

Mr. James Gunn  
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2 April 2014

Dear Mr. Gunn,

**Re: IAASB Consultation Paper 'The IAASB's Proposed Strategy for 2015-2019. The IAASB Proposed Work Program for 2015-2016'**

FSR - danske revisorer is pleased to provide you with its comments on the Consultation Paper "The IAASB's Proposed Strategy for 2015-2019. The IAASB Work Program for 2015-2016."

We would like to stress the relevance of the expected European legislation on audit policy, the outcome of which is now relatively clear. The implementation of this package of legislation will significantly influence and shape the audit profession in Europe and beyond over the coming years, and is thus of the utmost importance for the IAASB.

FSR - danske revisorer appreciates that the IAASB was present on the European scene in the course of the deliberations on these legislative texts. However, in order for the IAASB's work to remain relevant to the European audit profession, it is essential that the IAASB continues to be involved in the debates and developments on the implementation of the new Audit Directive and Regulation and duly considers how this impacts their own Strategy and Work Program.

In general we support most of the proposals.

As a general comment, though, we would stress the paramount importance of an even stronger focus on SMEs and SMPs, since many decisive issues in the years ahead seem to be in this area.

Our comments on the Consultation Paper are summarized below.

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## Comments and Responses to Questions on the Proposed Strategy for 2015-2019

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

FSR - danske revisorer overall agrees with the three headline strategic objectives proposed by the IAASB, however, we do have observations and suggestions to make the objectives clearer and more appropriate.

We only advocate developing additional standards if they are absolutely required. With this in mind, we suggest changing the first objective to: **Maintain, and develop if necessary**, High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statement Audits'; ("Develop and Maintain High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statement Audits")

The accompanying description of the second objective, as noted in paragraphs 20 to 27, involves not only significant implementation reviews, the challenge of reacting to changes in the business environment and the way in which audits and reviews are carried out, but also the significant challenge of considering the need for standards in relation to engagements other than audit and reviews that are relevant to both large and small entities. This is a challenging portfolio of aims and we are concerned that the individually important components of this objective may be obscured by the rather nebulous wording that makes the second objective. We recommend the wording is expanded to capture the full and significant challenges that the Board is striving to achieve.

We further would like the wording of the strategic focus to stress the importance of a better dialogue between IAASB and NSS to avoid insecurities by translations and implementations into diverse national contexts.

In this context we make a reference to our main concern above regarding SMEs and SMPs. They should be more clearly identified as main stakeholders with distinct needs beyond trivial and evident paragraphs in the "A-section" of standards primarily designed for bigger practices and bigger enterprises.

("Ensure the IAASB's Suite of Standards Continues to Be Relevant in a Changing World by Responding to Stakeholder Needs")

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The third objective is in many ways a process rather than an objective. We would like to support the IAASB in expressing even more its dialogue with other stakeholders in its strategy to secure the relevance of standards etc. This is especially true for addressing smaller entities' needs; the IAASB should strongly emphasize this part of the market. Related to this, we note that it is inevitable that the aims, objectives and priorities of relevant stakeholders will not be homogeneous and many will not coincide with those strategic priorities of the IAASB. In order to preserve the independence of the IAASB and enable the Board to achieve its strategic objective it is critical that the IAASB takes a leading role in its collaborations and cooperation with the stakeholder. Last but not least, linked to the second and third strategic objective, nowadays there is significant focus not only on financial reporting, but also on non-financial reporting. As this aspect of reporting continues to evolve, the IAASB will need to adapt its strategy and work plan.

("Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed")

***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.***

Overall, the factors included in Appendix 2 appear to be reasonable.

**Other Comments and Responses to Questions on the Proposed Work Program for 2015–2016**

***c) 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.***

Focusing on fewer key projects is likely to achieve the best outcome. Nevertheless, it is critical to understand that if this is at the expense of the breadth, the IAASB will simply not achieve the stretching strategic objectives that it has set itself.

Additionally, we are aware of the IAASB’s extensive and valuable due process, as well as its staff constraints, however, stakeholders would be best served by accelerating the finalization of current projects.

***d) 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.***

***ISQC 1 – a request for a stronger focus on proportionality in application***

We welcome the fact that the IAASB is embracing this project, although we do have significant reservations regarding the proposed extent of the project. Currently, the wording used in the Consultation Paper is one of “consideration” and suggests a rather superficial and narrow review. If this is the true intentions of the Board, then we could not support such a project. We believe that the whole ISQC 1 standard, including an analysis of the proportionality of guidance, requires considerable thought. We believe that the current standard poses unnecessary challenges for SMPs to implement and is disproportionate in its effect on firms providing review engagements. With this in mind, the proposed work in relation to ISQC 1 seems far too narrow.

***Special audit considerations relevant to financial institutions***

Generally, we consider this topic as a priority for the IAASB. However, they are generally highly regulated at national level, and it could be questioned whether the enhancement of these are topics properly within ISAs, or whether, as we would welcome, stakeholders would be better served by individual industry specific International Auditing Practice Notes (IAPNs).

### ***Professional scepticism***

Professional scepticism is a critical topic for the auditing environment to address and as such we welcome the Board prioritizing this as a topic. However, we caution against producing abstract or theoretical literature. More practical guidance, or training material, on applying professional scepticism will be valuable and well-received.

We also note that scepticism is not a concept that can be considered in a vacuum, its interrelationship with such issues as reasonable assurance, fraud issues and sufficient appropriate evidence is also critical and should form part of the Board's thinking.

***e) 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.***

### ***Proportionality in application***

In relation to the adoption of high-quality standards such as ISAs and ISQC 1, an overriding issue for SMEs and SMPs continues to be proportionality, and more specifically **proportionality of documentation requirements**; this is a critical issue that cannot be ignored. There is a need to further demonstrate that proportionate documentation is possible and acceptable for quality assurance or inspection purposes or for public oversight bodies in general terms. We believe that the issue of proportionality should be addressed as a major issue and also that it should be addressed as a relevant topic in the discussions between the IAASB and IFIAR.

### ***The portfolio of standards***

We find it important that ISRS 4400 and ISRE 2410 are clarified to secure a cohesive portfolio of standards.

In this context, we would recommend to phrase limited assurance in a more positive way, such as "based on our work, it is our opinion...". Such a phrasing would in our view make a clear distinction between the level of assurance in an audit and a review.

***Audit software and use of technology***

We believe that the use of audit software should be an area in which the IAASB expresses an interest. The reality is that SMPs do not routinely use the standards, but rather only become acquainted with them indirectly through their audit software packages, which are labelled (but not necessarily certified) to be clarified ISA compliant. Although the IAASB is not an audit software provider, this aspect is directly relevant to the post implementation reviews that the Board is proposing and consideration should be made to the need for work in this area. Perhaps some work could be usefully performed in some countries in identifying potential suppliers and in creating awareness about the consequences of major modifications in ISAs or in training audit software providers.

***f) 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.***

IAASB's demanding due process in developing standards is both a strength and a weakness. It is certainly a strength as far as the quality of the final standards are concerned, but at times, this is to the detriment of the speed in delivery. Therefore, we would like to invite the IAASB to reflect on potential forms of output other than standards, with a variety of authoritativeness requiring a different level of application of the due process.

Yours sincerely

Lars Kiertzner  
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