The IAASB's Proposed Strategy for 2015–2019

The IAASB's Proposed Work Program for 2015–2016

IAASB International Auditing and Assurance Standards Board™

REQUEST FOR COMMENTS

This Consultation Paper, which comprises the *IAASB's Proposed Strategy for 2015–2019* and the *IAASB's Proposed Work Program for 2015–2016*, was developed and approved by the International Auditing and Assurance Standards Board (IAASB) for publication in December 2013. This Consultation Paper may be modified in light of comments received before being issued in final form.

Respondents are asked to submit their comments **electronically** through the IAASB website (www.iaasb.org), using the "Submit a Comment" link on the Exposure Drafts and Consultation Papers page. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this new feature. All comments will be considered a matter of public record and will ultimately be posted on the IAASB website.

Comments are requested by **April 4, 2014**.

This publication may be downloaded from the IAASB website at www.iaasb.org. The approved text is published in the English language.

Executive Summary

The IAASB is undertaking this consultation to obtain views on its forward strategic direction and work program, in order to build on the existing strong base of standards and address new topics where there is a demonstrated public interest need. This Consultation Paper has been developed taking into account input received from the IAASB's March 2013 stakeholder survey, the results of the IAASB's recently completed post-implementation review of the clarified International Standards on Auditing (ISAs), and other input from stakeholders, along with consideration of relevant current developments.

The IAASB has identified three strategic objectives for the period 2015–2019:

➢ **Develop and Maintain High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statement Audits**

➢ **Ensure the IAASB's Suite of Standards Continues to Be Relevant in a Changing World by Responding to Stakeholder Needs**

➢ **Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed**

This consultation also sets out the IAASB's proposed Work Program for 2015–2016. In identifying potential actions and their relative priority for the 2015–2016 period, a number of factors were considered, including the following:

➢ **The perceived urgency in the public interest of the need for change, and the potential implications if action is delayed, taking into account both the demands of the capital markets and the impact on businesses of all sizes.**

➢ **The need for change to enhance audit quality globally, or to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future, and the degree to which such change would further facilitate high-quality financial and corporate reporting and enhance public confidence therein.**

➢ **The degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action by the IAASB.**

➢ **The global applicability of the potential actions, for example in relation to entities of different sizes and complexity, different industries, and across jurisdictions.**

While recognizing calls for IAASB effort on a variety of important topics, an overarching consideration in prioritizing planned actions has been how best to deploy the IAASB's resources in a way that has the greatest potential to serve the public interest. The IAASB is therefore proposing to prioritize work in relation to quality control, professional skepticism, and special audit considerations relevant to financial institutions. The IAASB also proposes to take steps to further understand issues noted in practice related to group audits, and dedicate efforts in support of adoption and implementation of its Auditor Reporting Standards.

In relation to review, other assurance and related services standards, the IAASB intends to develop a process for post-implementation reviews of such standards. The IAASB's Innovation, Needs and Future Opportunities (INFO) Working Group intends to continue to monitor developments in emerging areas of assurance, such as Integrated Reporting. Finally, liaison and dialogue with key stakeholders will remain a priority for the IAASB, with an emphasis on strengthening our relationships with international regulators and audit oversight bodies.

Questions for Respondents

Proposed Strategy for 2015–2019

The IAASB is particularly interested in respondents' views on:

(a)   Whether the strategic objectives identified are considered appropriate for the period 2015–2019. If not, please explain.

(b)   Whether the factors included in Appendix 2 on page 19 represent a reasonable basis for the IAASB to use in developing its Work Programs beyond the *Work Program for 2015–2016*.

Proposed Work Program for 2015–2016

The IAASB is particularly interested in respondents' views on:

(a)   The approach taken to the development of the *Work Program for 2015–2016*, in particular the IAASB's decision to focus on fewer key projects towards the goal of their completion by 2017.

(b)   The appropriateness of the topics chosen as the focus for the *Work Program for 2015–2016* (see paragraph 4 of the Work Program and Table A on pages 26–29) in light of the strategic objectives set out in the IAASB's *Strategy for 2015–2019.*

(c)   Whether there is an action(s) or project(s) that has not been included in the *Work Program for 2015–2016* that you believe the IAASB should address during that period. For example, should any of the topics in Appendix 1 (on pages 39–41) be prioritized sooner? If so, which initiative(s) identified in Table A (on pages 26–29) do you believe should be replaced by this action(s) or project(s). Please provide an explanation of your views.

(d)   Whether there are alternative approaches for the IAASB to consider in order to enhance the IAASB's ability to address calls from stakeholders for IAASB efforts on a variety of important topics, in light of the constraints of available resources and the need for due process to be applied in the development or revision of standards.

The IAASB invites any other comments that you believe are important to provide input to the IAASB for the purpose of developing its future strategy and work programs.

THE IAASB'S PROPOSED STRATEGY
FOR 2015–2019

Fulfilling Our Public
Interest Mandate in an
Evolving World

IAASB

International Auditing
and Assurance
Standards Board™

Our Mandate	The International Auditing and Assurance Standards Board (IAASB) sets, independently and under its own authority, high-quality international standards to serve the public interest.
Our Commitment	The IAASB is committed to the goal of developing a set of international standards that are generally accepted worldwide, and facilitating the convergence of international and national standards. The IAASB's objectives contribute to enhanced quality and consistency of practice throughout the world, and strengthened public confidence in the global auditing and assurance profession.
Our Principal Areas of Focus	The IAASB's principal areas of focus are: ➢ Developing standards; ➢ Monitoring and facilitating the adoption of those standards; and ➢ Responding to concerns about the implementation of the standards. These areas align closely with the IAASB's mandate and are expected to continue to remain valid over the longer term.
Our Standards	The IAASB's standards cover a broad range of engagements, including: ➢ Audits of historical financial information of both public and private entities, irrespective of size (known as International Standards on Auditing or ISAs); ➢ Engagements to review historical financial information (known as International Standards on Review Engagements or ISREs); ➢ Assurance engagements other than audits or reviews of historical financial information (known as International Standards on Assurance Engagements or ISAEs); and ➢ Compilation engagements, engagements to apply agreed-upon procedures to information and other related services engagements (known as International Standards on Related Services or ISRSs). International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, applies to firms performing these engagements.
Strategic Input	The IAASB Consultative Advisory Group (CAG) in its independent capacity provides valuable public interest input into the IAASB's strategy, agenda, priorities, and technical issues. The CAG is comprised of over 30 Member Organizations representing global regulators, business and international organizations, and users and preparers of financial statements. Interaction with the CAG is a key element of the IAASB's due process.
Oversight	The IAASB sets its standards following due process, under the oversight of the Public Interest Oversight Board (PIOB).
Structures and Processes	The structures and processes that support the IAASB are facilitated by the International Federation of Accountants (IFAC).

Reflecting on Our Strategic Focus and Developments in the Past Five Years

Enhancing the Utility and Robustness of the Audit to Support Financial Stability

1. The IAASB's Clarity project was designed to improve the clarity and understandability of the ISAs and thereby facilitate their consistent application. During the Clarity project, over half of the IAASB's ISAs were substantively revised, and many stakeholders acknowledged the rigor that has been added to those revised standards as a response to issues arising from the global financial crisis.

2. Since completion of the Clarity project in 2008, the Board has been active in outreach in support of adoption and implementation of the clarified ISAs. It has also focused on maintaining and enhancing relationships with international and national regulatory bodies, auditor oversight and inspection authorities, and national standard setters (NSS). In addition, the IAASB has issued several staff publications in support of implementation of its standards, and completed its work on a comprehensive post-implementation review of the clarified ISAs.[1]

> *The International Organization of Securities Commissions (IOSCO), the Basel Committee on Banking Supervision (Basel Committee), the World Federation of Exchanges, the World Bank (WB) and the United Nations Conference on Trade and Development have expressed their support for the clarified ISAs.*

3. These efforts have proved fruitful – there are now 92 jurisdictions[2] worldwide that use the clarified ISAs, or are committed to using them in the near future, with more jurisdictions expected shortly. In addition, in 2010 the International Organization of Supreme Audit Institutions (INTOSAI) endorsed a set of International Standards of Supreme Audit Institutions (ISSAIs) for public sector financial audits, which include the clarified ISAs. This widespread and growing international use of the ISAs underscores the importance of the IAASB continuing to focus its efforts in support of their effective implementation on audits of historical financial information of entities of all sizes.

4. Equally important is the continued improvement of the ISAs to help maintain public confidence in the financial statement audit. This was emphasized by the vast majority of respondents to the Stakeholder Survey, including regulators. Notably, the efforts and activities of regulatory bodies globally are also increasing, along with their expectations regarding consistent and effective application of the ISAs. Groups established to promote collaboration in regulatory activity and to focus on audit quality and related matters, such as the International Forum of Independent Audit Regulators (IFIAR), are becoming more coordinated and seeking to continuously "raise the bar" to improve audit quality. The IAASB therefore has a role to play in this regard, in particular when changes to the ISAs or new standards may be necessary to respond to concerns about audit quality.

5. In the previous strategy consultation for 2012–2014, the IAASB's key stakeholders called for the IAASB to focus on supporting global financial stability. The audit is a key element of financial

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[1] See the July 2013 IAASB Report, *Clarified International Standards on Auditing–Findings from the Post-Implementation Review*.

[2] For a list of jurisdictions using, or committed to using the clarified ISAs, see http://www.iaasb.org/auditing-assurance/clarity-center/support-and-guidance.

stability, because the work of auditors contributes to the credibility of the financial statements on which they are reporting, and the ISAs play an important role in supporting audit quality.

