

4 June 2019

Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
529 Fifth Avenue  
New York, NY 10017  
USA

Dear Sirs,

**RESPONSE TO THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD CONSULTATION PAPER – PROPOSED STRATEGY FOR 2020 - 2023 AND WORK PLAN FOR 2020 - 2021**

The Institute of Singapore Chartered Accountants (ISCA) appreciates the opportunity to comment on the above consultation paper (CP) issued by the International Auditing and Assurance Standards Board (IAASB) in February 2019.

We support the IAASB's proposed strategy for 2020 - 2023 and work plan for 2020 - 2021, which takes into account expectations of stakeholders and relevant current developments. The work program also emphasises effective deployment of the IAASB's resources to fulfil its mandate of setting high quality international standards to serve the public interest.

Our comments on the specific questions in the CP are as follows:

1) Whether you agree with *Our Goal, Keys to Success and Stakeholder Value Proposition* on page 6, as well as the *Environmental Drivers* on page 7.

We agree with the IAASB's strategic objectives and value proposition, as well as the environmental drivers identified. In particular, changing stakeholder expectations about auditor's responsibilities over fraud and going concern is prevalent here in Singapore.

In addition to the observations described under *Advancement in, and Use of, Technology*, cybersecurity risk has become an area of focus as businesses make use of rapidly changing and evolving technologies. Stakeholders are increasingly concerned about how auditors incorporate procedures to respond to cybersecurity risk in their audits. Cybersecurity risk, if not managed properly, may even extend to going concern risk.

2) Whether you agree with *Our Strategy and Focus* and *Our Strategic Actions* for 2020 – 2023 on pages 8 to 13.

We agree with the IAASB's strategy, focus areas and actions.

Arising from widening stakeholder expectations, we hope to see the inclusion of actions to review the scope of auditor's responsibilities under Theme B *Further Challenge and Enhance the Fundamentals of our International Standards*, especially over going concern and fraud.

On the going concern and fraud agenda, we observed that stakeholders have expectations on the auditor's responsibilities that go beyond the requirements of auditing standards. From the perspective of going concern, stakeholders appear to expect that an audit provides assurance over the sustainability of an entity or its business model when an unmodified auditor's report is issued. From the perspective of fraud, stakeholders have an expectation that auditors have a responsibility to detect fraud but owing to inherent limitations of an audit, there is an unavoidable risk that fraud may not be detected even though an audit has been properly planned and performed. We acknowledge that with changing stakeholder expectations, the status quo is not sustainable and there is a need to urgently review and build a new consensus around the role of the auditor and the scope and expectations of an audit, otherwise such expectation gaps will continue to undermine the perceived value of an audit. With that said, however, the costs arising from any widening of scope and expectations of an audit needs to be balanced against the benefits to stakeholders.

Arising from the attention on technology, we observed that stakeholders may expect auditors to cover IT-related risk areas outside the IT risk over accounting and financial reporting system, which is outside the scope of an external audit of the financial statements. As such, we feel that there is a need to ring fence the auditor's responsibilities over cybersecurity and advancing technologies in the context of a financial statements audit in our efforts to bridge such expectation gaps.

3) Whether you agree with the IAASB's proposed *Framework for Activities*, and the possible nature of such activities on pages 11 and 12, as set out in Appendix 2 on pages 19 and 20.

We agree with the IAASB's framework for activities. Collaboration with third parties such as national accountancy bodies, national standard-setters or academia will expand the pool of resources available to the IAASB and can help to expedite the research phase of projects.

4) Whether you support the actions that have been identified in our detailed *Work Plan for 2020 – 2021* on pages 15 and 16. If not, what other actions do you believe the IAASB should prioritize?

We support the actions that have been identified in the work plan.

With the increasing number of audit firms using data analytics to conduct their audits, this has been a focus area of our local regulatory inspections. A recurring challenge noted from the inspection results is how primary audit evidence generated by the use of data analytics tools meet the requirements of SSA 500, *Audit Evidence* (equivalent of ISA 500, *Audit Evidence*).

We note from the detailed work plan that the activities surrounding *Audit Evidence* is still in the research phase, which is not in tandem with the pace of data analytics adoption in audits. We urge the IAASB to provide non-authoritative practical guidance to the profession to serve current needs while the standards are being reviewed and revised.

5) Whether there are any topics that should be considered by the IAASB when determining its 'information-gathering and research activities' in accordance with the new *Framework for Activities*. The IAASB has provided its views on tentative topics to be included in its 'information-gathering and research activities' on page 10.

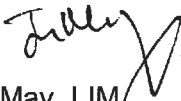
We foresee that testing the integrity of information produced by entity (IPE) would continue to prove challenging for auditors, especially when new and advancing technologies are involved. Some scenarios include:

- Financial systems secured on new technologies, such as blockchain
- Financial reporting processes streamlined using new technologies, such as Robotic Process Automation (RPA)

To promote leveraging on technology to improve the coverage and efficiency of audits, the IAASB may consider providing guidance on standardised procedures for common processes. This would be especially helpful for small and medium practices.

Should you require any further clarification, please feel free to contact Ms Wang Zhumei, Manager, Technical: Audit & Assurance, at ISCA via email at [zhumei.wang@isca.org.sg](mailto:zhumei.wang@isca.org.sg).

Yours faithfully,



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