[**UPDATED FOR IAASB COMMENTS**]*

The IAASB's Work Plan for 2015–2016
[Date]

The IAASB's Work Plan for 2015–2016

Enhancing Audit Quality and Preparing for the Future

[Agenda Item 6-B was updated during the September 15–19, 2014 IAASB meeting to reflect in marked text changes based on decisions taken at the meeting. The updated agenda item is included here for information purposes only and is not the final Work Plan for 2015–2016. Interested parties are discouraged from distributing, translating or using the updated agenda item for any purpose. They should await the release of the final Work Plan for 2015–2016, which may contain minor modifications when compared to the updated agenda item. The final Work Plan for 2015–2016 is that approved by the IAASB and published by IFAC after the PIOB has confirmed that due process was followed in its development. It will be available at www.ifac.org/auditing-assurance/publications-resources.]

Planned Priorities and Actions for 2015–2016

1. The International Auditing and Assurance Standards Board's (IAASB) planned priorities and actions for 2015–2016 have been identified taking into account:

   ➢ The strategic objectives as set out in *The IAASB's Strategy for 2015–2019*.

   ➢ Certain factors guiding the identification of potential priorities and actions in its work plan.[1]

   ➢ Available resources.

   While recognizing calls from stakeholders for IAASB effort on a variety of important topics, a consideration in prioritizing planned actions has also been how best to deploy the IAASB's resources in a way that has the greatest potential to serve the public interest.

2. *The IAASB's Strategy for 2015–2019* acknowledges the IAASBBoard's strong commitment to meeting the expectations of stakeholders regarding the application of the International Standards on Auditing (ISAs) and International Standard on Quality Control (ISQC) 1,[2] both of which serve a fundamental role in underpinning audit quality, in both the private and public sectors.

3. As a priority in 2015–2016, the IAASB will finalize important initiatives that are already underway. The IAASB also intends to invest significant effort to respond to some of the key implementation issues identified from its ISA Implementation Monitoring project and address auditing issues of importance to supporting global financial stability, including in relation to financial institutions.

4. While standard setting remains a priority, the IAASB also recognizes the importance of preparing for the future, both in supporting the effective implementation of its new and revised Auditor Reporting standards[3] and undertaking outreach and other activities to lay the foundation for important initiatives to be undertaken in 2017 and beyond in support of the five-year Strategy.

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[1] See Appendix 1 of *The IAASB's Strategy for 2015–2019*.

[2] ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

[3] New and revised auditor reporting standards in the ISA 700 series [were approved in September 2014].

5. The IAASB is therefore planning to prioritize the following in the public interest:

Completion of Current Projects

➢ **Efforts** ~~in support of adoption and implementation~~**to promote awareness and understanding and support effective implementation** **of the IAASB's new and revised Auditor Reporting standards**

➢ **The auditor's responsibilities relating to other information – revision of ISA 720**[4]

➢ **Addressing financial statement disclosures**[5]

➢ **Auditor Reporting – amendments to the ISA 800 series**[6]

New Initiatives Commencing in 2014 and Beyond

➢ **Group audits – ISA 600**[7]

➢ **Quality control**

➢ **Special audit considerations relevant to financial institutions**

➢ **Agreed-upon procedures – revision of ISRS 4400**[8] **and consideration of more holistic issues involving agreed-upon procedures**

Information-Gathering Activities to Inform Future Work

➢ **Innovation Working Group**[9] **efforts, in particular in relation to Integrated Reporting and the effects of technology on the audit**

➢ **Professional skepticism**

➢ **Further understanding of ISA Implementation Monitoring findings related to ISA 315 (Revised)**[10]

In addition, in 2015–2016 the IAASB has prioritized:

➢ **Liaison and dialogue with key stakeholders about audit quality and other topics**

➢ **Development of a process for post-implementation reviews**

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[4]   Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, is planned for approval in December 2014 or March 2015.

[5]   Changes to the ISAs as a result of the exposure draft (ED), *Proposed Changes to the International Standards on Auditing (ISAs), Addressing Disclosures in the Audit of Financial Statements*, are planned for approval in March 2015.