6. Because the auditor's report is the key deliverable addressing the output of the audit process for users of the financial statements, the IAASB's top priority in the last two years has been work on auditor reporting, with revised standards[3] expected to be finalized in 2014. In addition to auditor reporting, the IAASB has continued to devote attention to a number of other areas to enhance audit quality. It has released revised standards addressing the use of the work of internal auditors,[4] has progressed work in relation to auditing financial statement disclosures[5] and the auditor's responsibilities relating to other information,[6] and has now finalized its *Framework for Audit Quality*.

Enhancing the Role, Relevance and Quality of Assurance and Related Services in an Evolving World

7. The IAASB has devoted significant efforts to enhancing its suite of standards other than ISAs since the completion of the Clarity project. The IAASB gave priority attention to strengthening its suite of standards addressing compilation[7] and review[8] engagements, which are especially relevant to small- and medium-sized entities (SMEs). Since the beginning of 2012, the IAASB has also released new assurance standards on Greenhouse Gas statements[9] and pro forma financial information.[10] We undertook work in these areas in response to demands from users, practitioners, and regulators, as these assurance services were seen to be most relevant in the current environment. Most recently, the IAASB has completed the revision of its umbrella assurance standard for engagements other than audits or reviews of historical financial information, ISAE 3000,[11] to further strengthen the basis on which those assurance engagements are conducted.

Our Vision for the Next Five Years

8. In the past, the IAASB's Strategy and Work Programs have been developed using a three-year time period, with the current Strategy and Work Program covering 2012–2014. The IAASB has decided to change its strategy period to five years commencing in 2015 (i.e., 2015–2019).

9. The IAASB believes that extending the strategy period will enable stakeholders to better understand the IAASB's medium- to longer-term priorities, and provide a suitable context for

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3   See the IAASB's July 2013 Exposure Draft, *Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)*.

4   ISA 610 (Revised), *Using the Work of Internal Auditors,* was issued in March 2012. ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, which addresses the use of direct assistance, was released in March 2013. Related changes have also been made to ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, to explain how the internal audit function and its findings can usefully inform the external auditor's risk assessments.

5   See the Disclosures project history on the IAASB's website.

6   Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements, and the Auditor's Report Thereon*, was issued for exposure in November 2012.

7   ISRS 4410 (Revised), *Compilation Engagements,* was issued in March 2012.

8   ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements,* was issued in September 2012.

9   ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

10   ISAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*

11   ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

purposes of the IAASB's decisions on specific initiatives. This change in the strategy period also takes into account the time necessary to develop standards with due process, as well as consideration of the appropriate frequency with which the IAASB undertakes strategy consultations. Responses to the Stakeholder Survey indicated broad support for this change.

10.   In embarking on its plans for the next five years, it is crucial that the IAASB identify its strategic objectives for this period, as a means for our stakeholders to understand how their needs are being addressed in a changing environment and, importantly, as a means for the PIOB to confirm that the IAASB is fulfilling its public interest mandate appropriately. Doing so is also necessary to assist the IAASB in determining which initiatives should be prioritized in its *Work Program for 2015–2016* and subsequent work programs during the five-year period. Appendix 1 explains important considerations that have been taken into account in setting the *Work Program for 2015–2016*, most notably the constraints of a Board comprised largely of volunteers who are asked to contribute approximately 600 hours per year as members. Over the five-year period, the Board is committed to reviewing whether there are ways to ensure that it is operating in the most efficient and effective manner, and will also look to capitalize on opportunities to expand its capacity in light of growing demands from all types of stakeholders.

11.   The most significant strategic issue facing the IAASB is how to ensure continued credibility and confidence in its work as a global standard setter, both in terms of its ability to identify the most pertinent public interest issues and respond appropriately to them in a timely manner. An essential element to our success is broad public consultation on our agenda and ongoing collaboration and cooperation with stakeholders, while adhering to a rigorous due process to ensure their varied perspectives are factored into our work.[12] The strategic objectives provide further context to this overarching issue in the context of the IAASB's mandate and outputs.

Our Strategic Objectives

12.   Stakeholders internationally expect the IAASB to not only produce high-quality standards that enhance audit and assurance practice, but also to carry out its efforts in coordination and collaboration with key stakeholders so that the standards the IAASB develops can achieve global acceptance and work, and can be seen to work, internationally.

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[12]   Appendix 3 provides further information about the objectives of our outreach activities and how we liaise and communicate with our key stakeholders.

The IAASB, and the relevance of its work, therefore is highly influenced by the international environment in which it operates. Over the past five years, important global developments have emerged aimed at increasing the credibility and reliability of financial reporting, and therefore the importance and relevance of the financial statement audit and other assurance services. Of particular note:

➢ In 2008, the G-20 committed to a fundamental reform of the financial system, to correct the fault lines that led to the global financial crisis and to rebuild the financial system as a safer, more resilient source of finance that better serves the real economy. The Financial Stability Board (FSB) is coordinating a framework of financial reforms at the request of the G-20 and has recently published a progress report on these reforms. Importantly, the FSB has signaled that ISAs, among other standards, are key for sound financial systems and deserving of priority implementation.

➢ Following the current financial crisis, IOSCO adopted a new strategic direction that emphasized the need for securities regulators to identify, monitor and manage systemic risks. IOSCO has recently published the *IOSCO Securities Markets Risk Outlook for 2013–2014*, which highlights important trends, vulnerabilities and risks in securities markets that may be of concern from a systemic perspective.

➢ In 2011, the European Commission (EC) issued its audit reform proposals aimed at a higher quality, dynamic and open audit market to clarify the role of auditors and restore confidence in financial statements. The US Public Company Accounting Oversight Board (PCAOB), in its dual role as a standard setter and regulator, is also actively addressing, among others, the topics of auditor reporting and audit quality. While these proposals are in the context of a regional regulatory environment, they have stimulated debate at the international level.

13. The IAASB's strategic objectives are intended to illustrate how the IAASB intends to focus its activities over its 2015–2019 strategy period, taking into account the strong platform of standards the IAASB has developed over the last ten years, the current environment, and feedback from stakeholders. They provide the basis for decisions about actions and projects to be undertaken, and for setting priorities, both in the near term and in the later part of the strategy period. The IAASB believes these objectives are relevant to engagements for entities of all sizes. Appendix 2 provides further guidance on factors that the IAASB believes need to be considered in determining the appropriateness of including specific initiatives on the IAASB's work program and their relative priority.

The strategic objectives for 2015–2019 identified by the IAASB are to:

(i) Develop and Maintain High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statement Audits

(ii) Ensure the IAASB's Suite of Standards Continues to Be Relevant in a Changing World by Responding to Stakeholder Needs

(iii) Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed

14. While the IAASB anticipates that the strategic objectives will remain relevant over the strategy period, we recognize that the environment in which its standards operate can rapidly change, and new developments and other influences can affect the IAASB's objectives and priorities. Accordingly, the IAASB will continue to actively monitor global developments, and a mid-period review of the Strategy will be undertaken to determine whether the identified objectives remain relevant or if they need to be adjusted, in particular as the Board determines the specific initiatives to be prioritized in 2017 and beyond. The Board believes that using these strategic objectives as a means of developing its more detailed work programs will maintain the strong position of the IAASB and its standards going into 2020.

DEVELOP AND MAINTAIN HIGH-QUALITY ISAs THAT ARE ACCEPTED AS THE BASIS FOR HIGH-QUALITY FINANCIAL STATEMENT AUDITS

15. The clarified ISAs and ISQC 1 serve a fundamental role in underpinning audit quality and users' confidence in the audit and financial reporting, thereby supporting financial stability. The IAASB is committed to maintaining the quality and proportionality of these standards and to meeting the expectations that stakeholders have regarding their application for audits in the private and public sectors. Accordingly, the IAASB will give priority attention to this strategic objective, in particular when considering the overall balance and timing of all of the planned initiatives for 2015–2019.[13]

16. To fulfill this strategic objective, the IAASB will invest significant effort in responding to key implementation issues identified from the IAASB's ISA Implementation Monitoring project during 2015–2019. Responses to the Stakeholder Survey identified this as a key area of strategic focus for the IAASB. The findings from this project, along with input from regulators and audit oversight bodies, indicate that improvement to aspects of some of the ISAs is necessary to achieve greater consistency and effectiveness in their application.

17. Continued outreach and liaison with audit inspection groups is essential to understanding their expectations regarding the IAASB's standards and activities. Accordingly, the IAASB will seek to strengthen its working relationship with IFIAR during the strategic period, and will explore how best to do so. In particular, coordination among IFIAR, the IAASB, and the Global Public Policy Committee (GPPC)[14] to understand the root causes of inspection findings may enable the IAASB to further understand issues affecting audit quality and determine appropriate responses to these issues. As a result of these interactions throughout the strategic period, the IAASB may identify future actions with regard to specific ISAs or may identify, for example, opportunities where further exploration of aspects of the IAASB's *Framework for Audit Quality* may be beneficial.

18. Feedback from auditors and NSS obtained during the ISA Implementation Monitoring project and from the Stakeholder Survey also cited the need to continue to allow for ongoing national adoption and implementation of the clarified ISAs before introducing significant changes to them. Changes to national auditing standards arising from translation and the legislation process, and changes to firms' audit methodologies, take time in order for the IAASB's standards to be adopted and

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13. Over the last two strategy periods since 2009, the IAASB's efforts in developing new standards, or revising existing standards, have been balanced on a roughly equal basis between standards for audits of historical financial information, reviews of historical financial information, other assurance, and related services engagements. It has also balanced its efforts between standards development, and monitoring and facilitating adoption and implementation of the standards.

