discussions, and this will be determined as the implementation support activities are developed for each project."

We understand that specific timing for discussing implementation activities for each project cannot be predicted. But no time has been allotted for plenary discussion of any implementation activities, regardless of the project, despite the admission that time will be needed for Board plenary discussions. Without a placeholder in the Work Plan for Board plenary sessions on implementation activities, the time available for Board plenary sessions, as well as staff time for such implementation activities, may be allocated to other things.

Theme D includes the strategic action of "developing non-authoritative practical guidance." We applaud this initiative, however as mentioned above, believe a key to successfully achieving this action is to allocate Board agenda time and staff resources within the Work Plan for the development of such guidance.

We recommend that the detailed Work Plan shown on pages 15 and 16 include a placeholder for implementation activities, including the development of non-authoritative guidance.

We also recommend that consideration of the need for implementation guidance be included as part of each project proposal and the time to develop

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implementation guidance be included as part of each project timeline, including, where possible, that implementation guidance be prepared as the standard is developed. For example, during the drafting of the Quality Management standards prior to the issuance of the EDs, the need for implementation support was identified, based on the extent of the changes and the nature of the issues that resulted in the project's adoption.

Theme B

FURTHER CHALLENGE AND ENHANCE THE FUNDAMENTALS OF OUR INTERNATIONAL STANDARDS.

Theme B includes assessing as possible topics for future action expectations around the role of auditors in connection with fraud, non-compliance with laws and regulations (NOCLAR), and going concern as possible topics. We are concerned that by including this under the "revising standards" theme, the IAASB may itself be creating expectations that issues with respect to these areas can be resolved by revisions to the ISAs. We commend the IAASB for considering addressing these expectations, recognizing that these are important issues to stakeholders and regulators. We recommend that this theme also recognize that considering revisions to the standards needs to be considered within the reasonable assurance framework. Expanding auditor responsibility with the current framework in a cost effective manner will be quite the challenge. We strongly recommend that the IAASB leverage the experiences and current projects certain NSS are contemplating, recognizing that the implication to the auditor for expanding responsibility in any of these areas will be significantly impacted by jurisdictional considerations.

Theme C

DEVELOP WAYS TO ADDRESS COMPLEXITY, WHILE MAINTAINING SCALABILITY AND PROPORTIONALITY

We welcome this theme and believe achieving this to indeed be a key to the IAASB's success in achieving many of its objectives over the next several years.

The description on page 9 focuses on balancing complexity and scalability, but the strategic actions on page 11 seem much more focused on scalability. Keeping that balance in this theme is necessary to avoid inadvertently reducing the effectiveness of the standards as applied to audits of less complex entities that nonetheless may occasionally include a complex issue.

Of concern is not just the complexity of situations encountered in audits but also the complexity of the standards themselves. Many respondents to the exposure drafts of ISA 540 and ISA 315 expressed concern about the complexity of these proposed standards. We support the development of clearly-articulated standards and believe that standards that are understandable, clear, and capable of consistent application will help address concerns about complexity and scalability. We commend the IAASB for responding to comments received on ISA 315 by discussing "drafting conventions" that might be used to streamline the requirements in that standard. If such drafting conventions prove appropriate they should be used in all the IAASB standards. We also suggest the IAASB consider revisiting its drafting conventions as developing clear, understandable standards may be achieved through better leveraging staff and in some instances work already done by an NSS.

With respect to the objective to "Commit to continue considering how to develop standards and guidance that is clearly articulated..." we believe the intent of the IAASB is to convey that the IAASB is currently working to develop standards and guidance that is clearly articulated and is currently committed to this effort. However, we are concerned that readers may infer, erroneously, that the word "commit" means this is a future action of the IAASB and the IAASB is not currently committed to this action. Wording such as the following would be less open to misinterpretation: "Determine how to develop principle-based standards and guidance that is understandable, clear, and capable of consistent application in a wide variety of circumstances."

Theme D

STRENGTHEN AND BROADEN OUR CAPABILITY AND CAPACITY TO RESPOND BY INNOVATING OUR WAYS OF WORKING

We support this theme and the proposed strategic actions.

We believe that the actions proposed for narrow scope maintenance of standards have the potential to result in a quicker response than revising the standards.

