

7. SECTION III: ABOUT THE RESPONDENT

1. From which perspective are you providing this feedback:

The view of an organization.

Please Indicate:

2. Please complete

Name of Organization: : Accountancy Europe

Name or Person submitting Survey on behalf of the organization: : Noémi Robert

3. Select from the following options that describe your organization:

IFAC Member Body or Other Professional Organization

Is this a/an:

Is this response on behalf of the global network?

Is this response on behalf of a regional or national firm?

Other Firm?

4. IFAC Member Body or Other Professional Organization

IFAC Member Body, Affiliate or Regional Organization

National auditing standards same as, or based on, the IAASB’s current International Standards on Auditing

Please specify which standards are used:

Other national standards same as, or based on, IAASB’s other standards (i.e., assurance, related services and reviews)

Please specify which standards are used:

Are you a listed or non-listed entity?

Small or Medium-Sized The concept of ‘smaller or less complex entities’ varies country by country, but ordinarily exhibits one or more of the following characteristics:Concentration of ownership and management in a small number of individuals.One or more of the following:Straightforward or uncomplicated transactions.Simple record keeping;Few lines of business and few products within business lines;Few formal internal controls; Few levels of management with responsibility for a broad range of controls; orFew personnel, many having a wide range of duties.

.Entity?

Please Indicate:

Do you apply International Standards of Supreme Audit Institutions (ISSAIs) for financial audits

Those Charged with Governance

Private Sector

Please specify in the box below.

Are you any of the following?

5. Please select the geographical region where you are based:

Europe

8. SECTION IV - QUESTIONS FOR RESPONDENTS ABOUT THE IAASB'S STRATEGY FOR 2020-2023

6. 1. In your view, will the strategic environment affecting the needs of the IAASB's stakeholders look like in 2020 onward and what will be the impact on the IAASB's International Standards (for example, will the audit market change significantly; will other services dominate stakeholders needs – including what the needs may be for different types of evolving services; how evolving technologies, such as cryptocurrency, artificial intelligence or blockchain, will impact the environment in which the IAASB's stakeholders operate, etc.).

(1) The auditing profession undergoes an accelerated process of change that is mainly driven by two main forces: (i) the rapidly changing business environment as new technologies are adopted; and (ii) the evolving needs and expectations of stakeholders, as the fundamental intrinsic value of the current audit model is being scrutinised in various jurisdictions.

(2) Whilst legislators, audit firms and audited entities arguably play a more direct role in defining 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 encourage and accommodate any scope changes to the current audit model. The cornerstone for all strategic initiatives of the IAASB should be enhancing audit quality. Wide recognition of the features of audit quality is important to global financial stability and is most relevant to all stakeholders in the corporate reporting supply chain. The fundamental focus of the IAASB should be on monitoring how its standards are fit-for purpose and their impact on the quality of audits, and making changes or producing supporting guidance where appropriate.

(3) New and evolving technologies impact both the service delivery model in audit (including quality control standards), assurance and other related services, as well as the type of services that will be delivered. While we expect that this changing process will continue to accelerate in the future, we cannot currently predict what will be the pace or direction it will take. One of the most critical factors for the future of audit and assurance is ensuring the most effective use of IT in carrying-out assurance engagements and the IAASB must remain agile to ensure that its suite of standards and guidance are relevant to this objective. The use of technologies such as blockchain, artificial intelligence, data analytics or so-called 'Big Data technologies' will most likely be revolutionary for the audit profession. It is important for the IAASB to continue exploring how the use of technology, and in particular, data analytics, can enhance the effectiveness and quality of audits. This will enable the IAASB to ensure that future development of standards and guidance will facilitate the use of these technologies and enable the profession to innovate. Although it could be argued that the current auditing standards do not prohibit the use of emerging technologies, a lack of explicit reference in the auditing standards could be seen as inhibiting the use of data analytics in some jurisdictions, as regulators might question their value.

(4) The fundamental value and relevance of audit is being increasingly scrutinised in various jurisdictions, following recent high-profile failures. The IAASB should continue monitoring the root causes underlying the financial reporting and corporate failures and continue supporting the profession in providing high quality services that enhance the intrinsic value-added of the current audit model and the role of the auditor, for the benefit of the end users. Amendments of the standards may not be appropriate if failures are caused by non-compliance with the auditing standards, unless the non-compliance resulted from misunderstanding of the ISAs. Should this be the case, the IAASB would need to take appropriate action to clarify the standards (i.e. a full revision, a limited-scope revision or additional guidance to the standards). However, as highlighted above, we emphasise that taking the lead in implementing scope changes to the current audit model exceeds the IAASB's remit.

