

April 9, 2014

Arnold Schilder, Chairman
International Auditing and Assurance Standards Board Chair
545 Fifth Avenue, 14th Floor
New York, New York 10017

Re: IAASB's Proposed Strategy and Work Program

Dear Professor Schilder;

CFA Institute,¹ in consultation with its Corporate Disclosure Policy Council (“CDPC”),² appreciates the opportunity to comment on the International Auditing and Assurance Standards Board’s (IAASB) Proposed Strategy for 2015-2019 and Proposed Work Program for 2015-2016 (Consultation Paper).

CFA Institute is comprised of more than 100,000 investment professional members, including portfolio managers, investment analysts, and advisors, worldwide. CFA Institute seeks to promote fair and transparent global capital markets and to advocate for investor protections. An integral part of our efforts toward meeting those goals is ensuring that the quality of corporate financial reporting and disclosures provided to investors and other end users is of high quality.

GENERAL COMMENTS

Comments on Proposed Strategy for 2015-2019

CFA Institute believes the IAASB’s three main strategic objectives for the period 2015-2019 as noted below are appropriate to guide the work effort during the next five years.

- Develop and maintain high-quality International Standards on Auditing (ISA) that are accepted as the basis for high-quality financial statement audits;
- Ensure the IAASB’s suite of standards continues to be relevant in a changing world by responding to stakeholders needs; and
- Collaborate and cooperate with contributors to the financial reporting supply chain to foster audit quality and stay informed.

However we would like to make the following three observations:

Coordination with the Monitoring Group (MG) and the Public Interest Oversight Board (PIOB)

¹ With offices in Charlottesville, New York, Hong Kong, and London, CFA Institute is a global, not-for-profit professional association of more than 116,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 137 countries, of whom more than 108,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 138 member societies in 60 countries and territories.

² The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners’ perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

We believe that the five year strategic plan should specifically state that the IAASB will consult with and to the extent necessary align the plan with priorities of the Monitoring Group and the Public Interest Oversight Board. We believe that this could lead to a more holistic approach to developing a strategic plan given that these entities have specific oversight of the IAASB. The IAASB's coordination with these groups may be implied in the Consultation Paper, but we believe that given the importance of the MG and PIOB to the due process that formal input is warranted. For example, coordination and input from the MG would be consistent with one of the MG's stated missions of convening to discuss issues and share views relating to international audit quality as well as to regulatory and market developments having an impact on auditing.

Coordination with the International Accounting Education Standards Board (IESBA) Strategic Plan

We believe that given the importance of ethics to the conduct and quality of audits, that the IAASB should specifically consult with and align, where appropriate, the strategic direction of the IAASB with the IESBA's strategic plan. For example, as noted in the IESBA's Proposed 2014 – 2018 Strategy and Work Plan two of their four themes relate to:

- Evolving the ethics code for continued relevance in a changing global environment; and
- Increasing engagement and cooperation with key stakeholders.

Both of these themes above are relevant to the IAASB's work program to ensure that future standards will be complemented by any ethical considerations.

Collaborate with Users to Foster Audit Quality and Stay Informed

The third of the IAASB's proposed strategic objectives calls for collaboration and cooperation with contributors to the financial reporting supply chain. We believe that specific mention of "users" in this objective is critical and will place a greater emphasis on this key stakeholder group. Engaging the user community is understandably difficult yet we believe strategic emphasis here will eventually result in meaningful professional and ethical improvements in the practice of audit.

Comments on Proposed Work Program for 2015-2016

IAASB Decision to Focus on Fewer Key Projects

CFA Institute agrees with the IAASB's decision to focus on a smaller number of projects in the 2015-2016 timeframe. We believe that prioritizing projects in a fashion similar to the Auditor's Reporting project will result in more timely completion of new standards.

Comments on Topics Chosen for the Work Program for 2015-2016

CFA Institute agrees that the IAASB should prioritize the projects as outlined in Table A. Specifically, we agree that quality control, professional skepticism and audit considerations related to financial institutions are a high priority.

- Quality Control – Given the recent high rates of audit failures reported in recent PCAOB inspections, CFA Institute believes that audit quality control is appropriately a high priority. We believe that this project when coupled with the current IAASB project to establish an international audit quality framework, is a holistic approach to advancing audit quality. We are hopeful that this focus will lead to improvements in inspection failure rates.
- Professional Skepticism – We concur with the IAASB's view that professional skepticism is an important aspect of auditor judgment related to planning and evaluating the results of an audit and has a direct impact on audit quality. We believe that this project is a logical component to the

quality control project. This project should naturally develop guidance for auditors in relation to areas of management judgments and responding to fraud risk.

- Special Audit Considerations Relating to Financial Institutions – We agree that given the spotlight on banks and financial institutions as a result of the financial crisis that special audit considerations focused on these entities is necessary. Further exploration of audit issues related to valuation methodologies in fair value accounting, impairments and loan losses is especially needed to prevent further problems encountered as part of an audit.

We reviewed the other proposed/possible projects in Appendix 2 and agree that they are appropriately prioritized with the exception of preliminary announcements. Given the importance of these announcements to the capital markets, we believe that the IAASB should at a minimum accelerate the determination of whether to commence a project ahead of the current 2018-2019 timeframe. We are not suggesting that a separate auditing standard is necessary at this time, but we believe more could be done in the interim to explore whether one is actually needed.

Closing Remarks

We thank the IAASB for the opportunity to express our views on the Proposed Strategy and Work Program. If the IAASB has questions or seek further elaboration of our views, please contact Matthew M. Waldron by phone at +1.212.705.1733, or by e-mail at matthew.waldron@cfainstitute.org.

Sincerely,

/s/Kurt N. Schacht

Kurt N. Schacht, JD, CFA
Managing Director
Standards & Financial Markets Integrity Division

/s/ Ashwinpaul C. Sondhi

Ashwinpaul C. Sondhi
Chair
Corporate Disclosure Policy Council

cc: CFA Institute Corporate Disclosure Policy Council