[6]   As a result of the Auditor Reporting project, in particular the changes proposed to ISA 700, *Forming an Opinion and Reporting on Financial Statements*, amendments will be necessary to the ISA 800 series. The ISA 800 series includes ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks,* ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and ISA 810, *Engagements to Report on Summary Financial Statements*

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

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

[9]   Previously referred to as the Information, Needs, and Future Opportunities (INFO) Working Group

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

Considerations in Setting the IAASB's Work Plan for 2015–2016

6. The IAASB recognizes the importance of organizing and conducting its activities in the most effective and efficient way, and the need for ongoing consideration of opportunities to enhance the way it operates. Further, there is need for ongoing consideration of the overall capacity of the IAASB and its staff complement, ~~and to~~ by explor~~e~~inge opportunities to expand that capacity, for example through collaboration with others (e.g., national auditing standard setters (NSS), IAASB Technical Advisors (TAs), subject-matter experts from the firms and regulatory community, and others) on particular projects or by sharing staffing resources. The IAASB will be giving specific attention to these matters in 2014 as some of the planned initiatives commence, and into the Work Plan period as appropriate.

7. The Work Plan for 2015–2016 includes time for research activities, education sessions to further inform the IAASB's debates and decisions, outreach and direct interaction with interested stakeholders, and development of communications relating to individual projects. These activities may be undertaken before the development of a project proposal, in particular when it may not be clear at the onset of the IAASB's discussions as to the appropriate outcome(s) of a project to serve the public interest, for example, whether one of the following, or some combination thereof, would be an appropriate response to the issues or concerns that have been identified:

   ➢ Standard-setting activities;

   ➢ Implementation guidance in the form of a non-authoritative International Practice Note or in some other form; or

   ➢ Staff publications.

Recognizing the Need to Remain Flexible to Ensure the IAASB i~~n~~s Fulfilling Its Public Interest Mandate

8. The initiatives specified for the period 2015–2016 represent the IAASB's current best thinking of how to deliver on its strategic objectives. However, the IAASB also recognizes the need to be flexible, both in the projects it has identified as priority projects and in its approach to future w~~W~~ork p~~P~~lans. Through ongoing discussions and outreach with others,[11] the IAASB will monitor national and international developments to continually assess the prioritization of its future planned projects. As necessary, the IAASB is prepared to strategically reallocate resources, or prioritize one or more project(s) to commence sooner, even though doing so may mean deferral of work on other projects.

9. The IAASB also notes that consideration of additional projects or the acceleration of work on specific projects may be possible through additional support by others, for example~~e.g.~~, ~~national auditing standard setters (~~NSS~~)~~ or researchers, or other steps to enhance resources available to the ~~Board~~IAASB.

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[11] Including the IAASB Consultative Advisory Group (CAG), regulators, NSS, practitioners and other key stakeholders, and through ongoing monitoring by the Innovation Working Group (see paragraphs 13~~12~~–15~~14~~).

Descriptions of Projects and Initiatives Included in the 2015–2016 Work Plan

10.   The following depicts the priorities and actions the IAASB expects to undertake in 2015–2016, with the ~~Board's~~ IAASB's initial views on the issues that may be addressed and the manner in which this may be done. While the approaches outlined may be an appropriate response to the issues or concerns that have been raised, individual project task forces or working groups will be established to more fully consider the underlying issues. Working with IAASB Staff, these groups will be responsible for recommending appropriate action by the IAASB, with IAASB approval needed for formal project proposals for any standard-setting activities. As such, the nature and scope in relation to particular projects and initiatives is likely to evolve as the discussions on these topics progress. The Appendix includes an overview of these projects and initiatives, highlighting the nature of the activities that are planned for 2015–2016.

~~10.~~11.   As information gathering will be needed in order for the IAASB to form a view as to the most appropriate outputs in relation to the new projects and initiatives commencing in the 2015–2016 period, most will not be completed until the 2017–2018 period. However, depending on the approach to be taken to the projects, some outputs other than authoritative standards may be possible in the 2015–2016 period.

Current Projects

~~11.~~12. Resources and capacity will need to be made available to complete current projects that will carry forward into 2015, including:

(a)   **Auditor Reporting**—~~Initial actions to facilitate adoption and implementation~~Efforts to promote awareness and understanding and support effective implementation of the new Auditor Reporting standards, as well as ~~and~~ commencement of planning for the post-implementation review of these standards.

(b)   **The Auditor's Responsibilities Relating to Other Information – Revision of ISA 720**—Completion of the revisions to proposed ISA 720 (Revised) if not finalized in 2014.

