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Your Ref: Comment letter on Consultation Paper
- The IAASB's Proposed Strategy for 2015-2019
- The IAASB's Proposed Work Program for 2015-2016

Dear Sir.

Thank you very much for giving us the opportunity to comment on your consultation paper on "The IAASB's Proposed Strategy for 2015-2019" and "The IAASB's Proposed Work Program for 2015-2016".

The proposed strategic directives illustrate how the IAASB intends to focus its priorities over the period 2015-2019, and provide the basis for decisions about actions and projects to be undertaken. The IAASB has identified three clear and comprehensive strategic objectives for the period 2015-2019: develop and maintain high-quality ISAs 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 stakeholder needs; and collaborate and cooperate with contributors to the financial reporting supply chain to foster audit quality and stay informed. I generally support the proposed strategy and the proposed work program, which focus on fostering high-quality standards that enhance audit and assurance practice, and promoting international harmonisation of auditing standards.

I also support the IAASB's proposal to prioritize its efforts on two key themes in the short term; quality control and professional skepticism. These are the bedrock of high-quality auditing and are often misunderstood. I welcome further clarification and guidance here, especially concerning professional skepticism, which can be very subjective. At the end of the day, users of financial statements (users) and the wider public expect our auditors to be independent, and exercise "professional skepticism throughout the planning and performance of the audit"¹.

¹ Quoted from IAASB Staff Questions and Answers: "Professional Skepticism in an Audit of Financial Statements", 28 February 2012.

Answers to specific questions raised by the IAASB

Proposed Strategy for 2015–2019

The IAASB is particularly interested in respondents' views on:

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

Yes, the strategic objectives are appropriate. Given the increasing importance of wider corporate and management reporting to users, I would propose that the IAASB should amend the third strategic objective to refer to “financial and corporate reporting” rather than only “financial reporting”. This is reflected elsewhere in the paper.

(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*.

I believe that the factors included in Appendix 2 are a reasonable basis for the IAASB to use in developing its medium-term Work Programs.

Proposed Work Program for 2015–2016

The IAASB is particularly interested in respondents' views on:

(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.

This is reasonable and will improve quality and understanding in high-priority areas, and in a timely manner.

(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*.

I agree with the focus on quality control and professional skepticism. See also my comments above. However I do not agree with focusing on special audit considerations relevant to financial institutions alone. I strongly believe that standards should not be industry specific. We should ask what are the special considerations more generally that we should focus on, for example: increasing use of judgement and estimation; greater subjectivity; increasing complexity; and measurement uncertainty. Greater focus on these kinds of issues will provide meaningful information to users; but I would recommend that the IAASB should not over-relate this to only one specified industry.

(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.

I agree with the proposed actions.

(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.

The current approach is robust and transparent. This could be shortened and simplified for initial opinions, but I'm not sure that this would add much value.

Yours faithfully

C.R. Barnard

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