(5) Another area of strategic implication for the IAASB is the monitoring of the assurance needs related to the Emerging Forms of External Reporting (EER). Given the increasing importance of non-financial information beyond the traditional financial reporting, and of forward-looking information, the auditing

profession should make sure to adapt focus and address these emerging market needs. The IAASB should provide guidance and, in the longer term, standards if necessary that would enable the profession to keep up with stakeholders' needs and expectations.

(6) Applying auditing standards to Small and Medium/Non-complex entities (SMNE) continues to be a challenge on a global scale. We refer to our response to question 3, where we elaborate on this key issue.

1. In your view, will the strategic environment affecting the needs of the IAASB's stakeholders look like in 2020 onward and what will be the impact on the IAASB's International Standards (for example, will the audit market change significantly; will other services dominate stakeholders needs – including what the needs may be for different types of evolving services; how evolving technologies, such as cryptocurrency, artificial intelligence or blockchain, will impact the environment in which the IAASB's stakeholders operate, etc.). - Text Analysis

7. 2. Section II. Describes the additional challenges and opportunities that the IAASB has identified relating to its people, processes and technology, including possible changes that may arise from the MG consultation. In your view, as the IAASB develops its Strategy for 2020–2023, what are the:

(a) Key challenges and other factors that may impact the IAASB's activities and focus; and(b)

(b) Main opportunities for changing the way it undertakes its activities.

Your response may include views about the matters identified by the IAASB as set out in Section III, but any views about matters that have not been mentioned are particularly welcome.

(7) As noted above, the profession and the wider environment is undergoing rapid changes. In this context, the IAASB has a key role to play both in the maintenance and the issuance of standards and guidance. In our view it is important to react to these challenges within a reasonable timeframe; failing to do so could impede the relevance of the service provided by auditors.

(8) Standard-setting should take into consideration the key trends. As noted in the recent feedback to the Monitoring Group's consultation, there are numerous uncertainties and a diversity of views in relation to aspects such as the need to change the current standard setting model, the degree of reliance on professional technical staff in the standard setting process or the number and composition of the standard setting boards. However, the IAASB is best placed to pro-actively change its processes in a meaningful manner, to meet changed expectations about responsiveness.

(9) The main challenges on which the IAASB should prioritize its focus with regard to its people, processes, technology and activities are the following:

(10) People: We acknowledge that the availability of human capital is the main limiting factor for the IAASB to take on more work, especially in the context of the fast-changing environment. On a general note, the IAASB should ensure that it has sufficient staff that possess an appropriate level of expertise to address priority issues such as the impact of new technology on standard setting and proportionate application of the standards by small, medium and non-complex entities.

We caution that increased delegation of work to the staff or expert groups, whilst probably sensible, will not guarantee speeding up the standard setting process, as it is often the engagement of stakeholders and the consideration of their view that 'hinders' the timeliness of the process. Nevertheless, empowering the staff more and have the Board focused on strategic items could be a way forward.

Expertise, experience and competence is key: from a Board Member level perspective, we consider it vital for the board to have both sufficient individuals within its membership, as well as access to sufficient staff resources with appropriate subject matter expertise in key areas such as technology, emerging forms of external reporting and SMPs, so that projects are prepared with sufficient sound expertise from the Board.

(11) Processes: The Board should define clear objectives when deciding that a standard needs to be revised, otherwise amended or issued, to improve the timeliness and responsiveness of the standards setting process to the latest developments on the market. We encourage the IAASB to make better use of dedicated task forces that adopt efficient working processes by leveraging the communication technology tools that are available to date.

(12) Closer coordination with IESBA: We support closer co-ordination 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. We reiterate our previous positions that ethics 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.

(13) Technology and activities: As outlined in our response to question 1 above, 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 this respect is the implementation of an interactive handbook to support the scalability of the standards. IESBA is currently working on developing an e-Code. The IAASB may be able to use IESBA's conclusions to develop an e-Book. It is vital for the Board to link, via a common digital solution, professional and ethical standards, as well as standards implementation guidance, staff papers etc.