(c)   **Addressing Financial Statement Disclosures**—The IAASB's work to revise aspects of the ISAs and develop related guidance to clarify the auditor's responsibilities for auditing financial statement disclosures is progressing to expected finalization in 2015. However, as part of its considerations in finalizing the changes to the ISAs, the IAASB will also consider, based on input from consultation on the ED, whether further work in this area is needed (~~for example~~e.g.~~,~~ guidance relating to obtaining sufficient appropriate audit evidence for financial statement disclosures). If this is identified as an area where more work is required, the IAASB will need to consider competing priorities at that time and reforecast the forward timetable to take this into account. The IAASB also recognizes the importance of staying close to developments in financial reporting standards and will continue to proactively monitor relevant developments pertaining to disclosures, and provide input as appropriate, through its ongoing liaison with the International Accounting Standards Board (IASB).

(d)   **Auditor Reporting – Amendments to the ISA 800 S**~~s~~**eries**—Through its work on Auditor Reporting, the IAASB has identified the need for amendments to these standards as they are linked to the underlying requirements in ISA 700. Exposure of the amendments is expected in 2014 and the IAASB plans to finalize them in 2015.

New Initiatives Commencing in 2014 and Beyond

Group Audits – ISA 600

Issues that May Be Addressed
Issues identified from the ISA Implementation Monitoring project and outreach activities, inspection reports from audit regulators, discussion with NSS, and responses to the Consultation Paper (CP), *The IAASB's Work Plan for 2015–2016,* include: *In relation to the application of ISA 600 in particular circumstances*—Matters relating to: ➢ "Letterbox audits", i.e., whether ISA 600 applies in the situation where the group parent entity is registered in one jurisdiction, which is where the group auditor is based, but the group's operations, accounting records and management are located in a different jurisdiction. ➢ The practical implications of applying ISA 600 in certain circumstances, such as when access to the relevant information is restricted (in particular when a significant component is an equity investment or joint venture), and in "funds of funds" structures. ➢ Whether and, if so, how ISA 600 applies in situations where shared service centers are used. *In relation to auditor performance in accordance with ISA 600*—Concern has been expressed about: ➢ The extent of the group auditor's involvement in the work of the component auditor (the amount and scope of work needed by the group auditor in relation to the component including for the audit evidence needed, access to the workpapers of the component auditor, clarification of various aspects relating to "significant components"); ➢ Communication between the group auditor and the component auditor; ➢ Application of the concept of component materiality; ➢ Identifying a component in complex situations; and ➢ Work effort of the component auditor. Issues arising in the Quality Control and Professional Skepticism initiatives may also be relevant to this work.
Standards that May Be Addressed
ISA 600, with conforming amendments to other ISAs as necessary.
Possible Other Outputs
Possible Staff or other non-authoritative publications.
Preliminary Views on the Approach to the Project
A determination will need to be made about the nature of the IAASB's response(s) to the issues identified (i.e., whether standard-setting activities are appropriate to address the issues and, if so, whether specific enhancements within ISA 600 or a more holistic approach to the standard would be more appropriate). Initial discussions will focus on "letterbox audits" to seek to develop a positionan approach to addressing

such audits, including regarding the applicability of ISA 600 in such circumstances, with a discussion on this aspect planned for December 2014.

Further information gathering on the other areas of concern and issues identified with respect to ISA 600 will be carried out on a priority basis in 2015 and may include:

➢ Development of a Discussion Paper; or

➢ Targeted roundtables or discussion with representatives from the Forum of Firms, (NSS) and audit regulators, to understand the root causes of the concerns regarding the application of ISA 600.

Quality Control

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Issues that May Be Addressed

Issues identified from the ISA Implementation Monitoring project and ongoing discussion in outreach and with others such as NSS, inspection reports from audit regulators, as well as responses to the CP, include:

In relation to Engagement Quality Control Reviews (EQCR)—Concerns about the selection of engagement quality control reviewers (in particular, in light of previous inspection findings and competency to carry out such reviews), independence of the reviewer from the engagement team, the professional skepticism exercised by the reviewer; and the other matters relating to the objective, extent and timing, and documentation of the EQCR.