One of the criticisms of the IAASB coming from the Monitoring Group is that projects take too long. For example, the Explanatory Memorandum for the Quality Management EDs notes that the concerns about quality control were first identified in 2013-2014, and final standards are expected to be approved in March 2020. Between time until the approved standards are issued, and an 18-24-month implementation period, it will be more than ten years from identification of concerns to the effective date of new standards. Balancing the call for shortening the standard-setting process against the need to perform due process is a challenge. We are concerned that the description of the information-gathering and research phase, which must be completed for any other work to begin, includes no mention of what the targeted timing or duration would be for getting standards to market. The point at which sufficient research has been performed to justify developing changes or a new standard will vary but for certain projects may be sooner than the IAASB currently recognizes. Likewise, as previously noted, adopting drafting conventions that result in more clearly-articulated standards may shorten Board time spent on page-turning.

One of the steps in the standard-setting process that takes time is implementation of revised standards by firms; time to understand what has changed, time to revise methodologies, and time to train personnel on the new standards. Perhaps development of implementation guidance concurrently with drafting of the standards, as discussed above, could help in that regard.

Mechanisms for addressing issues and challenges on a timelier basis might include forming a rapid response subcommittee or utilizing the Steering Committee for that role. This rapid response group could, for example, help (1) evaluate topics or issues raised by various stakeholders for potential consideration by the Board and (2) identify ways of addressing emerging audit and attestation practice issues. This may also be an area where leveraging/sharing activities and materials developed by NSS would be useful.

Theme E

DEEPEN OUR CONNECTIVITY AND COLLABORATION OPPORTUNITIES

We support continued interaction with the IAASB Consultative Advisory Group (CAG). We agree with the suggestion by the CAG chair at a recent IAASB meeting, that IAASB task forces developing proposed standards engage the CAG on an ad hoc basis to consult on key issues they arise.

We support the IAASB's efforts to enhance collaboration with IFAC and its various committees (for example IESBA) where such collaboration would be meaningful. However, we would want to ensure that this can be achieved while still maintaining the independence of IFAC's standard-setting boards.

The strategic actions on page 13 only mention users once, in a list of stakeholders represented on the CAG. Because users of financial statements are a big driver of the demand for reports issued under the ISAs, we recommend more robust engagement with, including specific outreach to, that stakeholder group.

In leveraging the work of the IAASB Data Analytics Working Group and performing various outreach and research activities, we noted that firms are already using automated tools and techniques. However, how the results of using those tools can effectively be used in an audit is still a question for many firms. Developing the AICPA Guide to Audit Data Analytics revealed that the wording of requirements of the ISAs does not encourage the use

of ADAs and may inhibit their adoption by firms. We agree with the criteria set forth in Appendix 2, Framework for Activities, for starting a new standard-setting project, and with regard to a project to revise ISA 500, Audit Evidence, we believe that sufficient information is available that indicates:

The benefits to the public interest will enhance the public's trust in audits of financial statements;

The issues are pervasive and affect the global profession;

It is in the public interest to undertake the work, and not delay it; and

It is feasible to undertake the work within a realistic timeframe.

Accordingly, the ASB has begun a project to revise US GAAS, specifically AU-C section 500, Audit Evidence.

We believe that the AICPA audit evidence project offers the IAASB the opportunity to leverage the implement some of its proposed strategic actions and achieve some strategic goals

Collaboration with NSS

Identifying and utilizing external resources available to the IAASB

Leveraging the work of others in the research phrase to recognize when a revision of a standard is necessary.

Increase speed of a standard-setting project without diminishing the quality of the response

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Overall Comments

We support the IAASB in continuing with its active agenda for the setting of important projects to develop new and improved auditing standards. The timing of the transition to any changed standard setting arrangements as a result of the Monitoring Group's current review is still to be finalized but any transition should minimize disruption to the standard setting activities and projects.

The IAASB should continue to work more closely with the IESBA. The IAASB should also ensure the timely development of standards but not to the detriment of appropriate due process.

The public interest is central to the proposed standard to development of quality auditing standards and is referred to on page 8 of the Paper. We recognize that the Monitoring Group (MG) is developing a public interest framework, which is key to public confidence in high quality auditing standards. The Board may wish to consider its approach to using and defining the term "public interest" in its plan and in pronouncements pending the release of the framework and whether it is possible to draw on the MG's draft framework.

Nodes\Q2 Strategy and Focus and Strategic Actions for 2020–2023\Q2 4. Disagree