(14) Other aspects: In addition to the aspects outlined above, in response to question 3, we have detailed the main initiatives we think the IAASB should actively monitor and prioritize.

8. 3. Are there specific initiatives within the stakeholder group to which you belong, or of which you are aware, that you believe the IAASB should actively monitor in light of their potential to inform the IAASB's future agenda? If so, what are they, and why do you think they are relevant to the IAASB?

a. Small and Medium/Non-complex Entities

(15) As highlighted in our answer to question 1, the consideration of matters related to Small and Medium Practices (SMPs) and Small-and Medium/Non-complex Entities (SMNEs) should be a priority issue and clearly addressed in the standards. Standards should be developed in a way that facilitates proportionate application for the audit of SMNEs.

(16) ISAs are becoming more complex, with many requirements addressing the increasing complexity in the audit of large organisations operating in an international environment. The Board should not lose sight of the SMNEs which remain a significant part of the audit market, and the ISAs should not lose their ability to be effectively applied in these environments; as highlighted in Accountancy Europe's recent publication on Simplifying Auditing Standards for Small or Non-Complex Entities . Truly principle-based standards should be suitable to meet the audit needs for all entities.

b. Anticipated Finalization of New or Revised Standard on estimates (ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures)

(17) With the finalization of ISA 540 revision, the IAASB should closely monitor how the application of the revised standard will respond to the challenges imposed by the application of the new financial reporting standard(s) specifically affecting banks and insurance companies, but also auditors of SMNEs, and communicate actively with practitioners in order to ensure it is fit for purpose.

c. Growing public expectations

(18) The IAASB should act diligently to determine its own role in addressing the raising public concerns on the issue of the fit-for-purpose of the current model of auditing, following the recent high profile corporate and audit failures.

With respect to emerging issues such as other assurance and related services (other than EER engagements), the IAASB should monitor developments in the various jurisdictions and markets across the world and decide on follow-up actions at international level. It is strategically important that a coordinated approach in standard setting takes place at international level.

For example, as outlined in a recent publication of Accountancy Europe (December 2017) 2, one aspect to follow-up is the growing public expectations on the auditor's role in fighting financial crime. Our publication explains the role that is expected from an auditor today as per the rules, regulations and professional standards, and explains that technology offers new opportunities for combating financial crime. The accountancy profession is committed to developing data analytics tools and new skillsets needed in this area. Given stakeholders' expectations, the IAASB should determine the actions required to enable auditors to remain relevant and continue to play a key role in the credibility of audited financial statements.

1 Accountancy Europe, Simplifying Auditing Standards for Small or Non-Complex Entities; available at:

<https://www.accountancyeurope.eu/publications/simplifying-auditing-standards-small-non-complex-entities/>

2 Accountancy Europe, Auditor's Role in Fighting Financial Crime; available at:

<https://www.accountancyeurope.eu/publications/fighting-financial-crime/>

9. THE FOCUS OF THE IAASB'S ACTIVITIES IN 2020–2023

9. 4. Section II illustrates that the IAASB has, and will continue to, focus a significant part of its efforts in 2015–2019 on revising and developing standards addressing the audit of historical financial information and quality control. With respect to new standard-setting projects for the period 2020–2023, in light of where you believe IAASB actions are needed and to continue to serve the public interest, in your view what proportion of effort should the IAASB allocate to each of the following? (Allocation should total 100%)

Quality control : 15%

Audits and reviews of historical financial information : 25%

Other assurance- [EER Emerging Forms of External Reporting \(EER\)](#) refers to emerging forms of external reporting by entities that increasingly provide non-financial information that goes beyond the traditional (financial statement) focus on the entity's financial position, financial; performance and impact on its financial resources. engagements : 10%

Other assurance (and [related services](#) Related services pronouncements include: ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (currently being revised); ISRS 4410 (Revised), Compilation Engagements.) - other than EER engagements : 10%

Professional skepticism : 10%

Matters relating to audits of smaller and less complex entities : 30%

Total : 100%

Comments: (19) The topic of Quality control should encompass all aspects that contribute to improving audit quality, beyond ISA 220 'Quality control for an audit of financial statements' and ISQC1 'Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements'. (20) As such, as outlined in our response to question 1 above, all strategic initiatives of the IAASB should be centred around enhancing audit quality, to ultimately rehabilitate the value of the audit to the end user. (21) The growing relevance of non-financial information reporting and forward-looking information, should be reflected in increased effort allocated to other assurance and EER engagements. (22) As outlined in our response to question 3 above, the consideration of matters related to SMEs is also very important. Standards should be developed in a way that facilitates proportionate application for the audit of the smallest entities. We are, therefore, very supportive for the Board to allocate more resources to this topic. (23) The topic of professional scepticism should be considered jointly by the IAASB and the IESBA.