In relation to the IAASB's development of the Framework for Audit Quality (Framework) and other outreach—Consideration of whether aspects of the Framework may need to be addressed either within the requirements or guidance in ISQC 1 and ISA 220[12] or, as appropriate, by the International Ethics Standards Board for Accountants' (IESBA) *Code of Ethics for Professional Accountants* (IESBA Code),[13] for example:

➢ Engagement performance (matters relating to consultations, technical reviews of financial statements, engagement acceptance, appointment of engagement team members, independence and ethics, changing resource models (e.g., audit firm use of shared service centers)

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

➢ Internal monitoring reviews, including scope and extent

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

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

➢ Governance structures of firms and networks

In relation to remediation—Whether there is a need within ISQC 1, or elsewhere in the ISAs, for the IAASB to acknowledge the importance of a firm's system of quality control addressing root cause analysis of significant audit deficiencies that have been identified by external inspections. Regulators suggested that greater consistency in practice by firms to respond to inspection findings in respect of individual audits may be seen as a means to improving audit quality.

In relation to proportionality of ISQC 1 for small and medium practices (SMPs) and applicability to reviews, other assurance and related services engagements— Concerns have been raised that ISQC 1 cannot be proportionately applied by SMPs performing audits, and SMPs and others have also suggested that it could be made more clear as to how ISQC 1 can be applied to reviews, other assurance, and related services engagements.

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

[13] The IAASB will continue to coordinate and collaborate with the IESBA on topics of mutual interest.

Standards that May Be Addressed

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

Possible Other Outputs

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

Preliminary Views on the Approach to the Project

Initial activities in scoping the project will focus on whether there is a need to revisit specific aspects of the quality control standards to enhance clarity and consistency of their application (e.g., restructuring of ISQC 1, or additional guidance within, or in support of, the standard). In considering whether revisions to ISQC 1 or ISA 220 may be necessary in relation to EQCRs, consideration also will be given to the potential need to strengthen other requirements and guidance relating to the engagement partner and engagement team. Work of NSS may usefully inform the IAASB's consideration of how to address concerns relating to the application of ISQC 1.

The IAASB had an initial discussion on the topic in June 2014. Information-gathering activities will continue, with another discussion with the IAASB planned for December 2014.

Special Audit Considerations Relevant to Financial Institutions

Issues that May Be Addressed
Issues identified from the ISA Implementation Monitoring project coupled with specific requests from banking regulators (and to some extent from insurance regulators), as well as responses to the CP, relevant to financial institutions include: *In relation to special considerations relevant to audits of banks*—The need to clarify and enhance the relationship between the banking supervisors and the bank's external auditors, as necessary and appropriate in light of the related efforts of Basel Committee on Banking Supervision (Basel Committee) in this area; and address issues of particular significance in audits of banks or other depository -or investment institutions. For example, the Basel Committee has suggested consideration should be given to these entities' use of fair value accounting and related estimates, including but not limited to impairment and loan loss provisioning, as well as other ISAs particularly relevant to the audits of banks and other financial institutions, including ISQC 1, ISA 250,[14] ISA 260,[15] ISA 315 (Revised), ISA 540,[16] ISA 570[17] and ISA 620.[18] *In relation to issues arising in the insurance industry*—The International Association of Insurance Supervisors (IAIS) has highlighted the need for Cconsideration of audit issues of particular relevance to insurers, particularly given the accounting developments in this area and the significance of these changes to insurers.[19] *In relation to other ISA 540 issues*—Further consideration may be needed as to whether the issues relating to ISA 540 that have been highlighted as particularly relevant to audits of banks and other financial institutions are more broadly applicable to other entities. In addition, other specific issues relating to ISA 540 identified include the application of professional skepticism (e.g., how auditors obtain audit evidence, challenge and test management's assumptions and considerations about possible management bias), work effort on accounting estimates and fair values that have not been identified as significant risks, fraud, and the implications of the use of third-party pricing sources.
Standards that May Be Addressed
Possible amendments to ISA 540 and other ISAs as necessary.

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[14]   ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

[15]   ISA 260, *Communication with Those Charged with Governance*

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

[17]   ISA 570, *Going Concern*

[18]   ISA 620, *Using the Work of an Auditor's Expert*

[19]   The IAIS notes that the accounting for technical provisions is expected to significantly change as the IASB and the US Financial Accounting Standards Board complete their work on the accounting standards addressing insurance contracts.

Possible Other Outputs

International Auditing Practice Note(s) (IAPN(s)) or other non-authoritative guidance to address issues related to financial institutions, including the relationship between the banking supervisors and the bank's external auditors and matters relevant to the insurance industry.

