

IAASB - International Auditing and Assurance
Standards Board
529 Fifth Avenue
New York, 10017
USA

31st May 2019

Comment letter relating to the IAASB's proposed strategy for 2020-2023 and work plan for 2020-2021

Dear Sirs,

1. IAASA appreciates the opportunity to comment on the IAASB's ("Board") consultation paper on the proposed strategy for 2020-2023 and work plan for 2020-2021, issued in February 2019.
2. IAASA is a member of the Committee of European Audit Oversight Bodies and has contributed to the comment letter from CEAOB. This letter reiterates our agreement with points raised by CEAOB.
3. Our comments are provided in response to the five headers raised in the consultation paper (page 5), presented hereafter in bold.

1. Comments on Goal, Keys to Success and Stakeholder Value Proposition and the Environmental Drivers

4. We first would like to emphasise the public interest that is attached to audit and suggest that it should be the most important consideration in setting the IAASB's goals and priorities. Additionally, stressing the public interest provides a strong incentive for timely completion of IAASB projects.
5. The opportunities and challenges listed in the consultation document (page 7) do not acknowledge the different stages of development and legislative requirements in different jurisdictions and the impact this may have on the standards issued. For example, a number of requirements for audits set out in the EU Audit Directive and Regulation are not currently included in the standards issued by the IAASB. The existence of differing legal requirements on topics covered during an audit is a factor which ought to be integrated in the environmental drivers to determine IAASB actions and priorities.
6. While the "changing reporting needs of stakeholders" are listed as an environmental driver in the IAASB proposals (page 7), it should also be noted that the aims of the various stakeholder groups are not always aligned. Users of financial statements, auditors, professional bodies, national standards setters etc. have different roles and needs, thus priorities may differ.

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7. Moreover, it would be helpful to accompany the proposals with a feedback summary regarding the implementation of the IAASB's previous strategies and work plans, to ensure that the lessons learned are taken into consideration for the future plan.

2. Comments on Strategy and Focus and Strategic Actions for 2020–2023

8. We agree that the proposed themes and areas in the consultation are relevant. However, there is limited information on specific outputs expected as a result of the strategy, focus and strategic actions, particularly beyond 2020-21.
9. An indication of the resources to be devoted to the different strategic actions would also help to understand the plan. Given the large number of strategic actions mentioned, defining priorities and resources affected would help in the future management of projects, including research activities (paragraphs 11 and 15 below refer).

3. Comments on the IAASB's proposed Framework for Activities, and the possible nature of such activities

10. In principle, we welcome initiatives aiming at organising the IAASB's work to facilitate more timely reaction to issues identified, especially by audit regulators. However, we note that work on the proposed Framework for Activities is not included in the 2020/21 work plan, so it is not clear when the IAASB expects to develop, finalise and implement this. Nor is it clear if the IAASB intends to engage in further consultation regarding a new proposed framework.
11. While we acknowledge the importance of information-gathering and research to inform the IAASB's activities, there is a risk that unless such activities are time bound and subject to appropriate controls they could delay the IAASB's work rather than enhancing it. The process may become overly focussed on research activities rather than actual outcomes. We encourage the IAASB to define clear targets with tangible outcomes, as well as the expected time line for delivery.
12. Further detail on what is envisaged by the various mechanisms to address issues and challenges on a more timely basis (page 12: non-authoritative guidance, 'limited scope' revisions and an 'interpretations' mechanism) would be helpful. While we welcome IAASB initiatives to ensure that issues are addressed on a timely basis, there is a risk that lack of clarity regarding these mechanisms and how they will operate in practice may complicate rather than simplify the application of standards issued. Further, the IAASB should also examine the current standard setting process to identify where improvements could be made such as efficiencies to reduce time-scales for the issuing /updating of standards.
13. It is our view that the ability to "undertake the work within a realistic timeframe" should not be a key driver of the decision to revise or develop standards. Rather the IAASB should prioritise its projects to make the most effective use of the resources available to it. Such priorities should be examined on a regular basis to ensure the allocation of resources continues to be appropriate.

4. Comments on the actions identified in the detailed Work Plan for 2020–2021 and other actions the IAASB should prioritise

14. It appears that the IAASB intends to limit its standard setting activities to revisions of ISA 315, ISQC1 and ISA 220, ISA 600 and ISRS 4000, all of which are projects that have already been commenced and which (with the exception of the revised ISA 600) are expected to be completed by the first quarter of 2020. We would welcome further information on whether there are other standards that the IAASB intends to revise and develop in 2020-21.
15. It would appear that the majority of the IAASB's resources in 2020-21 are to be dedicated to research. However, the intended outcome(s) of this research are unclear. We encourage the IAASB to provide further detail on the outcomes expected and the related timing envisaged. We also encourage the IAASB to continue its activities to revise standards throughout the period covered by the proposed work plan.
16. Regarding the topics for inclusion in the list of upcoming projects, we support the proposal to review the standards dealing with "audit evidence". The project should cover enhancement of the auditor's professional scepticism and refining the provisions on materiality, audit sampling, and analytical procedures to take inspection findings and deficiencies into account. We would like to re-emphasise the need for the IAASB to consider the integration of the use of new technologies such as "data analytics" in audit in the course of this project.
17. We note that the revision of ISA 330 (on response to assessed risks) is not part of the IAASB proposal. We believe it is important that ISA 330 is reviewed in light of the amendments to ISA 315 (on risk assessment), given the links between the two standards. In particular, it is important that all the concepts in ISA 315 are consistently used and aligned with ISA 330 and other standards dealing with risks assessment or their implications (such as ISA 240 (on fraud) and ISA 550 (on related parties' transactions)). The audit evidence project may also require further revisions to ISA 330 as the use of new technology for testing financial information and internal controls may have an impact on the means of responding to risks in ISA 330.

5. Comments on 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

18. The IAASB should consider the lessons learned from its post implementation reviews and how they could be used to enhance the standards going forward.
19. When developing non-authoritative guidance, the IAASB should consider whether the need to develop such guidance may indicate weaknesses in the standards and/or application material. The extent to which supporting material is required may indicate that the current process is not resulting in standards that are sufficiently clear, comprehensive etc. Where guidance is considered

appropriate, it is our view that, if possible, it should be issued at the same time as the final/revised standard to facilitate the effective implementation and application of the standard.

Other comments

20. The extent to which the Monitoring Group consultation may impact on the strategy and work plan is not yet known. However, we encourage the IAASB to detail its plans and targets in the work plan and we welcome the initiatives to continue progress and to avoid any disruption in its activities.
21. We recognise that amendments to the current proposed IAASB strategy and plan may be requested, during the period, to adapt them to the reform of the standard setting which is currently being prepared by the Monitoring Group. The topics to be addressed by standards setters will however remain relevant, and thus we encourage the IAASB to issue the final version of the priorities soon.

I hope that you find the comments useful. Please do not hesitate to contact me if you have any questions.

Yours faithfully,



Kevin Prendergast
Chief Executive Officer