14. The GPPC is comprised of representatives from the six largest international accounting networks and focuses on public policy issues for the accounting profession. The GPPC also has periodic dialogue with IFIAR about inspection findings and other issues relevant to audit quality.

effectively implemented. Also, the importance to audit quality of auditor education, training and implementation guidance, in particular for small and medium practices (SMPs), cannot be underestimated.

19.   However, there is a call for urgency from audit regulators and audit inspection groups in respect of some of the more significant changes. Therefore, when determining potential projects and priorities, it will be important for the Board, in consultation with all of its stakeholders, to consider the most appropriate actions to enhance audit quality in respect of these topics, and determine an appropriate effective date for any changes to the standards or new standards,[15] balancing the demand for changes with an appropriate amount of time to allow such changes to be implemented in practice.

ENSURE THE IAASB'S SUITE OF STANDARDS CONTINUES TO BE RELEVANT IN A CHANGING WORLD BY RESPONDING TO STAKEHOLDER NEEDS

20.   This strategic objective acknowledges that the financial reporting environment continues to change, and therefore working to ensure that the IAASB's international standards remain relevant and effective continues to be highly important.

21.   Developments such as the increasingly complex information technology (IT)-reliant business environment, evolving technologies (for example, cloud computing), changes to business models including off-shoring, and changes in both financial reporting standards and applicable internal control frameworks affect the way that audits are carried out.

22.   New, innovative forms of reporting, such as Integrated Reporting, are a response to the calls for more strategic and connected information to be made available for users to assess the ability of entities to sustain and improve value creation. This potentially also affects the demand for new assurance and related services, as users, regulators, and policymakers in various jurisdictions may request or require practitioner involvement through assurance engagements addressing different types of subject matters, such as management commentary, corporate governance, risk management and internal control, and an entity's future viability. While ISAE 3000 (Revised) is intended to be applied as the overarching assurance standard addressing reasonable assurance and limited assurance engagements other than audits or reviews of historical financial information,

> *Responses to the Stakeholder Survey suggested that consideration be given to whether enhancement of the standards is needed in light of change in technologies, the increasing impact of globalization and regulation, including their effect on how audits are performed, and evolving users' needs. Responses to the Stakeholder Survey also noted that continued development of new international assurance standards for engagements other than audits or reviews of historical financial information remains essential in meeting users' needs and thereby the public interest.*

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[15]   For example, as was the case with the Clarity Project, the IAASB may consider whether to align the effective dates of new or revised standards addressing different topics to allow for more substantive changes to the ISAs to come into effect concurrently, as this may assist auditors, in particular SMPs, in their implementation efforts.

the consideration of whether a topic-specific standard for a new assurance engagement is needed on an international basis poses distinct challenges for the IAASB from a strategic perspective. It can often be difficult to gauge whether the market demand for assurance in a particular area is sufficient to warrant the IAASB devoting significant Board and staff resources to it. Similarly, an international standard may not be feasible, in particular if suitable criteria have not yet been developed.

23. The IAASB's Innovation, Needs, and Future Opportunities (INFO) Working Group will therefore play an important role in exploring emerging developments beyond those affecting the financial statement audit to assist the IAASB in identifying opportunities for standard setting or other potential actions to fulfill this strategic objective. This will enable the IAASB to consider whether to develop new or revise existing assurance standards for engagements other than audits or reviews of historical financial information that support high-quality engagements relevant to both large and smaller entities. At present, the emergence of Integrated Reporting is likely to be a significant assurance issue of public interest that will need to be explored by the INFO Working Group as a matter of priority.

24. At the same time, it is also important for the IAASB to focus on activities that promote the adoption of its new and revised standards and their effective implementation to ensure the benefits of the Board's work are realized. As a respondent to the Stakeholder Survey noted: "the days of simply issuing standards are over." This is true not only for the IAASB's auditing and quality control standards, but also its standards for other engagements. Investment is needed both in developing and maintaining standards, as well as in facilitating adoption and implementation, so that the standards work, and are seen to work, globally in all contexts. The IAASB recognizes that, in order to achieve effective implementation globally, standards need to be, and be seen to be, proportionate to the size and complexity of the entity.

25. As illustrated from the perceived success of the ISA Implementation Monitoring project in relation to the clarified ISAs, understanding whether the standards are operating as intended, and whether they are being consistently understood and applied, is essential for continuous improvement and for the IAASB's credibility as an international standard setter. As a result, the IAASB believes post-implementation reviews should be a continuing focus of its forward strategy. Findings from these reviews may assist the IAASB in facilitating further global adoption and obtaining a fuller understanding of how the standards are meeting the needs of users, including SMPs.

26. The IAASB intends to focus post-implementation review efforts on its new and revised auditor reporting standards, in light of their importance and the expected significant effect on practice. While not a formal project, monitoring of the clarified ISAs will be an ongoing activity during the strategy period. As the ISAs continue to be adopted globally and further experience with them is gained, the IAASB will continue to seek feedback on the clarified ISAs as an integral part of its outreach activities.

27. Efforts will also be devoted to developing a process to monitor recently released new or revised assurance, review and related services standards, in particular to understand implementation issues facing SMPs in relation to the revised review and compilation standards.

COLLABORATE AND COOPERATE WITH CONTRIBUTORS TO THE FINANCIAL REPORTING SUPPLY CHAIN TO FOSTER AUDIT QUALITY AND STAY INFORMED

28. Many stakeholders have an essential role to play to enhance the quality of financial and corporate reporting and related audit, assurance or other services that are provided in support of enhancing users' confidence. The CAG is a fundamental part of the IAASB's engagement with its stakeholders about these vital topics and interaction with the CAG is a key element of the IAASB's due process. Comprised of over 30 Member Organizations[16] representing global regulators, business and international organizations, and users and preparers of financial statements, the CAG in its independent capacity provides valuable public interest input into the IAASB's strategy, agenda and priorities, and technical issues. Matters discussed by the CAG are taken into account by the IAASB as it progresses the development of not only its standard-setting projects but also the development of its strategy and work program and other initiatives.

29. Respondents to the Stakeholder Survey lauded efforts by the IAASB to contribute to the global debate on improving financial reporting, and encouraged the IAASB to continue to actively work with other relevant stakeholders. The IAASB believes this is fundamental to its ability to fulfill its other strategic objectives, and accordingly will continue to devote significant attention to outreach over the strategy period. Appendix 3 highlights the objectives of our outreach activities and how we liaise and communicate with our key stakeholders.

> In 2013, IAASB members and staff have undertaken over 100 outreach activities in 24 countries on various matters, most notably auditor reporting, audit quality and ISA Implementation Monitoring.

30. An important part of the IAASB's activities will therefore be continued liaison and further development of relationships with key stakeholders, including the International Accounting Standards Board (IASB), IFIAR, IOSCO, the FSB, the CAG, practitioners (through the Forum of Firms,[17] GPPC and IFAC SMP Committee[18]), INTOSAI and NSS. Liaison with these groups is critical to the IAASB as it further advocates for the global adoption and implementation of the clarified ISAs and its other standards in jurisdictions worldwide. Such groups have insight into the different regulatory and legal environments of those jurisdictions and may be able to assist in facilitating adoption and effective implementation.

31. Such collective input assists in finding meaningful and workable solutions to some of the very challenging issues facing the profession today. For example, there may be opportunities for collaboration with NSS to enable the IAASB to progress certain projects more rapidly by leveraging work undertaken at the national level. Further, accounting standard setters or regulators may be able to undertake activities under their remits as a complement to the IAASB's activities on topics in the public interest.[19] Discussion with audit firms, including SMPs, and NSS may help the IAASB

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[16]   The Member Organizations represented on the CAG can be found on the IAASB's website.

[17]   The Forum of Firms (Forum) is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide, and use the ISAs as the basis for their audit methodologies.

[18]   The IFAC SMP Committee represents the interests of professional accountants who work in SMPs. The committee develops guidance and tools, and works to ensure the needs of the SMP and SME sectors are considered by standard setters, regulators, and policymakers. The committee also speaks out on behalf of SMPs to raise awareness of their role and value, especially in supporting SMEs, and the importance of the small business sector overall.

[19]   For example, the IAASB-IASB Liaison Working Group provides timely inputs on aspects of the IASB's proposed standards that may have potential verifiability or auditability issues and other matters that may affect the pronouncements of the IAASB or

understand the practical implications of its proposals at an earlier stage in their development, as well as implementation challenges that the IAASB may need to address, including in relation to emerging markets.

32. The IAASB also recognizes the critical role of NSS, IFAC member bodies, and regional and other professional organizations, and follows their developments with interest to identify matters of global relevance in relation to audit, assurance and related services.

33. Research is also an important input to the study of whether and how standards may need to be enhanced. Accordingly, the IAASB will continue to engage with, and explore opportunities to enhance the involvement of, the academic community and others to help inform the IAASB's decisions.

34. During the strategy period, the IAASB will use input from its outreach activities to evaluate which aspects of collaboration work best to achieve its goals and how best to conduct future outreach. For example, while users and preparers are represented on the CAG, additional outreach to these groups, perhaps by individual Board members in their respective jurisdictions, can inform the IAASB as to the relevance of its work to these groups.

Measuring Our Success in Implementing This Proposed Strategy

35. In past strategy periods, the IAASB's focus has been on whether it has completed the planned projects included in its respective Work Programs. Some stakeholders have suggested the IAASB should consider establishing performance metrics to monitor the implementation of its strategy and related work programs as a way of evaluating whether the IAASB is achieving its intended objectives.