Preliminary Views on the Approach to the Project

Staff, and as necessary, a Working Group (including experts in this area), will initially focus on considering the suggestions of the Basel Committee on areas where more is needed to address audits of banks (including the relationship between banking supervisors and auditors). The wider applicability of these potential changes beyond financial institutions (including to ISA 540 or other ISAs as necessary, and to insurers) will also be considered as part of the initial information gathering activities.

At the same time the ~~Board~~ IAASB will continue its discussions about issues arising from the insurance industry and the process to develop non-authoritative material, including IAPNs, to enable this Working Group to be in a position to be able to recommend an appropriate way forward to address special audit considerations for financial institutions.

Information-gathering activities will commence in 2014, with an initial discussion by the IAASB on the topic planned in early 2015.

Agreed-upon Procedures – Revision of ISRS 4400 and Consideration of More Holistic Issues Involving Agreed-upon Procedures

Issues that May Be Addressed

In relation to agreed-upon procedures and the need to revise ISRS 4400—To respond to broad calls from SMPs and other stakeholders who have indicated that investors, banks and other providers of capital often request an entity to have agreed-upon procedures performed by a practitioner, either in lieu of an audit[20] or in order to ensure that specific procedures are performed on key account balances, a project to revise this standard was planned for the 2012–2014 Strategy and Work Program. One of the main objectives of the planned project was to revise the standard in the Clarity format. However, the commencement of the project in the 2012–2014 period was delayed because of the acceleration of work on the Auditor Reporting project.

In relation to more holistic issues involving agreed-upon procedures and other similar engagements addressed by the IAASB's standards—As the IAASB contemplates work on the topic of agreed-upon procedures in the next Work Plan, it has been noted that "hybrid" engagements, using a combination of procedures derived from review, compilation and agreed-upon procedures engagements, are being performed in some jurisdictions as a means of meeting the emerging needs of SMEs, among others. Accordingly, wider consideration will be given to exploring these evolving types of engagements to consider whether standard-setting or other activities may be appropriate, in light of the existing standards that may be applicable to these services in the IAASB's current suite of standards.

Standards that May Be Addressed

Revision of ISRS 4400, with conforming amendments to other standards as necessary.

Possible Other Outputs

A new standard or guidance that would address engagements where there is a combination of agreed-upon procedures and assurance (either reasonable or limited).

Preliminary Views on the Approach to the Project

Initial information gathering activities will include consideration of:

(a)   The way forward with respect to the revision of ISRS 4400, taking into account the work of various NSS in this area.

(b)   The evolving use of "hybrid" engagements, including what needs such engagements are intended to address and how such engagements are performed (e.g., how the concepts of reasonable assurance and limited assurance are combined with agreed-upon procedures).

IAASB discussions for this initiative are planned to commence in mid-2015 to allow sufficient time for understanding the market needs in this area and the underlying conceptual considerations for these new types of services. A project proposal for the revision of ISRS 4400 is expected at the end of 2015, with consideration to be given at that time as to whether actions are needed in relation to "hybrid" engagements.

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20   In some jurisdictions, not all entities are subject to mandatory regulatory audit requirements.

Information-Gathering Activities to Inform Future Work

Professional Skepticism

Issues that May Be Addressed
The findings from the ISA Implementation Monitoring project and inspection reports from audit regulators include identified issues about the level, and consistency, of professional skepticism and professional judgment being applied in audits, in particular the documentation of the auditor's considerations around this (~~for example~~e.g., alternatives considered, robustly considering management's assumptions, etc.) and the amount of evidence being obtained to support the auditor's opinion on the financial statements.

Standards that May Be Addressed
Possibly ISA 200[21] and other ISAs, if considered appropriate.

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

Preliminary Views on the Approach to the Project
Respondents to the CP did not support a standard setting project of changes to various ISAs as the primary response to the concerns and issues that have been identified, a point reinforced by NSS. Rather, it was suggested the IAASB undertake initial work to explore the nature of the issues (e.g., behavioral and training issues) to further understand what could be done in this area before committing to a project on the topic. There is also a linkage to the planned projects on Quality Control, Group Audits and Financial Institutions and, as such, the topic may be better addressed by being embedded in that work rather than as a separate project initially.
Relevant research, findings and recommendations from regulators, academics and others, will be reviewed to further inform the ~~Board's~~ IAASB's considerations. A panel discussion is planned for the March 2015 IAASB meeting to enable IAASB members to better understand the breadth of issues. A Working Group could then be set up to work through whether activities by the IAASB, including standard setting, would be appropriate, or whether collaboration with others (including the other independent standard setting boards) to develop other materials may be more appropriate, and report back to the IAASB as appropriate.
In relation to the issues identified, it may be helpful to consider whether a more defined articulation of professional skepticism in ISA 200 is needed, or whether consideration should be given to addressing more broadly the use of professional judgment by auditors, and the relationship between auditor judgment and professional skepticism. It will be particularly important to engage with regulators on the topic, in particular to understand what may be an appropriate response to the concerns that have been identified.

