

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

Response ID:664 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: : Institut der Wirtschaftsprüfer e.V. (IDW)

Name or Person submitting Survey on behalf of the organization: : Wolf Böhm

### 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)

Yes

**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; orFew 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.).**

The main issues arising from the strategic environment that may impact the needs of IAASB stakeholders are the:

- Impact of technology on services for which the IAASB has standards (in particular, data analytics, blockchain, and AI). The implication in this fast-changing environment is not to seek to write definitive standards to cover every eventuality, but, in the long-run, to seek to write robust, principles-based standards that are less susceptible to disruption. This also implies that the IAASB should resist the urge to seek to respond to regulatory changes, since these appear to be following national or regional imperatives, often only affect certain kinds of entities in particular jurisdictions (e.g. PIEs as defined in particular jurisdictions), and therefore cannot be addressed in standards that apply at a global level. It also means that the IAASB should also resist the urge to completely revise its standards each time a new scandal or other event erupts: rather, it should first determine the root causes of these matters and seek limited scope amendments to standards – if indeed the problem is in the standards rather execution – that can be done more quickly than complete revisions.
- Increasing importance of non-financial information. The implication is that the IAASB as a first step must provide more guidance on the application of existing standards in this environment (including multi-scope engagements), but in the long run may need to provide standards for additional kinds of services.
- The impact of the complexity of standards on SMPs and engagements in relation to SMEs. As the world becomes more complex, it is understandable that there is some pressure to make standards more complex to reflect this complexity. However, the impact ought to be to seek to write standards that are more principles-based and that stand the test of time. In addition, complexity in standards can be addressed by using the paradigm "think small first". If this issue is not appropriately addressed in the near future, the consequence will be differential standards.

**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.*

(a) The fast pace of change in technology will also have an impact on the people and activities of the IAASB. In particular, the IAASB will need to draw on individuals with greater knowledge about IT issues (this does not necessarily mean having IT experts "on top" as Board members, but such experts should be "on tap". The IAASB will also need to engage in standard setting activities in relation to the impact of IT on its engagement and quality control standards. While the IAASB should use the technology available to further develop the effectiveness and efficiency of its processes, experience has shown that the need for face-to-face meetings of task forces and the Board will not diminish.

The need to address engagements in relation to non-financial information and the complexity of standards in relation to SMPs and SMEs means that the Board needs to draw on individuals with experience with non-financial information, individuals with experience managing SMPs, and individuals with experience performing engagements for SMPs. The IAASB will also need to engage in standard setting activities for non-financial information and engagements for SMPs. However, these topics are unlikely to have a significant impact on the technology used by the IAASB or its processes.

**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?**

In the EU new laws have been passed dealing with data protection. In addition, in Germany there are new considerations relating to critical infrastructure and the use of the cloud. The IDW is working on practice statements on how certain IDW standards can be applied to provide assurance opinions in relation to these issues. As these issues are relevant internationally, the IAASB may wish to consider monitoring these matters to inform its future agenda.

**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 : 5%

Audits and reviews of historical financial information : 30%

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 : 5%

Matters relating to audits of smaller and less complex entities : 20%

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Total : 100%

**Comments:** Once the quality control standards (ISQC 1 and ISA 220) have been revised, these need to be implemented and therefore there is no need to address these in standards setting other than in implementation monitoring in 2020 to 2023. The same applies to audits of financial statements (ISAs 540, 315, 600 and perhaps 500 will have been completed. The exception hereto is consideration of the impact of technology on audits and reviews, which is why the percentage is 30 %, rather than just 10 % for implementation monitoring alone. Assurance on emerging forms of external reporting is becoming increasingly important, as are other forms of related services, for which pronouncements might be helpful –

particularly in relation to multi-scope engagements. This accounts for their relatively high percentage each. The IAASB has largely completed its conceptual work on professional skepticism, and much of this would have been embedded into the standards that would have been issued as noted above. Consequently, only light monitoring is needed here. Once ISA 540, 315, 220, 600 and 500 have been issued, matters relating to audits of smaller and less complex entities will become acute. Consequently, considerable effort will need to be expended in this regard.

**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	1%	99%	
Audits and reviews of historical financial information	67%	33%	
Other assurance – EER engagements	99%	1%	
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.	99%	1%	

**Comments:** As noted above, once the revised ISQC 1 and ISA 220 have been issued, activities in quality control can be limited to undertaking implementation monitoring. For audits, two-thirds of the activities would relate to the consideration of IT and data analytics, whereas one-third of the activities would related to implementation monitoring. For other assurance engagements (whether EER or other), since no standards other than ISAE 3000 exist, the focus needs to be on developing new pronouncements.

**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.

The greatest focus should be on implementation review of extant standards together with a potential revision of those standards to deal with changes in technology that affect the performance of the affected engagements, since this is key to maintaining the relevance of those standards.

The second priority should be dealing with engagements for non-financial information (both EER and other), since this is important to deal with stakeholders' needs in this area as it becomes more important to them.

The other important priority is to deal with the complexity of standards that form a barrier to their implementation by SMPs and in an SME environment. This has become crucial because there are clear indications that the current level of complexity will no longer be accepted by this community.

For these reasons, we do not believe that a moratorium would be appropriate at this time.

**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.**

The specific topics or standards or guidance that should be a priority are:

- Revising auditing standards to take into account changes in technology (ISA 300, ISA 315, ISA 330, ISA 500, ISA 402). This applies to all entities.
- Providing guidance in relation to assurance and related services for non-financial information (both EER and other). This applies to all entities.
- The complexity of standards that form a barrier to their implementation. This is an issue for all entities, but is particularly important for SMPs and SMEs environment.

**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)?**

Since the final analysis and report of the monitoring group review have not yet been issued, it is entirely premature to seek to implement measures that were suggested in the initial report. In particular, writing robust standards that are less susceptible to disruption involves taking more, rather than less, time for the due process for standards.