36. The IAASB intends to further consider how it can monitor and communicate transparently about its efforts in a manner that highlights its accountability to its stakeholders, including the PIOB. On an initial basis, the Board believes its focus should be on:

➢ Highlighting the public interest issues the Board has addressed and resolved in executing its Work Programs;

➢ Monitoring the success of its efforts towards global adoption of the clarified ISAs, as well its other assurance and related services standards; and

➢ In addition to the ongoing processes in place with both the CAG and the PIOB, obtaining feedback during outreach activities from stakeholders about the progress and impact the IAASB is making in its standard-setting and other activities, and summarizing this in the IAASB's periodic public updates.

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create a need for new pronouncements. Certain projects on the IAASB's agenda, for example in relation to auditor reporting on going concern, and the auditor's work on financial statement disclosures, have also benefitted from discussions with IASB members and Staff.

Guide for Respondents

37. The IAASB is particularly interested in respondents' views on:

(a) Whether the strategic objectives identified are considered appropriate for the period 2015–2019? If not, please explain.

(b) Whether the factors included in Appendix 2 represent a reasonable basis for the IAASB to use in developing its Work Programs beyond the *Work Program for 2015–2016*?

The IAASB invites any other comments that you believe are important to provide input to the IAASB for the purpose of developing its future strategy.

Additional questions for respondents have been included in the accompanying consultation on the *Work Program for 2015–2016*, including whether the proposed initiatives are consistent with, and are the best means of serving, the IAASB's three proposed strategic objectives.

Appendix 1

Important Considerations in Setting the IAASB's Work Program for 2015–2016

The discussion below outlines key considerations evaluated by the Board and its Staff in developing its *Work Program for 2015–2016*. The IAASB recognizes the importance of organizing and conducting its activities in the most effective and efficient way, and the need for ongoing consideration of opportunities to enhance the way it operates. Further, there is need for ongoing consideration of the overall capacity of the IAASB and its staff complement, and to explore opportunities to expand that capacity, for example through collaboration and cooperation with others on particular projects or by sharing staffing resources. The IAASB will be giving specific attention to these matters in 2014, and will continue to do so throughout the strategy period.

Balance of Resources between the IAASB, Its Chairman and Its Staff

With the exception of the full-time Chairman, all IAASB members participate on a volunteer basis. As such, there are limitations on the available Board time that can be devoted to particular projects, both during IAASB meetings and through project task force meetings. Project task forces are chaired by IAASB members, and comprise IAASB members, IAASB technical advisors, and others with relevant expertise. These project task forces typically meet at least once between each IAASB meeting. Each IAASB member ordinarily participates in two or more project task forces.

Board members may be asked to participate in the IAASB CAG meetings and liaison meetings with NSS, and outreach activities in their particular jurisdictions.

The full-time IAASB Chairman and volunteer IAASB Deputy Chair undertake a significant level of outreach activity, speaking at conferences and meetings of organizations interested in the work of the IAASB, engaging in dialogue with key stakeholders moving ahead with adoption of the ISAs, participating in discussions about the regulatory environment in which auditors operate, and furthering the work of the IAASB in a number of forums.

Each standard-setting project is supported by at least one Staff member, who is responsible for organizing Board and task force meetings, developing issues papers and draft standards, guidance or other publications for consideration by the project task force, revising these materials for discussion by the Board, and preparing minutes for Board discussions. In addition to managing projects, IAASB Staff develop publications such as Staff Audit Practice Alerts, Staff Questions and Answers, press releases and project updates for individual projects, explanatory memoranda that accompany exposure drafts, and bases for conclusions that accompany final pronouncements. They are also involved in liaison activities and prepare relevant materials to support IAASB communication activities and the Chairman's outreach efforts. Staff also support the development of the agendas and material for the semi-annual IAASB CAG and annual IAASB-NSS liaison meetings, and have responsibility for reporting to IFAC and the PIOB.

Key Assumptions

The IAASB's future capacity for its *Work Program for 2015–2016* has been based on the following key assumptions:

➢ The IAASB will continue to be funded exclusively by IFAC, and accordingly will be subject to budgetary constraints. Budgets, including staffing complements, are determined approximately 18 months in advance, and are expected to be consistent with past levels.

➢ The Board comprises a full-time remunerated Chairman and 17 volunteer members who are asked to contribute approximately 600 hours per year. The Board is comprised of a balance of practitioner and non-practitioner members, which includes at least three public members whose travel costs are borne by the IAASB.

➢ There are 8 full-time technical staff and 2 full-time administrative staff members supporting the Board's operations.

➢ The IAASB meets for five days, four times per year. The number of projects that can be discussed at each IAASB meeting varies depending on the stage of the project, but typically would not exceed five projects at each meeting.

➢ Detailed work on projects is undertaken by task forces drawn from the membership of the IAASB and which may include representatives nominated by INTOSAI, IFIAR, the Institute of Internal Auditors (IIA) or from other relevant organizations.

➢ The development of all standards and pronouncements is done following comprehensive due process. This includes consultation with the IAASB CAG and public exposure, typically 120 days. Most projects take a minimum of 36 months to complete, assuming approximately five projects are discussed at each meeting. However, the overall time needed is also dependent on the complexity of the subject matter, including the assessment of the need to issue consultation papers or to conduct significant research or other outreach in advance of the issuance of an exposure draft, as well as the disparity of views from different stakeholders.

➢ The commencement of any new standard-setting project is subject to IAASB approval of a project proposal designed to identify the objective(s) of the project and how achievement of those objectives would serve the public interest.

The *Work Program for 2015–2016* includes time to allow for research activities, education sessions to further inform the IAASB's debates, outreach and direct interaction with interested stakeholders, and development of communications relating to individual projects. These activities may be undertaken before the development of a project proposal, in particular when it may not be clear at the onset of the IAASB's discussions as to the appropriate outcome(s) of a project to serve the public interest, for example, whether one of the following, or some combination thereof, would be an appropriate response to the issue that had been identified:

➢ Standard-setting activities;

➢ Implementation guidance in the form of a non-authoritative Practice Note or in some other form; or

➢ Staff publications.

Appendix 2

Factors Guiding the Identification of Potential Priorities and Actions in Future Work Programs

1. While there are calls from many stakeholders for IAASB efforts on a variety of important topics, the IAASB must prioritize its actions in light of its strategic objectives, available resources and other considerations explained in Appendix 1. The IAASB is of the view that it would be useful to identify certain criteria to enable it to make decisions regarding which actions should be included in future work programs and how such actions can be prioritized.

2. In identifying potential actions and their relative priority for the 2015–2016 period, a number of factors were considered, including the following:

   ➢ The perceived urgency in the public interest of the need for change, and the potential implications if action is delayed, taking into account both the demands of the capital markets and the impact on businesses of all sizes.

   ➢ The need for change to enhance audit quality globally, or to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future, and the degree to which such change would further facilitate high-quality financial and corporate reporting and enhance public confidence therein.

   ➢ The degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action by the IAASB.

   ➢ The global applicability of the potential actions, for example in relation to entities of different sizes and complexity, different industries, and across jurisdictions.

3. As a result of considering these factors, the IAASB has concluded it would be most appropriate to devote a significant majority of its resources to progress certain ISA- and ISQC-related topics on an accelerated basis in the period 2015–2016. In future periods, the IAASB may find it necessary to consider alternative approaches, including its historical approach of addressing a wide range of important topics concurrently, to best meet the public interest.

4. The IAASB is of the view that using these factors as the basis for selecting items to be included in future work programs, furthered by interaction with the IAASB CAG and oversight by the PIOB, will enable the Board to develop work programs that respond to the Board's diverse range of stakeholders and, more importantly, the public interest.

Appendix 3

Objectives of Our Outreach Activities and How We Liaise and Communicate with Our Key Stakeholders

An important part of the IAASB's activities is continued liaison and further development of relationships with key stakeholders, including the IASB, IFIAR, IOSCO, the FSB, the CAG, practitioners (through the Forum of Firms, GPPC and IFAC SMP Committee) and NSS.

The primary objectives of these outreach activities are:

➢ Promoting adoption and effective implementation of the ISAs and the IAASB's other standards, in particular in the SME and emerging markets, by understanding different regulatory and legal environments, as well as issues of translation.

➢ Engaging with regulators and audit oversight bodies to understand their concerns, in particular inspection findings, in relation to the application of the IAASB's standards to determine whether an IAASB response is necessary to improve practice.

➢ Understanding of issues facing the audit profession, including financial reporting issues, implementation challenges, and opportunities for collaboration to enhance audit quality.

➢ Understanding of the content and breadth of any proposed new standards to meet the common needs of all parties, including investors and other users, and lead to global acceptance and endorsement of the standards.

➢ Providing input on auditability and verifiability of new and revised international financial reporting standards, thereby contributing to the quality of financial reporting.

Outreach with these groups is conducted in a number of ways:

➢ Semi-annual meetings with the CAG as part of the IAASB's due process. Over 30 Member Organizations representing global regulators, business and international organizations, and users and preparers of financial statements participate in the CAG. The CAG advises the Board on its strategy and priorities, and has provided input into this consultation. The CAG also discusses each standard-setting project at least three times: at the time a project proposal is considered by the IAASB, prior to the issuance of an exposure draft and prior to finalization of a standard, and these comments are reported orally at the IAASB meeting immediately following the CAG meeting. A formal "report back" mechanism has been established with the CAG to explain how the IAASB considered the comments raised by CAG representatives on the individual projects discussed during these meetings.