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

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

Further Understanding of ISA Implementation Monitoring Findings Related to ISA 315 (Revised)

Issues that May Be Addressed
Issues identified from the ISA Implementation Monitoring project include: ➢ Inconsistencies in the number and nature of significant risks being identified; ➢ The nature and extent of work to be performed on internal control relevant to the audit, including information technology controls, in particular where information technology systems are complex or the auditor does not intend to rely on controls as part of the audit; ➢ Practically identifying risks of material misstatements at the assertion level; and ➢ Documentation of risk assessment procedures in identifying and assessing the risks of material misstatement. In addition, it has been identified from the ISA Implementation Monitoring project and by others, including respondents to the IAASB's Stakeholder Survey on its future strategy and work plan, and NSS, that the requirements and guidance in ISA 315 (Revised) has not been updated for evolving environmental influences (such as changing internal control frameworks[22] and more advanced technology systems being utilized).
Standards that May Be Addressed
ISA 315 (Revised), with conforming amendments in other standards as necessary.
Possible Other Outputs
Non-authoritative guidance to address practical issues in applying ISA 315 (Revised).
Preliminary Views on the Approach to the Project
Initially a Staff-led initiative to gather information about: (a) The potential objectives and scope of a possible project to address the issues that have been identified by the ISA Implementation Monitoring project. (b) Possible changes that may be necessary to ISA 315 (Revised) to enhance the requirements and guidance for evolving environmental influences. In particular, coordination with firms and regulators will be necessary to inform the IAASB as to an appropriate way forward, which could include specific enhancements to ISA 315 (Revised), additional guidance or a more fundamental consideration of the implications on the auditor's risk assessment and response.

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22 For example, the revised COSO Framework "Internal Control—Integrated Framework (2013)"

Innovation Working Group Efforts

12.13.   The Innovation Working Group has the remit to monitor developments in emerging areas of audit, assurance and related services and make recommendations to the IAASB on specific topics for the IAASB to pursue, including whether there is a need for a standard-setting response. These recommendations will take into account whether there is a visible market demand for audit, assurance and related services in the public interest, including the potential need for the IAASB to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future.

13.14.   [Based on the recommendation of the Innovation Working Group, the IAASB agreed at its September 2014 meeting] to establish separate Working Groups to specifically monitor:

(a)   The developing interest in Integrated Reporting (<IR>) and the demand for assurance on integrated reports. This includes initial thinking on the nature of such engagements, including the scope of the subject matter and the suitability of the criteria, and other matters related to assurance on integrated reports. The Innovation Working Group will also consider the appropriate~~ness of the development of a Practice Note or other non-authoritative guidance as opposed to a new assurance standard~~ approach to standard-setting.

(b)   ~~Developments in information technology and their effect on the financial statement audit. This includes t~~The various applications of data analy~~sis, "big data",~~tics~~sophisticated audit techniques,~~ and the relationship to the audit, such as the effect on risk assessments, testing approaches, analytical procedures and other audit evidence.

14.15.   The Innovation Working Group will also continue to monitor other emerging areas initially identified by the IAASB and the CAG, and with a high level of interest to the NSS, and will report to the IAASB at least annually ~~as to whether any topics should be elevated as a matter of priority~~ or on identified emerging topics and which of those are considered to be priority topics for further attention by the Innovation Working Group or by separate working groups. In addition, the Innovation Working Group will consider whether topic-specific background papers or presentations by subject-matter experts may be useful to further inform the IAASB and CAG about those topics.

Strategy and Work Plan Consultation

15.16.   Consultation on the Work Plan for 2017–2018, including projects for inclusion and their prioritization, will be undertaken in 2016.[23]

Other Activities

16.   In addition to ongoing activities, during 2015–2016 the IAASB will also:

17.   ~~Develop a rapid-response mechanism, as well as a process for the development of non-authoritative material.~~

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[23]   As noted in *The IAASB's Strategy for 2015–2019*, the IAASB will continue to actively monitor global developments, and a mid-period review of the Strategy will also be undertaken to determine whether the identified objectives remain relevant or if they need to be adjusted, in particular as the ~~Board~~ IAASB determines the specific initiatives to be prioritized in 2017 and beyond.

