
The Nordic Federation of Public Accountants (NRF) is pleased to provide you with its comments on the Proposed Strategy for 2020–2023 and Work Plan for 2020–2021.

General comments

NRF broadly supports the proposed strategy and work plan. Nevertheless, we would like to highlight some overall views.

Moving forward with the strategy and work plan, we would like to stress the importance of completing ongoing projects before starting new ones. In our view, it is especially important that the IAASB prioritizes to provide necessary resources and time to the project regarding audits of less complex entities. We believe that addressing this issue is vital for the public interest and that a need for a global solution is urgent.

Bearing in mind IAASB’s current work with a revised ISA 315 and the Quality Management standards, we urge the IAASB to provide sufficient time for both professional bodies to translate the standards and provide appropriate guidance and training material, and for practitioners to make necessary adaptations.

With regard to recent developments with very voluminous and complex standards and the magnitude of criticism these have received, we would encourage the IAASB, as part of finalizing this strategy and work plan, to consider an overall evaluation of its drafting process and initiate a clarity project. Such project should, in our opinion, be focused on clarifying scalability options and the use of simpler language and shorter sentences. It could also include directives on how to use application material in the standards. For
example, in order to support shorter, more robust and distinct standards, application material that consists of explanations of the rationale behind the requirements could, in our opinion, rather be placed in a Basis for Conclusions.

Should you have any questions regarding this submission, please do not hesitate to contact me.

Yours sincerely,

Helene Agélii
Secretary General and CEO
Nordic Federation of Public Accountants

About NRF

NRF is a separate legal institution, founded in 1932, acting on behalf of and under the direction of the recognized audit and accounting institutes in the Nordic region (DnR in Norway, FAR in Sweden, FLE in Iceland, FSR – danske revisorer in Denmark and Suomen Tilintarkastajat ry in Finland).
APPENDIX 1 – NRF comments to IAASB’s specific questions on whether:

1. You agree to Our Goal, Keys to Success and Stakeholder Value Proposition, as well as the Environmental Drivers?

In general, we agree with the goal, keys to success and stakeholder value proposition, as well as the environmental drivers. However, the scope is very broad and seems to capture ‘everything’ with the same level of importance. Our view is that some matters are more urgent than others, especially matters related to the environment of small- and medium sized entities.

In addition to the focus on trust, we would also encourage a more explicit focus on relevance, since we believe that several of the mentioned environmental drivers are closely linked to the future relevance of the profession and its services.

We support the development of principles-based standards rather than the more prescriptive standards we have witnessed recently. We also believe that the need for implementation support and activities are closely linked to the complexity of the standards. As a standard setter the IAASB should focus on developing standards and related non-authoritative guidance. Implementation activities should primarily be tailored and performed regionally because of the differences around the world. The IAASB’s role should be limited to supporting and coordinating such regional implementation activities.

2. You agree with Our Strategy and Focus and Our Strategic Actions for 2020–2023?

Overall, we agree with the proposed strategic actions, but we are concerned that the strategy might be too ambitious.

We strongly support that IAASB has put activities relating to audits of less complex entities as a top priority as this reflects one of the main strategic issues that the IAASB is currently facing. If the IAASB does not deal with this issue, it could threaten global adoption and use of international standards. In light of international developments with national initiatives and the time already spent within the IAASB trying to address audits of less complex entities, we think it is not ambitious enough to only include ‘information-gathering and research activities’ in this strategy. In the same way, it is our view that the wording used, such as ‘commit to continue considering’ does not reflect an ambitious enough level of commitment to address this matter. Audits of less complex entities are vital for the public interest and the need for a solution is urgent.

We also support the strategic actions regarding strengthening and broadening the capability and capacity to respond by innovating ways of working.

We note that the IAASB has highlighted ‘scoping future projects’ as an important part of robust information-gathering and research activities. We agree that determining the scope for future projects is important and that a more focused and limited scope should in some
cases be considered. We believe that projects can be completed faster and that more issues, that needs to be dealt with, can be delivered in a shorter time period. Faster delivery of projects will also help the future relevance of the profession and the services provided.

We would like to stress the importance of conducting impact assessments and cost-benefit analyzes, especially with regard to the impact any changes will have on SMPs.

Since both scalability and audits of less complex entities are highlighted in the strategy, we would like to emphasize the need to also include the SMP community in the IAASB’s connectivity and collaboration activities.

3. You agree with the IAASB’s proposed Framework for Activities, and the possible nature of such activities, as set out in Appendix 2?

We strongly support that the IAASB is prioritizing to examine its processes when considering how to approach new issues and future projects. We also support the development of a process for ‘limited-scope’ revisions to standards with proportionate due process.

To the section ‘Research Phase’, we would also like to add making impact assessments, taking into account a cost-benefit analysis for the users, especially with regard to the SMPs and the professional bodies.

We believe that this framework could benefit from some clarifications regarding what is considered to be non-authoritative guidance and implementation material and the differences between them, since both types of activities focus on how to apply the standards.

We also note that the examples relating to developing non-authoritative guidance have quite a limited scope, especially with regard to the much broader description stated in the same section of the framework. We support a broader application, where providing non-authoritative guidance is an appropriate alternative to revising the standards.

We encourage the IAASB, when considering different options on how to deal with necessary matters, to primarily consider providing non-authoritative guidance and hence, using revising and developing standards as the last option. Therefore, we suggest adding a bullet point to the section ‘Revising and Developing Standards’ that reflects this preferred approach.

We would also like to emphasize the benefits of using simpler language and shorter sentences when drafting revisions in the standards.

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1 “The development of non-authoritative guidance will start when the research phase indicates that non-authoritative guidance is required, which is generally when guidance to support application of the IAASB’s International Standards is needed and is considered to be an appropriate alternative to authoritative guidance”.
4. **You support the actions that have been identified in our detailed Work Plan for 2020-2021. If not, what other actions do you believe the IAASB should prioritize?**

We have concerns that the proposed work plan for 2020–2021 is too ambitious. We believe that more time is needed for completing the ongoing projects, such as the revised ISA 315 and the Quality Management standards. In this respect, the IAASB should also take into consideration the time needed for both professional bodies and practitioners to implement these standards.

As mentioned earlier, we believe it is important that sufficient time is allocated to the work of audits of less complex entities. According to the detailed work plan, the work regarding audits of less complex entities is shown under the ‘Research Phase’ and is estimated to continue until March 2019. This project has been going on for a few years already and during this time we have noticed an increase in national initiatives. Any further actions decided by the IAASB, based on the outcome of the response letters to the discussion paper of audit of less complex entities, should therefore begin directly after the research phase is completed. The work plan for 2020–2021 would therefore have to be amended accordingly.

The ‘Research Phase’ section of the work plan also includes a general research activity. We would encourage the IAASB to focus such activities on matters that are mentioned under the section ‘Changing Expectations and Public Confidence in Audits’ on page 7 in this consultation paper.

5. **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.**

We support the mentioned activities and especially the activities that are linked to the relevance of the audit profession and its core services.