

# Envisioning the Future—Survey on the IAASB's Future Strategy

Response ID:719 Data

## 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: : CPA Australia

Name or Person submitting Survey on behalf of the organization: : Paul Drum, Head of Policy

### 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; or Few 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:

Oceania

## 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.).**

CPA Australia expects that the environment for IAASB stakeholders will be most impacted from 2020 onwards by:

1. Data analytics & Technological developments: use of DA in the audit is developing and we expect that the use of DA will become more embedded in the audit by 2020. In addition the manner in which evidence is obtained due to evolving technologies and the IT systems which underpin that evidence is evolving rapidly. The IAASB's work is somewhat falling behind practice and technological advances, and these gaps are having to be filled at the national level which will result in inconsistencies between jurisdictions.

Consequently, clarifying how both DA methods and new evidence sources can meet evidence requirements in the ISAs will be critical to ensure that DA and technological advances result in improved efficiency and effectiveness of the audit rather than additional work effort. If this is not addressed, it may result in an increased cost burden and duplicated effort in the audit.

2. Emerging forms of external reporting: CPA Australia expects the need for confidence in emerging forms of external reporting (EER) to follow the increasing uptake of integrated reporting and sustainability reporting, along with new requirements for reporting arising from legislative or regulatory requirements in response to issues such as modern slavery, climate change and corporate culture. These developments open up opportunities for assurance practitioners to provide that confidence. However, robust standards addressing EER assurance are needed to support practitioners in developing these services and in order to direct demand for confidence in EER to assurance services.

**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.*

CPA Australia considers that the key challenges are identified in Section II, except for the additional matters detailed below.

In addition, we suggest that greater emphasis needs to be placed on the challenges of 'continuing evolving stakeholder needs', in relation to:

1. The shift of focus to EER: The variety and nature of the subject matters on which assurance will be sought is broadening significantly with EER. Consequently, there is an emerging need for standards and guidance on how to assure these different subject matters, as well as forward-looking information. IAASB publications on EER assurance would support a consistent approach and consistent outcomes for these engagements.

2. The types of services being performed: Limited assurance or review engagements are available in certain jurisdictions, for example in Australia and New Zealand for charities below certain thresholds. Nevertheless, how to conduct these engagements is only addressed in a broad-brush manner in the review engagements and assurance engagements standards. As a result, there is a lack of clarity about what is "sufficient appropriate evidence" for such engagements which we believe is limiting their uptake. Greater uptake of these engagements should reduce the cost burden on smaller entities and so we consider there is a need for more comprehensive requirements and application material in conducting limited assurance or review engagements. Clarity is needed on the appropriate types of procedures in providing limited assurance on the wide variety of subject matters being addressed in emerging forms of external reporting when the use of enquiry and analytical procedures may be an ineffective or inefficient means of gathering evidence.

**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?**

The following projects which are being pursued by the standard-setters in Australia and New Zealand may be useful to the IAASB's work in due course:

1. EER: Audit of Service Performance Information – NZAuASB.
2. DA: Use of Technology in the Audit including Data Analytics – AUASB.

## **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 : 10%

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 : 30%

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 : 15%

Professional skepticism : 5%

Matters relating to audits of smaller and less complex entities : 15%

Total : 100%

**Comments:** CPA Australia considers that the priorities on this list (on the assumption that specific topics such as DA or Technological developments are addressed within these matters), should be: 1. Assurance on EER: the existing standard ISAE 3000 is very high level and addresses only attestation engagements. It does not address the subject matters and nature (historical or forecast information) of the most common EER engagements. 2. Audit and reviews of historical financial information: further material is needed with respect to reviews to better establish the extent of evidence necessary as detailed in our answer to question 2. In addition, audits of financial statements remain critical to stakeholders' confidence in the capital markets and amendments to the auditing standards are necessary to support audit quality in certain areas already identified by the IAASB, such as group audits. We support completion of those projects and then going forward, we suggest priority is given to amending auditing standards only if the proposed changes are likely to enhance audit quality. 3. Assurance on other subject matters: we consider that limited assurance engagements, in particular, need to be addressed through additional and more detailed standards and also support the revision of ISRS 4400 to reduce the likelihood of misuse or misinterpretation as an assurance engagement. 4. SMEs: Addressing the needs of SMEs is important as they can be overshadowed by considerations relevant to listed and other large entities. SMEs can be addressed partially by the comments on review engagements and also by specifically considering SMEs needs before finalisation of new or amending standards. 5. Quality control & Professional skepticism: whilst important topics, changes to standards are less likely to have a significant impact in practice.

**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	50%	50%	
Audits and reviews of historical financial information	80%	20%	
Other assurance – EER engagements	50%	50%	
Other assurance (other than EER engagements) and <a href="#">related services</a> <a href="#">Related services pronouncements include: ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (currently being revised); ISRS 4410 (Revised), Compilation Engagements.</a>	75%	25%	

**Comments:**

**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.

We recommend: (b)

Reason: Whilst the IAASB should not spread their resources too thin, we recommend prioritising the development of projects on new topics as identified in the answers to questions 4 & 5, as these will have the greatest impact on practitioners. These new topics may result in amendments to extant standards, such as data analytics, but will nevertheless have the greatest impact as they will not be addressed currently.

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**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.**

CPA Australia suggests that the IAASB's priorities should be:

1. EER: It is critical for the IAASB to be on the front foot in identifying how practitioners can enhance confidence in EER and providing practitioners with the framework and skills to do so effectively and consistently. This will facilitate the inclusion of assurance as part of the development of EER requirements as there will be greater clarity regarding the services which can be provided. It will also support the relevance of the practitioners' role in this emerging field.

2. Data analytics/technological developments relevant to audit evidence: We consider these developments will have a significant impact on the way in which evidence is gathered and the type of evidence obtained for audit and assurance engagements going forward and so are a high priority to be addressed in the IAASB's standards.

These topics will be relevant to entities of all sizes and in both the public and private sectors as well as not-for-profits, although initially EER assurance is more likely to be relevant to listed entities in jurisdictions in which integrated reporting or sustainability reporting is required by the relevant stock exchange.

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**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)?**

CPA Australia suggests that the IAASB processes may be able to be streamlined by having a separate expedited process for amendments to clarify existing standards versus a longer process for new standards or fundamental changes to standards.

In addition, greater focus on making the standards more accessible to users by including:

- Diagrams to illustrate the relationships between the standards and which standards apply to different entities and in different circumstances.
- Summaries, diagrams & flowcharts to highlight and explain the core requirements within a standard.
- Practical guidance and case studies to illustrate the requirements.

This material would be of particular value to small and medium practices (SMPs).

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