- Develop a process for post-implementation reviews of the IAASB's other assurance and related services standards, with the reviews expected to be undertaken in 2017 and beyond.

- Continue dialogue with stakeholders as set out in *The IAASB's Strategy for 2015–2019*.

- Continue to monitor IASB pronouncements for auditability and verifiability issues, as well as to consider whether there is a need for the IAASB to address the auditor's efforts in relation to new or amended financial reporting pronouncements (in particular, those that require the application of significant judgment) through changes to the ISAs or other outputs. In addition, including the IAASB will continue to liaiseon and collaborateion with the IASB on topics of mutual interest (e.g., in the context of the Disclosures project).where relevant.

- Continue to liaise with the other independent international standard-setting boards on matters of mutual interest,.[24] in particular the International Ethics Standards Board for Accountants.[25]

- Undertake activities to support the use of the IAASB's *Framework for Audit Quality* by audit firms and other stakeholders through outreach and liaison activities, and other actions as appropriate.

- Consider developing an accelerated response mechanism, as well as a process for the development of non-authoritative material.

Other Relevant Considerations

18. Determining the most appropriate actions to enhance the quality of engagements conducted using the IAASB's standards, including whether changes to the standards are necessary to do so, will be an important consideration as the Board IAASB begins its efforts on the new projects that have been identified. If standard-setting is deemed to be necessary, the IAASB will need to consult with its stakeholders to determine an appropriate effective date for any changes to the standards or new standards,[26] balancing the demand for changes with an appropriate amount of time to allow such changes to be implemented in practice.

19. For example, feedback from various stakeholders has cited the need to continue to allow for ongoing national adoption and implementation of the clarified ISAs before introducing significant changes to them. Changes to national auditing standards arising from translation and the legislation process, and changes to firms' audit methodologies, take time in order for the IAASB's standards to be adopted and effectively implemented. Also, the importance to audit quality of auditor education, training and implementation guidance, in particular for SMPs, cannot be underestimated.

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[24] Including in relation to developments of the IESBA's project on Responding to Non-Compliance with Laws and Regulations, which may impact ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

[25] Including in relation to developments of the IESBA's project on Responding to Non-Compliance with Laws and Regulations, which may impact ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

[26] As noted in *The IAASB's Strategy for 2015–2019*, the IAASB will continue to actively monitor global developments, and a mid-period review of the Strategy will also be undertaken to determine whether the identified objectives remain relevant or if they need to be adjusted, in particular as the Board determines the specific initiatives to be prioritized in 2017 and beyond

## Overview of IAASB Projects and Initiatives and Activities Planned for 2015–2016

(Subject to Periodic Update and Change by the IAASB)

Project/ Initiative	Initial IAASB Discussion	~~Dec 2014~~	Activities Planned for 2015–2016
Standard-Setting			
Current Projects			
Auditor Reporting – Proposals to Be Finalized in 2014	In process	~~Outline of Implementation Support Plans~~	• ~~Outreach and implementation support~~Efforts to promote awareness and understanding and support implementation • Planning for post-implementation review
The Auditor's Responsibilities Relating to Other Information –- ISA 720	In process	~~Review of ED Responses / Approval of final standard~~	• Issuance of final standard and conforming amendments to other standards as necessary
Addressing Financial Statement Disclosures	In process	~~Review of ED Responses Recommendation on Need for Other Guidance~~	• Approval of final changes to ISAs • Development of further guidance if determined necessary • Proactively monitoring IASB developments pertaining to disclosures
Auditor Reporting – Amendments to the ISA 800 Series[27]	In process	~~[Approval of ED if Necessary]~~	• Analysis of comments received on exposure • Issuance of final standards
New Initiatives Commencing in 2014 and Beyond			
Group Audits – ISA 600	December 2014 – Approach to Letterbox Audits, Including the Applicability of ISA 600	~~Discussion Way Forward on Letterbox Audits~~	• Discussion of other ISA 600 issues • Possible issuance of Discussion Paper (DP) or other forms of consultation as a means of gathering information • As applicable, review of DP responses and decision on way forward in relation to possible standard-setting activities (e.g., revision of ISA 600) or other activities • Project proposal and issuance of ED if standard-setting activities are determined to be necessary