10. Please provide relative %; for each option by category to total 100%

	(i) Developing new or revised standards	(ii) Undertaking implementation activities	(iii) Apply efforts to both
Quality control	25%	75%	
Audits and reviews of historical financial information	60%	40%	
Other assurance – EER engagements	80%	20%	
Other assurance (other than EER engagements) and related services Related services pronouncements include: ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (currently being revised); ISRS 4410 (Revised), Compilation Engagements.	60%	40%	

Comments: (24) The IAASB should focus on being more agile in its standards setting process, and more reactive to address the challenges imposed by the changing environment. (25) There is a fine line in making the judgment call between developing/revising or otherwise amending standards and focusing on implementation activities. In order to decide on the best approach, the IAASB should carry out a root cause analysis, and decide on a case-by-case basis. (26) In particular, before issuing new standards or revising existing ones, the IAASB should duly assess what standards have implementation issues as these aspects should be addressed with priority. For specific area, it may be worth considering performing limited scope amendments instead of reopening standards as a whole. (27) The focus on implementation activities for standards related to audits and reviews of historical financial information is due to the fact that the related standards have already been issued, while for the EER engagements, specific standards have not been developed yet. (28) For quality control and other assurance standards, we think there is a fine balance between setting new or revising standards, and implementation activities. (29) In particular, we emphasise the need for the IAASB to address the needs of SMNEs, as highlighted in our answer to question 3.

11. 6. In relation to the development of new, or the revision of extant, standards as noted in Question 5, and in keeping an open mind as to the impact of the evolving environment and the challenges and opportunities for the IAASB in 2020–2023, should the IAASB, in your view:

- (a) Focus first on a strategic review of extant standards (for example, consider how the standards could be better structured or presented in light of evolving technologies) before prioritizing projects on new topics. Please provide an explanation for your view.
- (b) Prioritize projects on new topics (as determined by the consultation on the IAASB’s future strategy and priorities). Please provide an explanation for your view.
- (c) During implementation of the current standards under revision (i.e., those standards that currently have a committed project plan in place), consider a moratorium on developing new or other revised standards? If so, how long should such a moratorium last? Please provide an explanation for your view.
- (d) Undertake other actions related to the development of new, or revision of extant, standards, and/or implementation support. Please describe what these actions should be and provide an explanation for your view.

(30) The IAASB should first focus on finalizing its ongoing projects in the current strategy period.

(31) Moving forward to the 2020-2023 strategy period, ideally, we would encourage the IAASB to adopt an incremental approach in its standard setting process, as outlined in option (a) above.

(32) In practical terms though, we realise that the IAASB may be under pressure to respond to users' needs; as highlighted in our response to question 3 above.

Nevertheless, except for the topics requiring new projects, as resulted from our answers to the questions above, we encourage the IAASB to focus on implementation, including post-implementation activities during the strategy period.

12. 7. If there was a specific topic(s) that, in your view, should be the IAASB's priority(ies) when developing new, or revising existing, standards or related guidance for the period 2020—2023, what would it be, and why?

Where applicable, kindly indicate whether in your view the topic(s) (you have indicated) has particular relevance mainly for engagements for listed entities, small- and medium-sized entities (SMEs), or for entities of all sizes. Views in relation to matters of relevance to developing nations and the public sector are also encouraged.

(33) Refer to our response to question 3 above.

13. 8. Are there any other topics of interest or matters of relevance that you feel the IAASB should consider when conducting its strategic review, including those related to its the way that the IAASB undertakes its activities (e.g., changes to address matters highlighted in the MG review)?

(34) As outlined in our response to question 1 above, IAASB should address the fundamental issues relevant to the evolving needs and expectations of stakeholders in the current audit model. While we acknowledge that adapting the extant scope of the current audit model exceeds the IAASB's remit, we consider that optimising audit quality to address this fundamental issue is a core strategic aspect to be considered by the Board, in order to keep the standards and the profession relevant in the evolving global environment.