➢ Annual meetings with NSS to not only gain NSS input into the IAASB's projects, but also to share knowledge on matters affecting international convergence and on international and national developments affecting the priority of topics on future standard-setting agendas. This liaison activity also may identify opportunities for collaboration on projects and leveraging of resources.

➢ By invitation to participate in meetings of formal groups and committees, such as IFIAR's Standards Coordination Working Group, IOSCO's Policy Committee 1, the European Audit Inspection Group,

the INTOSAI Financial Auditing Subcommittee, the GPPC, the Forum of Firms, the Standards Working Group of the six largest accounting firms, and the IFAC SMP Committee.[20]

➢ Through speaking engagements organized by CAG Member Organizations such as the International Corporate Governance Network, the WB, and the International Monetary Fund, IFAC member bodies, and academic and other professional organizations.

➢ Country visits, which typically involve meetings with regulators, NSS, IFAC member bodies, as well as auditors, users and preparers.

➢ Participation or observership in groups undertaking initiatives relevant to the IAASB's work, such as the Basel Committee, the IASB, the US PCAOB Standing Advisory Group, and the International Integrated Reporting Council.

➢ One-on-one meetings, for example with policymakers (such as the EC and US PCAOB), investor groups (such as the Global Auditor Investor Dialogue and the CFA Institute), international organizations (such as the WB and FSB) and assurance leadership of the accounting firms.

Many of these groups also routinely comment on the IAASB's exposure drafts and consultation papers.

In addition, broad external communications are undertaken in the context of:

➢ The Board's overall activities, including through the IAASB's website, annual report, eNews, and press releases;

➢ Board meetings, including meeting highlights, minutes, podcasts; and

➢ Individual projects, including At a Glance publications, press releases, and project histories.

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[20] The IFAC SMP Committee also provides written feedback on relevant agenda material in advance of each of the IAASB's meetings.

THE IAASB's PROPOSED WORK
PROGRAM FOR 2015–2016

Enhancing Audit Quality and
Preparing for the Future

IAASB International Auditing
and Assurance
Standards Board™

Planned Priorities and Actions for 2015–2016

1. The International Auditing and Assurance Standards Board's (IAASB) planned priorities and actions for 2015–2016 have been identified taking into account:

    ➢   The IAASB's strategic objectives as set out in the 2015–2019 Strategy

    ➢   Certain factors guiding the identification of potential priorities and actions in its work program[21]

    ➢   Available resources.[22]

    While recognizing calls from stakeholders for IAASB effort on a variety of important topics, an overarching consideration in prioritizing planned actions has been how best to deploy the IAASB's resources in a way that has the greatest potential to serve the public interest.

2. The IAASB's proposed 2015–2019 Strategy acknowledges the Board's strong commitment to meeting the expectations of stakeholders regarding the application of the International Standards on Auditing (ISAs) and International Standard on Quality Control (ISQC) 1,[23] both of which serve a fundamental role in underpinning audit quality, for both private and public sector audits. Accordingly, the IAASB intends to invest significant effort in 2015–2016 to respond to some of the key implementation issues identified from its ISA Implementation Monitoring project and address auditing issues of importance to supporting global financial stability, in particular in relation to financial institutions, and finalizing important initiatives that are already underway.

3. While standard setting remains a priority, the IAASB also recognizes the importance of preparing for the future, both in supporting the effective implementation of its new and revised Auditor Reporting standards[24] and undertaking outreach and other activities to lay the foundation for important initiatives to be undertaken in 2017 and beyond in support of the five-year Strategy.

4. In particular, the IAASB proposes that the following topics be prioritized in 2015–2016 in the public interest:

    ➢   **Quality control**

    ➢   **Professional skepticism**

    ➢   **Special audit considerations relevant to financial institutions**

    In addition, the IAASB has prioritized:

    ➢   **Liaison and dialogue with key stakeholders about audit quality and other topics**

    ➢   **Efforts in support of adoption and implementation of the IAASB's new and revised Auditor Reporting standards**

    ➢   **Development of a process for post-implementation reviews of the IAASB's other assurance and related services standards**

    ➢   **Information-gathering related to certain topics, in particular Integrated Reporting and group audits**

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[21]   See Appendix 2 of the IAASB's proposed 2015–2019 Strategy.

[22]   See Appendix 1 of the IAASB's proposed 2015–2019 Strategy.

[23]   ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

[24]   Expected to be completed in 2014

The IAASB's Approach to Progressing Projects during 2015–2016

5. The IAASB has learned from experience on its Auditor Reporting project of the benefits of progressing a significant standard-setting project rapidly, in a coordinated manner, towards a global solution that responds to calls for change. The approach taken to that project reflected the strong consensus of the Board's stakeholders about the public interest importance of moving forward quickly. By devoting a significant proportion of Board resources to the Auditor Reporting project, the IAASB was able to progress to an Exposure Draft on a timely basis, while consulting broadly and adhering to due process. However, in order to do so, other important initiatives had to be reprioritized, resulting in some delay before their completion.

6. In determining which projects should be prioritized in 2015–2016, the Board therefore considered whether its historical approach – addressing a wide range of important topics concurrently – remained appropriate or, in light of its successful approach to Auditor Reporting, whether devoting more resources to fewer topics, to move forward more quickly on those deemed most important, would be more appropriate.

7. Although the IAASB's historical approach would enable Board deliberation on a number of topics earlier in the strategy period, it results in slower overall progress on all of the topics on the Board's agenda. As a result, the IAASB is of the view that there are distinct benefits to focusing on a smaller set of active projects, completing those projects on a timely basis, and then addressing the next priorities.

8. The Board also considered whether it could address a few specific issues related to an aspect(s) of a standard under revision on a rapid basis through so-called "narrow scope" amendments. The remainder of the project to revise the standard would progress following the typical process and timeline for revision of a standard, resulting in a change to the standard over two (or more) phases.

9. Notwithstanding the potential benefits of this approach – namely, responsiveness to a specific issue – concern was expressed about the ability for both the Board and respondents to its consultations to accept, and thereby restrict comment only to, the limited issue as defined in any such narrow scope amendment. Further, drawbacks were noted in relation to having a standard under revision for a considerable period of time and subject to change twice during the period.

> *The Board believes a focus on a smaller number of projects in the Work Program, completed on a timely basis, has the greatest potential for improving audit quality in the near term.*

10. Having considered different approaches, the IAASB has concluded it would be most appropriate to devote a significant majority of its resources to progress certain ISA- and ISQC-related topics on an accelerated basis in the period 2015–2016. The goal is to complete the development of new or revised standards and guidance that respond to significant public interest issues by mid-2017 and have them come into effect as soon as practicable thereafter.

11. The IAASB also believes that regular and structured dialogue with regulators, in particular the International Forum of Independent Audit Regulators (IFIAR), is essential to assist in sharing of relevant information and perspectives on a timely basis. In addition to standard setting and outreach, in 2015–2016 the IAASB proposes to devote efforts in support of effective implementation of its new and revised Auditor Reporting standards, and begin the development of a process for post-implementation reviews of the IAASB's other assurance and related services standards.

12. Table A on pages 26–29 of this document sets out a summary of the IAASB's 2015–2016 Priorities and Actions, including possible outputs. A further description of the proposed priorities and actions follows the table. It is envisaged that discussion on these topics would substantially consume the IAASB's agenda through their planned completion in mid-2017.

Other Potential Topics and Actions to Support the 2015–2019 Strategy

13. Appendix 1 sets out the topics that the IAASB intends to prioritize in 2017 and beyond in support of the IAASB's 2015–2019 Strategy, taking into account the strategic objectives. These topics include, among others: the consideration of issues relating to group audits; the auditor's risk assessment; integrated reporting; agreed-upon procedures and auditor involvement with preliminary announcements and other financial information. In addition, consideration will also be given to the need for revision of one or more ISAs in light of findings classified as important during the ISA Implementation Monitoring project and other feedback from regulators and audit oversight bodies. The IAASB also proposes to conduct post-implementation reviews on certain of its other assurance and related services standards.

14. The Board believes that these initiatives should be included in its Work Programs for 2017 and beyond, and will consult in 2016 to better determine how such initiatives should be prioritized, and whether there are any new topics that should be addressed as a matter of priority. Where possible, the IAASB will seek to open a dialogue about issues related to some of these initiatives during 2015–2016 (see paragraphs 36–41). Stakeholders' views as to whether any of these initiatives are viewed as more critical than those identified for action in 2015–2016 will be useful to assist the Board in finalizing that work program. Appendix 2 shows how these initiatives interact with those in Table A, as a means of providing an overview of all initiatives the IAASB believes would support the IAASB's strategic objectives over the five-year period 2015–2019.

Recognizing the Need to Remain Flexible to Ensure the IAASB in Fulfilling Its Public Interest Mandate

15. The initiatives specified, both for the period 2015–2016 and beyond, represent the IAASB's current best thinking of how to deliver on its strategic objectives. However, the IAASB also recognizes the need to be flexible, both in the projects it has identified as priority projects and in its approach to future Work Programs. Through ongoing discussions and outreach with others,[25] the IAASB will monitor national and international developments to continually assess the prioritizations of its future planned projects. As necessary, the IAASB is prepared to strategically reallocate resources, or prioritize one or more project(s) to commence sooner, even though doing so may mean deferral of work on other projects.

16. The IAASB also notes that consideration of additional projects or the acceleration of work on specific projects may be possible through additional support by others, e.g., national auditing standard setters (NSS) or researchers, or other steps to enhance resources available to the Board.