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

Project/ Initiative	Initial IAASB Discussion	~~Dec 2014~~	Activities Planned for 2015–2016
Quality Control	June 2014	~~Discussion~~	• Decision on way forward in relation to possible standard-setting activities (e.g., revision of ISQC 1 or ISA 220) or other activities • Project proposal and issuance of ED if standard-setting activities are determined to be necessary
Special Audit Considerations Relevant to Financial Institutions	March 2015	-	• Decision on way forward in relation to possible standard-setting activities or other activities • Project proposal if standard-setting activities are determined to be necessary • Commencement of work to revise standards or develop guidance as considered necessary
Agreed-upon Procedures – Revision of ISRS 4400 and Consideration of More Holistic Issues Involving Agreed-upon Procedures	June 2015	-	• Project proposal addressing ISRS 4400 revision and first read of ED • Exploratory discussions on more holistic issues involving agreed-upon procedures, such as "hybrid" engagements
Information-Gathering Activities to Inform Future Work			
Innovation Working Group Efforts	In process	-	• Annual review in relation to other topics identified for monitoring
Integrated Reporting	~~March~~ December 2014	~~Discussion of Thought Piece~~	• Issuance of DP • Review of DP responses and decision on way forward in relation to standard-setting and other activities
Data Analytics and the Effects ~~of Technology~~ on the Audit	~~March~~ June 2015	-	• Discussion of key issues, including review of ISAs that may be affected as a result of changes in information technology • Issuance of DP • Review of DP responses and decision on way forward in relation to standard-setting and other activities
Professional Skepticism	~~March~~ June 2015	-	• Panel Session • Discussion of issues, including consideration of the definition of professional skepticism and its relationship with auditor judgment
Further Understanding of ISA Implementation Monitoring Ffindings Related to ISA 315 (Revised)	June 2015	-	• Discussion of key issues and Staff-prepared research to further understand ISA implementation findings and potential actions needed • Project proposal if standard-setting activities are determined to be necessary

Project/ Initiative	Initial IAASB Discussion	~~Dec 2014~~	Activities Planned for 2015–2016
Develop<u>ment of</u> a Process for Post Implementation Reviews of the IAASB's Other Assurance and Related Services Standards	2016	-	• For reviews expected to be undertaken in 2017 and beyond
Strategy and Work Plan Consultation			
Strategy and Work Plan	Approv<u>ed</u>~~al~~ (Sept 2014~~)~~		• If necessary, annual review of IAASB priorities • Limited consultation on the 2017-2018 work plan and mid-period review of whether the strategic objectives remain appropriate
Other, Including Efforts of IAASB Leadership, Working Groups and Staff			
Outreach Activities	Ongoing	-	• Continued liaison and further development of relationships with key stakeholders, including the CAG, the IASB, Monitoring Group Members,[28] practitioners (through the Forum of Firms, Global Public Policy Committee and IFAC Small and Medium Practices Committee), the International Organization of Supreme Audit Institutions, NSS and users of financial statements.
IASB Liaison	<u>Ongoing</u>	~~Annual Review~~	• Annual Review • Continuous monitoring of IASB pronouncements for auditability and verifiability issues • <u>Considering whether there is a need to address the auditor's efforts in relation to new or amended financial reporting pronouncements through changes to the ISAs or other outputs</u> • <u>Continued liaison and collaboration on topics of mutual interest</u>
~~Rapid~~ <u>Accelerated</u> Response Mechanism and Process to Develop Non-Authoritative Material	In process	~~Discussion~~	• Decision on way forward • Rollout of process to develop non-authoritative material as new DPs and thought pieces are developed
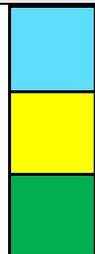
Ensure that ISAs Continue to Form the Basis for High-Quality, Valuable and Relevant Audits Conducted Worldwide by Responding on a Timely Basis to Issues Noted in Practice and Emerging Developments

Ensure the IAASB's Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders for Services Other than Audits of Financial Statements

Strengthen Outreach and Collaboration with Key Stakeholders in the ~~Financial~~ Reporting Supply Chain on Public Interest Issues Relevant to Audit, Assurance and Related Services

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[28] Including the International Forum of Independent Audit Regulators, the International Organization of Securities Commissions, the Financial Stability Board, Basel Committee, the IAIS, the World Bank and the European Commission