

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

Response ID:726 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: : The Compagnie Nationale des Commissaires aux Comptes ("CNCC") and the Conseil Supérieur de l'Ordre des Experts-Comptables ("CSOEC")

Name or Person submitting Survey on behalf of the organization: : Jean Bouquot, President of CNCC and Charles-René Tandé, President of CSOEC

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

National Standard Setter

**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?**

**IFAC Member Body or Other Professional Organization**

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

Yes

**Please specify which standards are used:**

### 5. 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?

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

Europe

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

7. 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.).

We agree with the environmental factors that influenced the IAASB's activities in recent years (as included on pages 3-4).

The auditing profession is facing harsh criticism and changes in its strategic environment:

1. Concerns about audit quality

The fundamental added-value of an audit is being increasingly scrutinized in various jurisdictions, especially following recent high-profile audit scandals where the Big Four, in particular, find themselves under fire.

2. Evolution of the audit technics and underlying auditing data

a) Small and medium entities

In France, the usefulness of the auditing profession is also challenged, especially in the small and medium entities segment.

The French government decided to raise the thresholds (8M€ of turnover, 4M€ of assets and 50 salaries) for statutory audits in commercial companies. If the draft law (so-called "loi pacte") is voted, this will result in a loss of 153 000 statutory audit engagements out of the 196 000 presently existing.

b) New technologies

New and evolving technologies (within the clients but also within the audit firms) impact both the service delivery model in audit, assurance and other related services, as well as the type of services that will be delivered. We can reasonably expect that this changing process will continue to accelerate in the future, driven mainly by the evolution and implementation of new technologies.

Therefore, one of the most critical factors for the future of audit and assurance is the most effective use of IT in carrying-out assurance engagements. The use of technologies, i.e. blockchain, artificial intelligence, data analytics or so-called 'Big Data technologies', will change dramatically the way the audits are conducted. The use of AI and of "machine learning" mechanism by the clients will also bring new challenges to the auditors.

We therefore consider that it is important for the IAASB to continue exploring how the use of new technologies, and in particular, data analytics, can enhance the effectiveness and quality of audits.

In addition, other macro trends such as the development of cryptocurrencies, the change in the relationship with the "shareholders", through new ways of raising capital (crowdfunding, ICO...) are changing the environment in which the auditor operates.

The future development of standards and guidance should accordingly facilitate the use of IT and new technologies and enable the profession to innovate.

3. Emerging forms of external reporting (EER)

Another challenge for the IAASB is the development of new forms of external reporting. Historical financial information is no longer considered sufficient for investors' decision making. Prospective and Non-financial information is often considered more relevant. We note that more and more entities are expanding their reporting beyond financial information to also include environmental and social information in a manner that may be more forward-looking than traditional historical financial reporting.

Given the increasing importance of forward-looking and non-financial information, the auditing profession

should adapt and focus on these emerging market needs. Beyond ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information, we believe that the IAASB should develop non-binding pronouncements on forward looking and non-financial reporting to enable the profession to keep up with stakeholders' needs and expectations. The IAASB should therefore continue:

- to capitalize on guidance and framework(s) that are issued on these topics around the world, and in particular;
- to monitor the developments on integrated reporting.

#### 4. Standard-setting

##### a) Standards should remain principles based

We strongly believe that it is important that the IAASB's standards remain principles based. They need to be:

- capable of a proper implementation in a context of innovation and changes in an environment that cannot be anticipated, as well as
- adaptable/scalable to the specificities of entities.

##### b) Scope and pace of standard setting

The scope of the IAASB's standards is too narrow since it is mainly focused on historical financial information.

Moreover, at present, the IAASB may appear too conservative and may be perceived as progressing at a slower pace than the needs of some of its stakeholders.

The IAASB should therefore expand the scope of its standards beyond audit to deal with issues such as anti-money laundering and terrorism financing, forward-looking information, cybersecurity, going concern, ...

##### c) Further efforts for education and implementation

Furthermore, we consider that the IAASB should work more closely with the IAESB to determine the needed competences of the future professional accountant/auditor so as to ensure that the standards and the competences of the professional accountants/auditors progresses in a consistent manner. This should enable a better implementation of the standards as they evolve.

**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**

**8. 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.***

In our view, the main challenges on which IAASB should prioritize its focus with regard to its people, processes, technology and activities are the following:

#### 1. Resources

The main priority for the IAASB is attracting, retaining and effectively using high quality resources, whether they are Board members, technical advisors, IAASB staff, CAG members, individuals sitting on expert panels or staff of national standard setters. These people should collectively and individually possess an appropriate level of understanding and/or expertise to address sensitive issues such as the impact of new technology on standard setting or the intricacies of the proportionate application of the standards by small and non-complex entities. We believe that having appropriate resourcing is key for the IAASB to be able to

deliver high quality standards that are recognised as such by all stakeholders.

We consider that technical expertise can be reached through external recruitments but also through specific training. Agility should be promoted. NSS could for example provide temporary staff on dedicated projects. In this context, staff could have direct access to appropriate external resources and should be able to analyse the issues, provide the relevant information to the Board and be able to dialogue on a timely basis with the stakeholders. The IAASB should also promote exchange with practitioners who may be able to provide timely practical insights.

## 2. Processes

The Board should prepare robust analysis before deciding to amend a standard. Standards should be revised only when necessary to address substantive issues and consider conforming changes only when it is necessary. There is a perception that conforming changes are sometimes time-consuming for a change that is in fact not needed. Such robust analysis including a clear agreement of the Board on the objectives of the revision of a standard should improve the timeliness and responsiveness of the standard setting process. The IAASB has to improve the perceptions of its stakeholders around the length of its development cycle and potential concerns around its ability to understand and address emerging issues or other trends that are important to the continued credibility of its International Standards.

