



**The Japanese Institute of
Certified Public Accountants**

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June 3, 2019
Mr. Botha
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue, 6th Floor
New York, NY 10017 USA

Dear Mr. Botha,

Re: JICPA Response to the Proposed Strategy for 2020-2023 and Work Plan for 2020-2021

The Japanese Institute of Certified Public Accountants (JICPA) is grateful for the opportunity to comment on the Proposed Strategy for 2020-2023 and Work Plan for 2020-2021 (the Proposed SWP) issued by the International Auditing and Assurance Standards Board.

We believe that the IAASB is reaching a major turning point. The Monitoring Group review may bring unexpected change to the activities of the IAASB, and the results of the Audits of Less Complex Entities Project may have an impact on all standard setting projects of the IAASB. Therefore, we strongly support the IAASB's approach to develop a Framework for Activities which includes robust information-gathering and research activities as a cornerstone for future work streams, without rushing into new projects.

The attached are our comments on "Request for Comments" which we hope will be of assistance to the IAASB.

Sincerely yours,

Sayaka Sumida

Executive Board Member - Auditing Standards
The Japanese Institute of Certified Public Accountants

1. Whether you agree with Our Goal, Keys to Success and Stakeholder Value Proposition (see page 6), as well as the Environmental Drivers (see page 7).

We agree with the proposal.

2. Whether you agree with Our Strategy and Focus and Our Strategic Actions for 2020–2023 (see pages 8 to 13).

We agree with the proposal. In particular, we welcome the inclusion of Theme D “Strengthen and Broaden Our Capability and Capacity to Respond by Innovating our Ways of Working,” which is critical to the IAASB's future activities as a whole.

3. Whether you agree with the IAASB’s proposed Framework for Activities, and the possible nature of such activities (see pages 11 and 12), as set out in Appendix 2 (see pages 19 and 20).

We agree that the IAASB will develop and implement a Framework for Activities. In particular, we support robust information-gathering and research activities as a cornerstone for future work streams (page 11), and the criteria for initiation of standard-setting projects described in the column “Revising and Developing Standards” in Appendix 2 (page 19). We believe that it is crucial to define clearly what issues are occurring and how pervasive they are, and to determine appropriate actions (i.e., revising or developing standards or other responses). In addition, it is important to clearly explain to the public the process that led to the decision on actions.

However, with regard to “developing a process for limited-scope revisions to standards” (page 12), we believe it is unclear when the process is expected to be used and are concerned that this process will result in frequent revisions to the standards. It should not be implemented except for very limited cases. Therefore, we believe it is necessary to establish strict criteria to determine whether the process is to be applied.

We found that the Proposed SWP uses the terms “limited-scope revisions to standards” (on page 12), “narrow scope maintenance of standards” (on page 12 in the chart) and “narrow-scope amendments to a standard” (on page 20 in Appendix 2). When the Framework of Activities is finalized, consistent terminology should be used. In addition, “interpretations mechanism” is classified as “narrow scope maintenance of standards” (on page 12 in the chart and on page 20 in Appendix 2). However, we believe that it should be classified under the same category as “developing non-authoritative guidance”, since it does not involve any change to the standards.

4. Whether you support the actions that have been identified in our detailed Work Plan for 2020–2021 (see pages 15 and 16). If not, what other actions do you believe the IAASB should prioritize?

We support the actions described in the Work Plan. However, we propose reconsidering the target time for finalizing some of the projects, such as the Quality Management Project (scheduled to be finalized in March 2020) and the ISA 600 revision project (scheduled to be finalized in March 2021), as it seems unrealistic considering the current status of discussion and resource situation.

In addition, we understand that the ISA 315 revision project is currently scheduled to be finalized in September 2019. However, ISA 315 is the foundation for the risk-based approach, and revisions to ISA 315 also affect other standards. For example, we believe that ISA 240 will be affected by ISA 315 revisions. We propose that the review of the necessity of revising other standards arising from the revision of ISA 315 be treated as a separate project after 2020 if it is not addressed in the ISA 315 revision project.

5. Whether 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 included in its ‘information-gathering and research activities’ (see page 10).

We agree with the tentative topics set forth on page 10. Below are our views with respect to some of the topics.

- The need for changes to standards to address issues and challenges related to audit evidence: We believe that consideration of the need to revise standards focused on the evolution of technology is of high priority, and strongly agree with the topic. In addition to ISA 500 “Audit Evidence,” ISA 520 “Analytical Procedures” is affected by the use of new technologies such as data analytics, and should be included as a standard for consideration of the necessity of revision.
- Professional skepticism: It is not very useful to discuss the concept of professional skepticism itself, and we believe that the IAASB should keep focusing on considering auditor behaviors and procedures that support the proper exercise of professional skepticism. Therefore, we support considering specific revisions that encourage the appropriate exercise of professional skepticism in each of the standard setting projects.