

Meeting: IESBA
Meeting Location: Sydney
Meeting Date: September 16-18, 2013

Agenda Item 9 (Updated)

Future Strategy and Work Plan

Objectives of Agenda Item

1. To consider a number of matters arising from the International Auditing and Assurance Standards Board's (IAASB) Audit Quality project that may have implications for the future strategy and work plan (SWP).
2. To consider a draft of the consultation paper on the future SWP scheduled for approval at the December 2013 IESBA meeting.

Working Group

3. The Working Group comprises members of the Planning Committee:
 - Jörgen Holmquist, IESBA Chair
 - Isabelle Sapet, IESBA Deputy Chair
 - Robert Franchini, IESBA Member
 - Wui San Kwok, IESBA Member

Activities Since Last IESBA Discussion

4. The Planning Committee held a meeting via teleconference in August 2013 to consider the input received at the June 2013 IESBA meeting and a draft of the consultation paper on the future SWP.

Matters for Consideration

June 2013 IESBA Discussion

5. At its June 2013 meeting, the Board considered an analysis of the input received on the January 2013 SWP survey, including detailed suggestions from the International Organization of Securities Commissions for items to include in the future SWP. The Board also was briefed on input received from its National Standard Setters liaison group.
6. As a result of its deliberations, the Board tentatively agreed the following:
 - Extending the 2012 SWP through to the end of 2014.
 - Maintaining the current work plan, recognizing in particular the strong stakeholder support for the Structure of the Code initiative.

- Maintaining outreach as a high priority.
 - Addressing the following matters under the Non-Assurance Services project:
 - Re-examining the guidance in the Code with a view to bringing greater clarity regarding the concept of “routine and mechanical” accounting and bookkeeping services, and considering the need for further safeguards.¹
 - Considering whether to remove the exemption in the Code with respect to the provision of accounting and bookkeeping services and preparation of tax calculations to a public interest entity audit client in emergency or other unusual situations when it is impractical for the client to make other arrangements.²
 - Engaging in further dialogue with the regulatory community to explain the Board’s views on the conceptual framework of “threats and safeguards” in the Code and the principles-based approach to standard setting; and developing appropriate publications to convey the Board’s views on such matters.
 - Considering at its September 2013 meeting what its long-term vision for its future strategy should be in order to guide goal setting.
7. The Board also asked the Planning Committee to further reflect on the merits of pursuing the following topics as part of the future SWP:
- (a) A review of the safeguards included in the Code from the perspectives of appropriateness and effectiveness.
 - (b) A review of matters relating to fees with respect to auditor independence, including fee dependency.
 - (c) The application of the “related entity” definition in the Code to collective investment vehicles and related issues.
 - (d) Further guidance regarding the “reasonable and informed third party” test.
 - (e) Consideration of the need for prohibitions on business, employment and financial relationships between auditors and their audit clients.
 - (f) An “annual improvements”-type project.
8. The Planning Committee has further considered the items noted in paragraph 7 above and, on the basis and explanations set out in the draft consultation paper in Agenda Item 9-A, proposes that items 7(a)-(c) be included in the next SWP.
9. Given anticipated capacity limitations over the next strategy period and therefore the need to be selective, the Planning Committee does not propose that items 7(d)-(f) be taken forward at this time for the following main reasons:
- 7(d): Out of the nine topics suggested as possible projects in the strategy survey, this topic only ranked 7th overall in terms of importance from respondents’ perspectives.

¹ Paragraphs 290.171 and 290.173 of the Code provide examples of circumstances in which the rendering of accounting and bookkeeping services to an audit client would be considered to be of a “routine or mechanical nature.”

² Section 290, *Independence – Audit and Review Engagements*, paragraphs 172, 174, and 185-186

- 7(e): There has been little evidence of major issues arising in practice around the world. Nevertheless, the Planning Committee recommends that the Board monitor any developments in this area.
 - 7(f): The Planning Committee does not believe that an “annual-improvements”-type project should be a priority at this time given more urgent and important topics. In addition, it likely would necessitate amendments to the Board’s due process to accommodate this type of project. Nevertheless, the Planning Committee recommends that staff keep track of any matters that may merit minor improvements to the Code for the Board’s consideration in future, time and resources permitting.
10. Agenda Item 9-A sets out the Planning Committee’s proposals for the SWP for the four-year period 2015-2018, including the context and rationale for these proposals. It also articulates proposed strategic themes to lay out a vision for the medium to longer term to guide the Board’s activities over the strategy period.

Audit Quality

11. Pursuant to the IAASB’s public consultation on its proposed framework for audit quality earlier this year, the IAASB’s Audit Quality Task Force has identified a number of matters arising from its project for the IESBA’s consideration (Agenda Item 9-B). These matters may potentially impact the future SWP should the IESBA determine that one or more of them should be addressed in the next strategy period. Due to time constraints, the Planning Committee has not had an opportunity to consider these matters prior to finalizing its proposals for the future SWP.

Material Presented

- Agenda Item 9-A Draft Consultation Paper – IESBA Strategy and Work Plan 2015-2018
- Agenda Item 9-B Audit Quality

Action Requested

12. The session on Audit Quality is an open discussion facilitated by IESBA Member Don Thomson, who is the IESBA’s liaison representative on the IAASB Task Force. IESBA members are asked for views on, or reactions to, the matters for consideration set out in Agenda Item 9-B.
13. IESBA members are asked for input and direction on the draft consultation paper in Agenda Item 9-A, taking into account the discussion on Audit Quality.