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[25] Including the IAASB Consultative Advisory Group (CAG), regulators, NSS, practitioners and other key stakeholders, and through ongoing monitoring by the Innovation, Needs, and Future Opportunities (INFO) Working Group (see paragraph 45).

Table A

Overview of 2015–2016 Priorities and Actions

Note: The following table depicts the priorities and actions the IAASB expects to undertake in 2015–2016. Inclusion on the final Work Program for 2015–2016 is subject to stakeholders' views on consultation. The possible outputs listed below represent standard-setting and other potential initiatives that may be an appropriate response(s) to address the individual topics on the proposed Work Program. However, the expected output(s) will be agreed at the time the IAASB approves a formal project proposal to commence work on each topic, which will be informed by further research and consultation.

There will be projects that have already commenced in 2014 that will carry over into 2015, including: Auditor Reporting—ISA 800 series; Auditing Disclosures; and possibly Going Concern.[26] Resources and capacity will need to be made available to complete these projects during 2015 (see paragraph 42).

Key Topic / Activity	Possible/Expected Outputs
New Priority ISA/ISQC Projects Commencing in 2015–2016	
Quality Control Consideration of issues related to ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and related provisions of ISA 220, *Quality Control for an Audit of Financial Statements* • Revision of requirements and guidance addressing Engagement Quality Control Reviews (EQCRs) • Review of clarity of provisions relating to using the work of a specialist and an auditor's expert • Consideration of areas highlighted by the IAASB's work on its *Framework for Audit Quality,* for example in relation to a firm's culture, engagement team competencies and capabilities, and sufficiency of resources and time to achieve a high-quality audit • Consideration of the need for further guidance to explain the applicability of ISQC 1 (e.g. for proportionate application, to other assurance and related services engagements, etc.)	• Amendments to ISQC 1 / ISA 220 or new ISA relating to EQCRs • Additional guidance, such as Staff publications

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[26]   ISA 570, *Going Concern*

Key Topic / Activity	Possible/Expected Outputs
Professional Skepticism Consideration of how to reinforce the concept of professional skepticism in an audit	• Amendment to ISA 200[27] to clarify the definition of professional skepticism • Additional requirements or guidance (e.g., application material in relevant ISAs[28] or an International Auditing Practice Note (IAPN)) to assist auditors in properly applying professional skepticism during key phases of the audit
Special Audit Considerations Relevant to Financial Institutions Consideration of enhancements to the ISAs and/or the development of guidance to: • Clarify and enhance the relationship between the banking supervisors and the bank's external auditors, as necessary and appropriate in light of the related efforts of the Basel Committee on Banking Supervision (Basel Committee) in this area • Address auditing issues of particular significance in audits of banks or other financial institutions and these entities' use of fair value accounting and related estimates, including but not limited to impairment and loan loss provisioning	• Revision of ISA 540[29] or other relevant ISAs, if considered necessary • Development of an ISA or IAPN for special considerations relating to banking / financial institutions • Development of guidance on relevant topics

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[27]   ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

[28]   For example, ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*; ISA 260, *Communication with Those Charged with Governance*;   ISA 200; ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*; and ISA 230, *Audit Documentation*

[29]   ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

Key Topic / Activity	Possible/Expected Outputs
Other Activities Planned for 2015–2016	
Monitoring by the INFO Working Group of emerging developments related to assurance and related services, including in relation to *The International Integrated Reporting (<(IR>) Framework*[30] through observation of the International Integrated Reporting Council's (IIRC) Assurance Working Group	• Initial report by the INFO Working Group to IAASB on assurance considerations related to integrated reporting, as input into a possible project proposal for a new standard on Integrated Reporting • Reports to the IAASB on other topics during 2015–2019 as appropriate
Auditor Reporting: Adoption and Implementation • Actions to facilitate adoption and implementation of the new Auditor Reporting standards • Initial activities and planning for post-implementation review	• Staff publications or "train the trainer" materials • Webinars
Development of a process for post-implementation reviews of the IAASB's other assurance and related services standards	Process to be implemented in 2017 and beyond
Ongoing dialogue with key stakeholders including the International Accounting Standards Board (IASB), IFIAR, the International Organization of Securities Commissions (IOSCO), the Financial Stability Board (FSB), European Commission, US Public Company Accounting Oversight Board (PCAOB), the International Organization of Supreme Audit Institutions (INTOSAI), NSS, audit firms, International Federation of Accountants (IFAC) Small and Medium Practices (SMP) Committee and other IFAC member bodies as relevant	Quarterly Updates summarizing key themes identified in outreach and liaison activities, as well as progress on significant initiatives
Activities to support the use of the IAASB's *Framework for Audit Quality* by audit firms and other stakeholders	• Prominent theme in ongoing outreach and liaison activities • New Audit Quality page on the IAASB's website • Other communications and outputs as considered necessary

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[30]   *The International <IR> Framework* was released in December 2013.

Key Topic / Activity	Possible/Expected Outputs
Information-gathering activities related to projects commencing in 2017	• Input into project proposals for the project relating to ISA 600[31] and other standards as appropriate

Note: The table above maps the key topics to the relevant strategic objective, recognizing that outreach with stakeholders is undertaken on an ongoing basis and supports the three strategic objectives in the 2015–2019 Strategy. This table is intended to summarize the key topics or activities; further information about the proposed projects follows in paragraphs 17 to 41.

Develop and Maintain High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statements Audits

Ensure the IAASB's Suite of Standards Continues to be Relevant in a Changing World by Responding to Stakeholder Needs

Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Address Issues to Foster Audit Quality and Stay Informed

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[31] ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Further Details on New Priority ISA/ISQC Projects Commencing in 2015–2016

17.   The ISA Implementation Monitoring project was specifically focused on gathering information from a wide range of stakeholders about the implementation of the clarified ISAs on audits of entities of all sizes, in order to determine whether changes to the ISAs or new guidance is needed: (a) to increase the consistency of practitioners' understanding of the ISAs; and (b) for the revised ISAs covered by the review to achieve the IAASB's goals in revising them in an efficient and effective manner. Feedback from this project has been invaluable to the IAASB as it seeks to determine where to focus its efforts in relation to financial statement audits.

18.   Of the six key themes noted in the [final report](), the Board believes it could commence work on two themes on a priority basis – quality control and professional skepticism. The decision to prioritize efforts on these two themes was informed by:

   ➢   Input received from stakeholders in response to the ISA Implementation Monitoring project;

   ➢   Other outreach and consultation, in particular with regulators and audit oversight bodies as a result of their inspection findings and NSS in light of national developments; and

   ➢   Consideration of the factors guiding the identification of potential priorities and actions as set out in the Proposed Strategy for 2015–2019

19.   The other key themes identified in the ISA Implementation Monitoring project relating to ISA 600 and ISA 315 would be addressed later in the strategy period. However, during 2015–2016 initial information-gathering efforts would be undertaken by IAASB Staff, through coordination and collaboration with others, to assist the Board in scoping these two future projects (see also paragraphs 36–41).

Quality Control

20.   The clarified ISAs and ISQC 1 serve a fundamental role in underpinning audit quality. ISAs can be applied by auditors conducting audits of financial statements of entities of all sizes and in all industries, and ISQC 1 applies to firms conducting those audits. ISQC 1 is also applicable to firms conducting reviews, other assurance and related services – and so is equally relevant to the quality of these engagements. Improvements to ISA 220 and ISQC 1, therefore, are likely to have a global effect.

21.   The IAASB has heard concern through the ISA Implementation Monitoring project, in particular from regulators, that there is an urgent need for the IAASB to examine whether the requirements and guidance in relation to quality control are sufficiently robust, especially in relation to:

   ➢   EQCRs,[32] for example, in relation to the appointment of engagement quality control reviewers; the timing and depth of EQCRs, and the documentation thereof; and

> *ISQC 1 serves a fundamental role in supporting high-quality engagements covered by the IAASB's engagement standards, and underpins ISA 220 for audits of financial statements and the engagement-level quality control requirements in the IAASB's other standards.*

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[32]   Both ISQC 1 and ISA 220 would be affected by changes made relating to the requirements addressing EQCRs.

➤   The distinction between when an individual is a specialist and therefore the requirements in ISA 220 apply, and when that person is an auditor's expert and the requirements of ISA 620[33] apply.

22.   The IAASB's work on its *Framework for Audit Quality* has also highlighted the importance of many of the aspects of ISQC 1 in relation to audit quality, including professional skepticism. However, feedback from the consultation on the *Framework for Audit Quality* has identified areas where further attention in relation to ISQC 1 may be appropriate, for example in regard to: further emphasizing the importance of promoting and maintaining an internal culture of quality; further criteria or guidance in relation to auditor and engagement team competencies and capabilities and how they are obtained; and the importance of partners and staff having access to high-quality technical support and sufficient resources and time to address difficult issues.

23.   In addition, the IAASB has been encouraged to consider further guidance that demonstrates how ISQC 1 can be applied proportionately for firms of all sizes that conduct financial statement audits,[34] as well as more effectively and efficiently in relation to other assurance and related services engagements. Some NSS have begun exploring how this may be done.

Professional Skepticism

24.   Professional skepticism is an attitude that includes the application of a questioning mindset by all members of the engagement team. Professional skepticism is an important aspect of auditor judgment related to planning, performing and evaluating the results of an audit and has a direct impact on audit quality.

