

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

Response ID:735 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: : KPMG network

Name or Person submitting Survey on behalf of the organization: : Sheri Anderson

3. Select from the following options that describe your organization:

Accounting Firm

4. Is this a/an:

[Global network](#) Some audit firms operate internationally through a network of firms. Network firms often share common methodologies and quality control and monitoring policies and procedures. Some networks also share guidance in relation to values, ethics, and attitudes, and have programs to enhance the [knowledge and experience of partners and staff.](#) (or firm within such a network)

5. Is this response on behalf of the global network?

Yes

Is this response on behalf of a regional or national firm?

Other Firm?

IFAC Member Body or Other Professional Organization

National auditing standards same as, or based on, the IAASB’s current International Standards on Auditing

Please specify which standards are used:

Other national standards same as, or based on, IAASB’s other standards (i.e., assurance, related services and reviews)

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.).

We believe that the strategic environment affecting the needs of the IAASB's stakeholders in the foreseeable future will continue to evolve, with significant developments in the following areas:

- ^{2E} Technology – significant investment by companies, analysts and auditors in increasingly sophisticated technology, including data analytics and automation as well as other evolving technologies such as artificial intelligence and distributed ledger technology (e.g. blockchain), will eventually completely transform the way that information/audit evidence is obtained and evaluated. This drives the need for more holistic consideration of the way an audit is performed, including the skills that will be required to perform them;
- ^{2E} Assurance and related services – the demand for high-quality assurance engagements in respect of broader corporate reporting, including non-financial information, and related initiatives such as Integrated Reporting is expected to grow significantly;
- ^{2E} In an increasingly global environment, with businesses ranging across a broad spectrum in terms of size, nature and complexity, the need for standards that are capable of consistent and effective implementation, in a manner that allows them to be scalable to recognise these widely different attributes, will be as important as ever.

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.

KPMG agrees with the key challenges and opportunities that the IAASB has identified in the Future Strategy Survey. In particular, we highlight the need to:

- ^{2E} Keep standards fit for purpose, in particular to take account of technological advances, and ensure they address issues that arise in a timely manner. Accordingly, we recommend that the IAASB considers further how to respond to market need in a fast-paced environment, e.g. by developing non-authoritative guidance or Staff Papers to address specific matters in a more immediate way;
- ^{2E} Work closely with other standard-setters/ bodies including IESBA, IASB and national standard setters to understand and address stakeholder needs in a coordinated manner;
- ^{2E} Ensure standards are capable of consistent application in a way that is scalable. We recommend the IAASB take advantage of considerable advances in technology to help achieve this aim (please refer to question 6).

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?

We highlight key matters above, and note that there are several initiatives underway to respond to these, e.g. in terms of technological advances including data and analytics, the need for assurance over broader corporate reporting, and also to respond to the changing way in which business is conducted in an increasingly global environment.

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 : 20%

Audits and reviews of historical financial information : 35%

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 : 15%

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 : 10%

Professional skepticism : 10%

Matters relating to audits of smaller and less complex entities : 10%

Total : 100%

Comments: We suggest an allocation of effort as above to reflect project commitments in respect of revisions to standards already underway, as well as to address areas such as the implications of technology advances/ data and analytics/emerging technologies such as distributed ledger technology on the way an audit is conducted. In directing work effort, considerations would also include the effects of changes in/ emerging technology on the way that audit evidence is obtained and also the nature and extent of audit documentation, including what information would constitute appropriate documentation, as we note that this may be particularly impacted by these developments. We suggest this allocation to the crossover topics outlined above, and also with respect to work on other crossover topics underway, e.g. in respect of materiality. In making the above-recommended allocations we take account of initiatives of other

standard-setters/ bodies e.g. the IASB project on materiality and we recommend close coordination of IAASB with other standard-setters/bodies. We note that the allocation of IAASB resources in respect of the above areas includes not only revising and developing standards, but also consideration of non-authoritative guidance such as issuance of Staff Papers, to address specific matters in order to support effective implementation of standards

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	25%	75%	
Audits and reviews of historical financial information	50%	50%	
Other assurance – EER engagements	50%	50%	
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.	50%	50%	

Comments: We suggest the above allocations to reflect project commitments underway as IAASB enters the strategy period 2020-2023. We recommend the IAASB directs a significant proportion of effort to deepening their understanding of implementation challenges to help ensure that targeted and effective solutions are developed, in a timely manner. For example, we recommend thorough consideration as to whether the changes made to the reporting suite of standards have addressed concerns around providing increased transparency to stakeholders and, in particular, whether such additional information has helped to address the "expectation gap". As we note above, solutions may involve increased issuance of non-authoritative guidance and Staff Papers to address specific matters/ stakeholder concerns. In respect of assurance engagements, we recommend that the IAASB consider these more holistically, based on information sources, and broader challenges such as the application of concepts such as materiality to an assurance engagement over non-financial information, rather than taking a silo-based approach driven by specific subject matters. We further note that the current distinction between EER and non-EER is not a bright line and will itself evolve over time.

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.

We note the significant activity undertaken by the IAASB in recent years in developing new/clarified

standards, and in enhancing the reporting suite of standards.

We suggest that as a priority, as the IAASB enters the 2020-2023 period, the IAASB focuses on developing a deeper understanding of both pervasive challenges/areas of concern in respect of application of standards, as well as specific implementation challenges, for example, in the form of thematic reviews, and considers solutions to address these that are more timely, and are not limited to the development of new, or revisions to existing, standards, as we note above.

In particular, as we describe earlier, we believe projects to update the standards to recognise the significant changes to the audit environment as a result of rapid developments in technology, including data analytics, should be given priority.

We also suggest consideration of interactive solutions, both in terms of stakeholder outreach and standards development processes as well as in terms of the ability to use the standards themselves. We believe in a technologically evolving environment it would be helpful to explore innovations to move from a document-centric, paper-based set of individual standards to a more dynamic system, e.g. a smart database, to help increase user interaction with standards, as well as improve connectivity of the standards with each other as part of the overall audit process, with increased relevance to the specific facts and circumstances of the engagement, and with other sets of standards e.g. financial reporting standards such as IFRS.

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.

As we note above, we believe projects to update the standards to recognise the significant changes to the audit environment as a result of rapid developments in technology, including data analytics, should be given priority. We believe this would be relevant for all entities, from listed entities to SMEs and, accordingly, we believe that solutions should be scalable.

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)?

We are supportive of the IAASB's efforts to consider changes driven by the outcome of the Monitoring Group review.