

4 June 2019

Mr. Willie Botha — Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017

Dear Mr. Botha:

Deloitte Touche Tohmatsu Limited (DTTL) appreciates the opportunity to provide comments on the International Auditing and Assurance Standards Board ("IAASB" or the "Board") Consultation Paper, *Proposed Strategy for 2020-2023 and Work Plan for 2020-2021* (the "Strategy," the "Work Plan," or collectively, the "Consultation Paper").

We commend the IAASB for issuing a public document outlining the rationale behind its proposed strategy and soliciting input beyond its members on the prioritization of future projects. Such a model contributes to transparency, with respect to the Board's actions, and further demonstrates the Board's commitment to engaging with stakeholders in achieving its global standard setting responsibilities.

Comments on the Consultation Paper are included in [Appendix I](#).

DTTL would be pleased to discuss this letter with you or your staff at your convenience. If you have any questions, please contact me via email (cbuss@deloitte.ca) or at +1 604 640 3313.

Very truly yours,



Calvin H. Buss, FCPA, FCA
Senior Managing Director, Global Audit & Assurance Quality Leader
Deloitte Touche Tohmatsu Limited

APPENDIX I — RESPONSE TO REQUEST FOR COMMENTS

Whether:

1. You agree with *Our Goal, Keys to Success, and Stakeholder Value Proposition, as well as the Environmental Drivers*.

DTTL is supportive of the IAASB's *Goal, Keys to Success, and Stakeholder Value Proposition* as set forth on page 6 of the Consultation Paper.

Further, DTTL believes that the following environmental drivers, as set forth in the Consultation Paper, are relevant and provide an appropriate and sound foundation for the development of the IAASB's Strategy and Work Plan:

- Advancement in, and use of, technology.
- Environment for small- and medium-sized entities.
- Increasing complexity and its implications.
- Changing reporting needs of stakeholders.
- Changing expectations and public confidence in audits.

By ensuring that strategic actions and pursuant work programs are shaped by these drivers, DTTL believes that the IAASB will continue to foster confidence in its work as a global standard setter through activities that are timely and responsive to the needs of its stakeholders.

DTTL recognizes the important public interest role of the IAASB and the criticality of such considerations to the Board's activities. In seeking to respond to the changing environment, we believe the IAASB should, in accordance with its Audit Quality Framework, more explicitly recognize, in its outreach and other activities, the roles of other stakeholders with regard to quality financial reporting. As auditors, we are not the only stakeholder in the financial reporting ecosystem; management, those charged with governance/audit committees, analysts, investors, and regulators all have critical roles to play in driving globally consistent, high-quality audits.

2. You agree with *Our Strategy and Focus and Our Strategic Actions for 2020-2023*.

We recognize that the future will be different from the past. This is especially true considering changes in technology, business practices, and societal expectations. Accordingly, as the center of its Strategy and Focus, DTTL is supportive of the IAASB's attention to the public interest and the future-oriented nature of its processes and work plans. We also agree with the related strategic actions, as set forth on pages 10–13 of the Consultation Paper.

With respect to Theme E, *Deepen our Connectivity and Collaboration Opportunities*, DTTL acknowledges:

- The importance of further enhancing working relationships with regulators, firms, and others (as appropriate) to understand their concerns, explore causal factors, and work to develop responses, which further drive the quality of financial reporting;
- The value in engaging the profession, audit regulators, and other standard setters as technological advancements progress to determine where standards may need to evolve to remain relevant; and

- The availability of limited resources and supports the IAASB's continued efforts to collaborate with national standard setters to assist in achieving its objectives.

In seeking to establish global standards, and in connection with its efforts to collaborate with other standard setters, DTTL believes the IAASB has a role in:

- Articulating the necessity of consistent regulations, inspection regimes, and standards across countries that will facilitate the proper functioning of increasingly global capital markets; and
- Avoiding unnecessary differences in standards that lead to increased complexity for practitioners and firms in developing methodologies, training personnel, and performing consistently high-quality audits and working with other global standard setters to articulate such differences.

With respect to its Strategy and Focus, as well as related strategic actions, DTTL further recommends that the Board remain adaptable to accommodate any future changes arising from the Monitoring Group review.

3. You agree with the IAASB's proposed *Framework for Activities*, and the possible nature of such activities, as set out in Appendix 2.

DTTL agrees with the IAASB's proposed *Framework for Activities* and the possible nature of such activities.