25.   There has been a strong call from the CAG, regulators and other key stakeholders about the need to reinforce this concept within the ISAs to enhance the robustness and consistency with which it is applied. Respondents to the ISA Implementation Monitoring project and the Stakeholder Survey highlighted the importance of responding to this call. Determining the best way to do so may be challenging for the IAASB, as the application of professional skepticism by individual auditors involves behavioral aspects that may be difficult to address through standard setting. Research and other information-gathering activities by academics, NSS and others may be helpful in informing the IAASB's way forward. Understanding the incentives that may hinder the auditor's appropriate application of professional skepticism (and professional judgment) will be important to explore in determining the Board's response.

> *Professional skepticism is an essential attitude that enhances the auditor's ability to identify and respond to conditions that may indicate possible misstatement of the financial statements. It is closely interrelated to fundamental concepts of auditor independence and professional judgment, and contributes to audit quality.*

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[33]   ISA 620, *Using the Work of an Auditor's Expert*

[34]   In 2012, IAASB Staff issued a Questions and Answers publication titled *Applying ISQC 1 Proportionately with the Nature and Size of a Firm*, focusing on matters that are likely to be relevant to the application of ISQC 1 in the context of smaller firms.

26. Accordingly, the IAASB intends to consider whether changes should be made within the ISAs to further reinforce the concept of professional skepticism in an audit. In addition to work done in the project to consider ISQC 1 that may be relevant to the topic of professional skepticism, areas of consideration may include:

   ➢ Further clarifying the meaning of professional skepticism in ISA 200;

   ➢ Providing additional requirements or guidance for auditors in relation to areas of significant management judgment in relation to risks of material misstatement due to fraud (for example, in connection with revenue recognition[35] or in responding to fraud risk factors as addressed in ISA 240); or

   ➢ Providing additional guidance to assist auditors in better documenting the application of professional skepticism and professional judgment in key areas of the audit in accordance with ISA 230 (for example, in relation to evidencing how the auditor has challenged management's assumptions and judgments). The topic of professional skepticism will also be a relevant consideration to not only the project related to quality control, but also other ISA-related projects, such as ISA 540 and ISA 315.

Special Audit Considerations Relating to Financial Institutions

27. The global financial crisis emphasized the importance of strong financial systems and the need for a robust regulatory infrastructure to support financial stability. The IAASB believes it is necessary to respond to this call in the public interest, given the spotlight on banks and financial institutions more broadly in the global financial crisis and the effects of those entities on global capital markets and users' confidence in their effective operation.

Focusing on financial institutions is important from a public interest perspective, due to the pervasive effects on the global financial system.

28. The IAASB is currently monitoring the work of the Basel Committee in its project to revise its guidance on external audits of banks. The Basel Committee's work involves a revision of its guidance on external audit quality and banking supervision, and the relationship between banking supervisors and banks' external auditors. In addition, recent input from the Basel Committee has called for further enhancements to the ISAs, including ISA 540, or development of further implementation guidance by the IAASB, relative to audits of banks.

29. Other stakeholders, including the International Association of Insurance Supervisors (IAIS), have also echoed the need to further explore certain issues related to fair value accounting, estimates and related considerations that have specific relevance to financial institutions, including impairment and loan loss provisioning, and using the work of experts such as actuaries.

30. These topics were identified as two separate initiatives in the *Strategy and Work Program, 2012–2014*, but have not yet substantively commenced due to the IAASB's priority focus on auditor reporting. Notwithstanding this delay, the Board is of the view that allocating resources to focus on

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[35] The findings from the ISA Implementation Monitoring project noted that the inconsistent interpretation of the presumed significant risk of material misstatement arising from fraud relating to revenue recognition may therefore not focus the work effort on the appropriate risks.

financial institutions is important from a public interest perspective, due to the pervasive effects on the global financial system.

31.   Many of the issues for consideration are related, and will involve input from experts in the industry. Accordingly, the IAASB will approach these topics concurrently, rather than under separate projects as envisioned previously.

Facilitation and Implementation of New and Revised Auditor Reporting Standards

32.   Auditor reporting has been the IAASB's top priority since 2012, and the IAASB recognizes it is essential that the intentions of the reporting reforms and their full benefits are realized after the standards are finalized in 2014. A key focus during 2015–2016 therefore will be assisting auditors and NSS in supporting the use and effective implementation of the new and revised Auditor Reporting standards, the success of which is critical to the continuing perceived value and relevance of the profession. Such support may involve staff publications, "train the trainer" materials and webinars, where necessary and appropriate.

The IAASB intends to undertake a post-implementation review of its Auditor Reporting standards after two full years of implementation.

33.   In 2016, it is expected that the new and revised auditor reporting standards will be in the process of being adopted and implemented. The IAASB has already communicated its intention to undertake a post-implementation review of these standards after two full years of implementation. The objective of the post-implementation review will be to inform the IAASB about whether the new and revised standards have achieved their intended effect, and to assist the IAASB in, among other matters:

➢   Determining whether wider application of the proposals initially limited to audits of financial statements of listed entities would be in the public interest;

➢   Identifying implementation challenges and possible areas for improvement within the standards;

➢   Understanding the way in which the requirements in the new and revised standards have been adopted and implemented by various jurisdictions in light of their national frameworks; and

➢   Considering whether further enhancements to auditor reporting are necessary, for example as a result of developments at the national level.

While substantive efforts relating to the post-implementation review will not be carried out until 2017 and beyond, the IAASB will dedicate time in 2016 to initial activities, including planning the approach to such a review.

Developing a Process for Post-Implementation Reviews of the IAASB's Other Assurance and Related Services Standards

34.   The IAASB believes it appropriate to extend the practice of carrying out post-implementation monitoring to several of its recently released new or revised other assurance and related services standards. The aim of such monitoring is to learn about the effectiveness of their implementation

and determine whether there is a need for further refinement, or other actions, to achieve the IAASB's intended objectives in the development, or revision, of those standards.

35.   The IAASB intends to develop a process for undertaking these reviews in 2015 and will use this process as a basis for future reviews on the implementation of its other assurance and related services standards, expected to commence in 2017.

Preliminary Activities on Future Projects

36.   During 2015–2016, and as staff resources become available, the IAASB will also be preparing for its next two year Work Program, in particular its work on the remaining key themes identified by the ISA Implementation Monitoring project.

37.   Preliminary work on future planned projects may include **initial research, relevant consultation or identifying matters of possible relevance to the project**, either by the IAASB or in collaboration with others, such as NSS, academics, audit firms (including through the Forum of Firms[36] or the Global Public Policy Committee)[37] or IFAC member bodies. The IAASB has learned through its experience on its Auditor Reporting project that understanding issues and careful scoping of a project may contribute significantly to its efficient and effective completion, and believes that these initial activities will lay a strong foundation for the next Work Program.

38.   It is intended that these preliminary activities will inform the IAASB's deliberations in 2017 and help determine the most appropriate actions to address concerns that have been raised, in particular whether standard setting would be the most appropriate course of action.

39.   In particular, the IAASB recognizes the importance of responding to the concerns that have been expressed, both by regulators and audit firms, about the use of **ISA 600** in practice, and considers this to be a priority project in the future. Initial areas of concern that have been identified include, among others:

➢   Inconsistency in the degree to which the group auditor becomes involved with the work of the component auditors.

➢   Inconsistency in the determination of component materiality and the impact on the work effort.

➢   The approach to material equity investments, including concerns about access to work of the component auditor and books and accounting records of the equity investee.

➢   The application of ISA 600 in particular circumstances, for example:

o   When the engagement partner is at a different location from where the vast majority of the audit is performed (referred to as a "letterbox audit")[38]

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36   The Forum of Firms (Forum) is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide, and use the ISAs as the basis for their audit methodologies.

37   The Global Public Policy Committee (GPPC) is comprised of representatives from the six largest international accounting networks and focuses on public policy issues for the accounting profession. The GPPC also has periodic dialogue with IFIAR about inspection findings and other issues relevant to audit quality.

38   A letterbox audit refers to circumstances where the audit opinion is signed by an audit partner in a different jurisdiction from where the group's operations, accounting records and financial management are located, and where the vast majority of the audit work is performed.

      ○   "Fund of funds" audits.

40. Initial activities in the period 2015–2016 will involve further information gathering in order to understand the practical issues being encountered, in anticipation of commencing a project in 2017. Given the broad spectrum of concerns raised about group audits, the IAASB believes it is important to devote sufficient time to consultation and outreach to fully understand those concerns, including whether changes to ISA 600 or development of additional practical guidance is necessary, prior to committing Board agenda time to the topic. A project to revise ISA 600 would involve significant strategic and technical debates about the approach to a group audit, and is likely to take longer than 36 months to complete. The IAASB considered prioritizing the topic of group audits before the topics of quality control, professional skepticism and financial institutions, but was of the view that the latter three topics could be addressed on a more accelerated basis than group audits.

41. It is intended that, subject to available resources, initial information gathering efforts by IAASB Staff and others as appropriate could also focus on:

➢ **ISA 315**—Dialogue with firms and regulators about what changes to the standard may be necessary to enhance the auditor's identification of significant risks, and consideration of whether, and, if so, how the standard may need to be enhanced in light of an increasingly complex information technology (IT)-reliant business environment, as well as other relevant developments and their effects on how audits are conducted.

➢ **Agreed-upon procedures**—Understanding increased use of agreed-upon procedures and identifying potential opportunities to leverage national developments on this topic.

Implications of Current and Upcoming Projects and Initiatives on the Work Program in 2015

42. In 2014, the IAASB will have some ongoing projects and new initiatives that will carry forward to 2015. These include:

➢ **Amendments to the ISA 800 series**—Through its work on Auditor Reporting, the IAASB has identified the need for amendments to these standards as they are linked to the underlying requirements in ISA 700,[39] with plans to expose these amendments in 2014 and finalize them in 2015.

