

April 4th, 2014

Mr. James Gunn

Technical Director

International Auditing and Assurance Standards Board

International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, NY 10017

KICPA's Comments on IAASB's Consultation Paper on the Proposed Strategy for 2015-2019 and Proposed Work Program for 2015-2016

Dear Mr. Gunn

The KICPA is pleased to have an opportunity to comment on the Consultation Paper on the Proposed Strategy for 2015-2019 and the Proposed Work Program for 2015-2016.

Please see the below for our comments.

Proposed Strategy for 2015-2019

(a) Whether the strategic objectives identified are considered appropriate for the period 2015–2019. If not, please explain.

The IAASB objective is to serve the public interest by developing high-quality international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards, thereby

enhancing the quality and consistency of practice and strengthening public confidence in the global auditing professions. We highly support the Strategic Objectives for 2015-2019 identified by the IAASB because they are consistent with the IAASB's objective.

Under the current circumstance the global considerations have been paramount to the importance of auditor reporting and audit quality to increase the credibility and reliability of financial reporting, the IAASB's decision to include "Develop and Maintain High-Quality ISAs" into its strategic objectives is considered very desirable.

Moreover, the rapidly changing world accelerated by the IT development, the complexity of business environment and the diversity of stakeholders has given rise to a new, innovative form of reporting, such as Integrated Reporting, which results in the development of emerging areas of assurance or the so-called "hybrid" engagements. Given that it is important for the IAASB's standards to remain relevant amid the changes, we are strongly supportive of the IAASB's decision to include "Ensure the IAASB's Standards Continues to Be Relevant in a Changing World by Responding to Stakeholder Needs" as its second strategic objective.

In addition, we support the IAASB's decision to include "Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed" to the strategic objectives in order to keep track of the current trends and respond to the changing environment. In relation to this strategic objective, we believe that the IAASB needs to raise the awareness of the public and stakeholders in regards to accountants' works and their contribution to the society, and the auditor liability issue in the context of the above. We also believe that the IAASB needs to consider to make efforts to promote the convergence in a more specific and active manner, taking into account that America's full adoption of the Clarified ISAs could significantly affect the decision of other jurisdictions to

adopt and implement the ISAs.

(b) Whether the factors included in Appendix 2 on page 19 represent a reasonable basis for the IAASB to use in developing its Work Programs beyond the Work Program for 2015-2016.

We believe that the factors included in Appendix 2 provide a reasonable basis for the IAASB to use in identifying potential actions and their relative priority for 2015-2016.

We recognize efforts the IAASB has thus far made to collect opinions and from various stakeholders via Stakeholder Survey and outreach and carefully consider them in prioritizing its actions and initiatives. However, we strongly encourage the IAASB to make further efforts to reflect the opinion of various stakeholders – i.e. investors, the most important audit report user, and companies responsible for preparing their financial information - in a more balanced manner.

Proposed Work Program for 2015-2016

(a) The approach taken to the development of the Work Program for 2015-2016, in particular the IAASB's decision to focus on fewer key projects towards the goal of their completion by 2017.

We are with the IAASB's approach, since it is considered effective in implementing selective key projects for a relatively short period of time and utilizing limited resources. However, as noted in the CP, such approach runs a risk that other important initiatives had to be reprioritized, resulting in some delay. Sometimes, it is difficult to prioritize projects due to their comparable importance and urgency, resulting in important ones left behind or removed from the priority queue. After all, it is never easy to gather or bridge the general consensus of various stakeholders. In such a case where the importance of projects is comparable each other or the gap in opinions among stakeholders is widened, we strongly believe that the IAASB needs to take a flexible approach by including all of the comparable initiatives.

(b) The appropriateness of the topics chosen as the focus for the Work Program for 2015–2016 (see paragraph 4 of the Work Program and Table A on pages 26–29) in light of the strategic objectives set out in the IAASB's Strategy for 2015–2019.)

We are not supportive the IAASB's decision of not including the Group Audit project in the Work Program for 2015-2016 but in a project commencing in 2017, taking into account the demands of stakeholders and the substantial impact the relevant standards might bring about. ISA 600 is one of the most significant standards in practice among the revised ISAs as part of the Clarity project. We believe that there is no doubt about the urgency of the Group Audit project, particularly considering the IAASB's objective of developing and maintaining

high-quality auditing standards. Furthermore, ISA 600 invites mixed expectations in facilitating the convergence of ISAs. Taking into account the IAASB's vision and strategic objective focusing on the adoption and implementation of the ISAs, we strongly believe that the IAASB needs to accept stakeholders' request for improvement in the application of ISA 600 in practice and complete the project as soon as possible.

Meanwhile, we also believe that the audit or review of internal controls over financial reporting which are conducted in major countries makes the role of those charged with governance ever more important in increasing the reliability of financial reporting and ensuring effective assurance engagements naturally serves the public interest. In this regard, we believe that the IAASB needs to consider developing applicable standards or guidance addressing audit or review engagements of internal control over financial reporting and reflect this project in the Work Plan commencing in 2017, if considered necessary.

(c) Whether there is an action(s) or project(s) that has not been included in the Work Program for 2015.2016 that you believe the IAASB should address during that period. For example, should any of the topics in Appendix 1 (on pages 39.41) be prioritized sooner? If so, which initiative(s) identified in Table A (on pages 26.29) do you believe should be replaced by this action(s) or project(s). Please provide an explanation of your views.

While we support the IAASB's decision to include quality control, professional skepticism, special audit considerations relevant to financial institutions in the planned priorities and actions for 2015-2016, we strongly encourage the IAASB to consider adding the group audit topic to the plan.

Group audit topic was selected as two key themes and one important theme in the ISA

Implementation Monitoring project. Regulators as well as accounting firms have voiced their opinions of reviewing the plan. Group audit topic has widespread impacts on accounting firms of all size and all of the jurisdictions, not to mention their affecting international convergence of the ISAs. Besides, group audit topic is globally applicable in relation to both financial and non-financial institutions and thereby has direct and significant impacts on fostering audit quality. Taking into account urgency in the public interest and their potential implications in the international stage and other factors described in the Appendix 2, we strongly suggest the IAASB prioritize group audit topic in the Work Program for 2015-2016.

(d) Whether there are alternative approaches for the IAASB to consider in order to enhance the IAASB's ability to address calls from stakeholders for IAASB efforts on a variety of important topics, in light of the constraints of available resources and the need for due process to be applied in the development or revision of standards.

We suggest that the IAASB tap into human resources of IFAC member bodies, accounting firms or other relevant institutions to address the shortage of its available resources. Because the limited resources make it difficult for the IAASB to conduct research or study on every topic by itself, we believe that it is desirable for the IAASB to assign its research or study tasks to outside resources, which will ultimately further improve its competency.

We hope our comments would be helpful in your efforts to set up Strategy for 2015-2019 and Work Program for 2015-2016. Please feel free to contact us via global@kicpa.or.kr for further inquiries.

Thank you.