### **9. 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?**

#### - Small and medium / noncomplex entities

We consider that the standards should be developed in a way that facilitates proportionate application for audit of small and medium / noncomplex entities.

ISAs are becoming more and more complex, with a lot of requirements addressing complexity in the audit of large organizations in an international environment. Moreover, the length of the standards makes them difficult to read and understand. It is important for the IAASB to bear in mind that the standards need to be effectively applied in all entities and environments, especially in small and medium/ non-complex entities. Small and medium entities contribute more to the EU economy than large enterprises.

It is time for the IAASB to question the dogma of a single set of auditing standards for all entities. Should the audit of the financial statements of a small or a non-complex entity with e.g. 20 employees be conducted following the same standards as in the case of a large company with 50 000 people? The current International Standards on Auditing have become too complex for the needs of smaller entities because audit regulators and standard setters focus on capital markets. However, since smaller entities are major contributors to growth, we must not overlook them when dealing with auditing standards.

As the difficulties of applying the ISAs in such entities become more apparent, the status quo is not an option. This is why Accountancy Europe published in April 2018 a Cogito (Accessible at the following URL : <https://www.accountancyeurope.eu/publications/simplifying-auditing-standards-small-non-complex-entities/>) paper that explores different solutions to encourage the IAASB to find an efficient way to deal with small or non-complex entity audits. We consider that it is important that the IAASB progresses quickly on this issue, so all stakeholders can join the debate on the way forward.

#### - Increasing public expectations

Our response to Question 1 mentions that the fundamental added-value of an audit is being increasingly scrutinized in various jurisdictions, especially following recent high-profile corporate failures.

In this context, we consider that the IAASB should urgently address this issue by determining the actions required to enable auditors to remain relevant and continue to play a key role in the credibility of the audited financial statements.

#### - New technology

For information, the technical department of CSOEC has upcoming different book projects in the fields of technology and innovation, such as:

- The cybercrime
- The Cloud
- Electronic invoice

- The digital
- A study on digital in the accountancy profession
- A kit to assist the accountancy profession in the transition to the digital technology

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

**10. 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 : 0%

Audits and reviews of historical financial information : 20%

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 : 20%

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 : 20%

Professional skepticism : 0%

Matters relating to audits of smaller and less complex entities : 40%

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Total : 100%

**Comments:** - Quality control We assume that the Board will have completed ISQC1, ISQC2 and ISA 220 in the first half of 2020. In the remainder of the 2020-2023 periods, we believe that the IAASB's efforts around the quality control standards should focus on implementation support of ISQC1, ISQC2 and ISA 220 and not on additional quality control standard-setting projects. - SME and non-complex entities As mentioned here above, we consider that the greatest proportion of the IAASB's efforts related to new standard-setting projects, should be focused on the audits of smaller and less complex entities. We believe that the remaining efforts should be allocated equally between the following subjects, i.e. Audits and reviews of historical financial information, other assurance – EER engagements, other assurance (and related services) other than EER engagements Finally, although we agree that professional skepticism is key to audit quality, we consider that no specific standalone effort should be done on professional skepticism since professional skepticism should be fully embedded in the different projects.

**11. 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	0%	0%	0%
Audits and reviews of historical financial information	20%	80%	0%
Other assurance – EER engagements	0%	100%	0%
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.	1%	100%	0%

**Comments:** For audits and review of historical financial information, we consider that the IAASB should focus its efforts on implementation activities (80%). Such focus is explained by the fact that the related standards should have been finalised. We therefore support the development of specific implementation guidance to support auditors in implementing, among others, ISA 540 (Revised), ISA 315 (Revised) and ISA 220 (Revised). Such guidance should assist auditors in applying the revised requirements to inherently complex aspects of audits. For EER engagements and other assurance and related services engagement, we believe that the IAASB should develop all its efforts (100%) on implementation activities for the following reasons: - ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information is sufficient to perform such engagements; - The Matter is subject to developments; - The existing guidance needs to be improved, developed with practices.

**12. 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 consider that the IAASB's strategy for 2020-2023 should focus mainly on (a). But, due to the context and the challenging issues the auditing profession has to cope with, the IAASB should also undertake significant implementation activities on extant standards, with in priority on ISA 540. We consider that the IAASB has to work on review aiming at making the auditing standards fit for the future. Standards should tend to become "future proof", i.e. meeting the needs of stakeholders and all entities (large and smaller ones), being agile enough to address scalability for audits of small and medium size/ non complex entities, the auditors' and entities' use of technology (data analytics).

In the case of other emerging technologies (e.g. artificial intelligence, blockchain, cryptocurrencies), we believe it is too early to consider updating the ISAs. We believe that the IAASB should first analyze the effects of these technologies (e.g. what kind of risks do they generate for the financial reporting and for the audit?) How can the entities and the audit firms respond to these risks? Such analysis should be conducted

in liaison with the stakeholders. As mentioned previously, professional accountants but also staff of NSS could be implicated in this research. Such an interaction should help the IAASB to determine the direction to follow and to identify the appropriate actions to address the issues.

**13. 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.**

In our view, we consider that the following topics should be the IAASB's priorities when developing new, or revising existing, standards or related guidance for the period 2020-2023: Projects related to the auditors' and entities' use of technologies (data analytics emerging technologies), whatever the environments and the size of the entities, scalability for audits of small and medium sized entities.

**14. 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)?**

We believe that, as mentioned in section 1, the IAASB should focus on how its processes could be improved to better understand the stakeholders' needs and develop specific solutions for emerging issue that are challenges to the audit and assurance engagements.