DTTL recognizes that the IAASB has formalized due processes that it adheres to when developing standards in order to protect the public interest, and that these mechanisms are designed to result in auditing standards that further audit quality and have global applicability and acceptance. However, the time taken to follow due process should be balanced with the desire and need to issue timely guidance in a capital market environment where the investor community is faced with rapidly evolving topical and industry-specific issues. Therefore, DTTL is supportive of the mechanisms proposed in the *Framework for Activities* for addressing issues and challenges on a more timely basis with the recognition that in certain cases such mechanisms may be more appropriate than formal standard setting.

The development of nonauthoritative guidance as well as the conduct of Board activities to support the implementation of new and revised standards will also help to further establish the Board's intent when issuing such standards and facilitate consistency in interpretation and application.

In order to maximize the efficiency of the information-gathering and research activities, DTTL encourages the IAASB to continue to explore ways to optimize leveraging the experiences of the auditing firms as they relate to implementation challenges or issues. DTTL notes that a number of the projects identified in the Work Plan are consistent with matters highlighted by the International Forum of Independent Audit Regulators ("IFIAR") in its *2018 Survey of Inspection Findings* as audit findings among its members (i.e., accounting estimates, group audits, engagement quality control review, risk assessment, audit report) and, accordingly, the auditing firms are also taking actions to understand the root causes of these issues and to address them effectively.

4. **You support the actions that have been identified in our detailed *Work Plan for 2020-2021*. If not, what other actions do you believe the IAASB should prioritize?**

DTTL recognizes that the delivery of standards is only the first step and that fundamental to the IAASB's work is a commitment to focus on the implementation and adoption of new and revised standards. As such, we are supportive of the actions identified in the Board's detailed Work Plan, including the balance between revising and developing standards and developing nonauthoritative guidance. Specifically, we agree with prioritizing completion of key ISA and other projects underway at the start of 2020 (i.e., Quality Management, Group Audits, Extended External Reporting) and undertaking activities to focus on the effective and efficient implementation of the changes made to these and other core ISAs during the 2015-2019 strategy period. Further, from a directional perspective, DTTL is supportive of focusing on fewer key projects with the aim of completing them on a timely basis.

DTTL is supportive of the considerations identified on page 14 of the Consultation Paper, which assist the Board in determining and prioritizing actions. However, DTTL believes that primary focus should be placed on (a) the significance of the benefits to the public interest and the degree of urgency, including the potential implications for the public interest if action is not taken or delayed, as well as (b) the degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action by the IAASB.

Related to **Auditor Reporting** and **ISA 540 (Revised)**, DTTL recognizes and supports the IAASB's efforts in conducting a timely post-implementation review and responding to matters raised, as appropriate, to further improve the consistency and effectiveness of application. Accordingly, DTTL encourages the IAASB to continue the performance of post-implementation reviews of recently-revised standards within two to three years after they become effective, including the reporting of related findings and the determination and execution of necessary actions arising from such reviews.

Related to **Professional Skepticism** and consistent with the IAASB's current approach, DTTL is supportive of integrating matters related to professional skepticism as a pervasive consideration when developing new, or revising existing, standards, as well as considering what more can be done in this area. As standards are revised, DTTL encourages the incorporation of guidance and examples as additional emphasis.

Further, professional skepticism may be an area in which the IAASB could explore alternate ways to demonstrate how professional skepticism may be demonstrated in applying the requirements of the ISAs, for example, through ongoing consideration of the development of practical (nonauthoritative) guidance, including examples of what "professional skepticism looks like in practice."

The exercise of professional skepticism is closely interconnected with the application of professional judgment. In this regard, the IAASB may consider how to incorporate best practices with respect to professional judgment into guidance related to exercising professional skepticism.

DTTL recognizes that revisions to the standards alone will likely not fully achieve the objective of improving auditor performance in this area. As such, DTTL recommends that the IAASB continue to engage with audit regulators and oversight bodies to better understand the root causes of inspection findings related to professional skepticism.

5. There are any other 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 include in its “information-gathering and research activities.”

DTTL is supportive of the topics currently identified by the IAASB for consideration as part of its “information-gathering and research activities” — that is, audits of less complex entities, audit evidence, and the ongoing focus on professional skepticism. However, DTTL also recommends the following other topics for consideration by the Board:

- Expectations of the role of auditors in connection with the detection and reporting of fraud as well as consideration of going concern issues; and
- Further implications on the IAASB’s standards of evolving technologies used by entities and auditors.