➢ **Disclosures**— The IAASB's work to revise aspects of the ISAs and develop related guidance to clarify the auditor's responsibilities for auditing financial statement disclosures is well underway, with plans for an Exposure Draft on the topic in mid-2014. Recognizing the importance of staying close to developments in financial reporting standards, the IAASB will continue to proactively monitor relevant developments pertaining to disclosures, and provide input as appropriate, through its ongoing liaison with the IASB.

➢ **Potential revision of ISA 570**—The IAASB will seek to determine in 2014 whether there is a need for revision of ISA 570 in light of anticipated changes in financial reporting requirements on going concern.

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[39] ISA 700, *Forming an Opinion and Reporting on Financial Statements*

43. In addition, the IAASB is liaising with the International Ethics Standards Board for Accountants (IESBA) in regard to its project on Responding to Non-Compliance with Laws and Regulations[40] and whether there may be a need for consequential amendments to ISA 250[41]as a result.

44. Throughout the five-year strategy period, the IAASB will continue to monitor and explore emerging developments to assist with identifying opportunities for standard setting or other potential actions in relation to assurance and related services. The environment regarding assurance and related services, for example in areas such as corporate governance statements and eXtensible Business Reporting Language (XBRL), remains dynamic and fluid. Nonetheless, there is clear growing momentum on the reporting of financial, environmental, social and governance information of broader relevance to users than information currently presented in the financial statements.

45. The IAASB's INFO Working Group has the remit to monitor developments in emerging areas of assurance and make recommendations to the IAASB on specific topics for the IAASB to pursue, including whether there is a need for a standard-setting response. These recommendations will take into account whether there is a visible market demand for assurance in the public interest, including the potential need for the IAASB to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future. In particular, the INFO Working Group will continue to monitor the developments relating to *The International <IR> Framework* with a view to determining the most appropriate time for IAASB action.

Enhancing Quality through Collaboration and Cooperation in 2015–2016

46. The IAASB plans to continue focusing substantial effort on outreach, and strengthening relationships with our key stakeholders through liaison and consultation activities, including with international regulators, audit oversight bodies and other stakeholders. In particular, the IAASB will continue to liaise with IOSCO and the FSB, and seeks to further strengthen its relationship with IFIAR and regional audit inspection groups to benefit from their coordinated efforts.

47. The IAASB has benefitted from learning about the experiences of firms, NSS, regulators and others regarding the adoption and implementation of the clarified ISAs through its ISA Implementation Monitoring project. While a formal project is not envisaged beyond a post-implementation review of the auditor reporting standards, monitoring of the ISAs will be an ongoing activity during the strategy period, as the ISAs continue to be adopted globally and further experience with them is gained. There may be additional implementation challenges identified that may have implications for the work program in 2017 and beyond.

48. Accordingly, the IAASB will continue periodic meetings with key stakeholders to obtain such input, while also providing an opportunity for dialogue about the best approach to future changes to the ISAs or the need for additional Staff publications. For example, recent discussions have indicated a possible need for the IAASB to consider what actions may be appropriate to respond to concerns from auditors about the amount of time incurred relating to audit documentation, in particular for small- and medium-sized entities (SMEs).

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[40]   Formerly referred to as the Illegal Acts projects. For more information, see the IESBA's project summary on the IESBA website.

[41]   ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

49.   Further, the IAASB will continue its active liaison with the SMP Committee and other relevant IFAC committees to identify opportunities where collective efforts may assist with the development of guidance or training to address issues of common relevance. The IAASB will also continue to cooperate with INTOSAI to support their use of the IAASB's standards as a basis for services in the public sector.

50.   The IAASB's *Framework for Audit Quality*, expected to be issued early in 2014, also highlights the importance of appropriate dialogue and closer working relationships between the IAASB and its key stakeholders in improving audit quality. Discussions and dialogue about how to improve audit quality, as well as identifying new areas to explore in relation to assurance and related services engagements, are essential in the public interest. As such, audit quality will be a prominent theme in the IAASB's future outreach, and the IAASB plans to undertake activities to support the use of the *Framework for Audit Quality* by audit firms and other stakeholders. It will also explore, in collaboration with others, how the *Framework for Audit Quality* can be used to stimulate improvements in audit quality.

51.   With regard to audits of financial statements, an important contextual factor is the applicable financial reporting regime. Over the last several years, the IAASB has had active liaison with the IASB, particularly in relation to providing input on aspects of the IASB's proposed standards and other relevant pronouncements where potential auditability or verifiability issues had been identified, and also to monitor developments in financial reporting to determine whether changes are needed to the auditing pronouncements, or new ones need to be developed. This liaison has also been valuable in the context of specific IAASB initiatives, namely the auditor reporting and disclosure projects, as potential changes in accounting standards may have an effect on the IAASB's proposals. The IAASB is committed to a continued focus on this important liaison effort, and to exploring opportunities for joint outreach to support global adoption and effective implementation of international standards.

52.   The IAASB will continue to engage in dialogue with policymakers and NSS who are actively addressing topics of mutual relevance and interest, for example, among others, the European Commission and the US PCAOB. The IAASB recognizes that opportunities for collaboration and cooperation exist perhaps most apparently in connection with NSS. The IAASB will therefore continue its active liaison with NSS with the view to identifying opportunities to share collective experiences on national developments of international relevance, and where possible bring to bear collective resources to new initiatives.

53.   While the IAASB communicates in a variety of ways about its activities, most notably through an annual report, in 2015 the IAASB will give consideration as to how best to publicly share feedback from its outreach to inform its stakeholders about relevant developments and the impact that these may have on the IAASB as it progresses its activities. This feedback could, for example, take the form of quarterly updates summarizing key themes identified in outreach and liaison activities, as well as progress on significant initiatives.

Guide for Respondents

54.   The IAASB is particularly interested in respondents' views on:

(a)   The approach taken to the development of the *Work Program for 2015–2016*, in particular the IAASB's decision to focus on fewer key projects towards the goal of their completion by 2017.

(b)   The appropriateness of the topics chosen as the focus for the *Work Program for 2015–2016* (see paragraph 4 and Table A) in light of the strategic objectives set out in the IAASB's *Strategy for 2015–2019.*

(c)   Whether there is an action(s) or project(s) that has not been included in the *Work Program for 2015–2016* that you believe the IAASB should address during that period. For example, should any of the topics in Appendix 1 be prioritized sooner? If so, which initiative(s) identified in Table A do you believe should be replaced by this action(s) or project(s)? Please provide an explanation of your views.

(d)   Whether there are alternative approaches for the IAASB to consider in order to enhance the IAASB's ability to address calls from stakeholders for IAASB efforts on a variety of important topics, in light of the constraints of available resources and the need for due process to be applied in the development or revision of standards.

The IAASB invites any other comments that you believe are important to provide input to the IAASB for the purpose of developing its future work programs.

55.   Additional questions for respondents have been included in the accompanying consultation on the *Proposed Strategy for 2015–2019*, including whether the proposed strategic objectives are considered appropriate.

Appendix 1

Overview of Possible Actions for Inclusion in Future Work Programs

Based on feedback to date, the IAASB is of the view that the projects listed below would support the IAASB's strategic objectives over the five-year period 2015–2019 and should be addressed in 2017 and beyond.

The IAASB anticipates consulting on its Work Program for 2017–2018 in mid-2016 to better determine how such initiatives should be prioritized and their possible outputs, and also to understand whether there are any new topics that should be addressed as a matter of priority. By that time, initial research or other activities to better understand the scope of the project may have been undertaken, and the IAASB will have a clearer view of when such initiatives could be commenced in light of progress on the initiatives included in the 2015–2016 Work Program.

Should feedback from this consultation indicate that one or more of these or other topic(s) should be addressed sooner than anticipated, the IAASB will need to reconsider the balance of the 2015–2016 Work Program.

ISA-Related Projects

- Revision of ISA 600 (see paragraphs 39–40)

- Consideration of issues related to ISA 315, for example:

  - Revision of the standard to enhance the auditor's identification of "significant risks", in response to concerns expressed during the ISA Implementation Monitoring project about the degree of inconsistency in practice in the nature and number of risks of material misstatement being assessed as significant risks, recognizing the linkage to the Auditor Reporting project[42]

  - Determination of an appropriate way forward to address key aspects of the auditor's risk assessment process in light of relevant developments, including the impact of changes in technology, how controls relevant to the audit are assessed, and changes in applicable internal control frameworks[43]

- Consideration of the revision of one or more ISAs in light of findings classified as important during the ISA Implementation Monitoring project and other feedback from regulators and audit oversight bodies. These ISAs may include:

  - *ISA 520*[44]—Whether further guidance or other changes to the standard are needed in relation to the required audit evidence to corroborate identified variances and regarding source data used in performing analytical procedures, and when considering whether relationships are appropriate for purposes of applying analytical procedures

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[42] As part of its Auditor Reporting proposals, the IAASB is proposing to expand the requirement in ISA 260 for the auditor to communicate an overview of the planned scope and timing of the audit to include communicating about the significant risks identified by the auditor. Significant risks are also an important input to the auditor's determination of key audit matters, which are proposed to be communicated in the auditor's report for audits of financial statements of listed entities in accordance with proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*.

[43] For example, the revised COSO Framework "Internal Control—Integrated Framework (2013)"

[44] ISA 520, *Analytical Procedures*

- ○ *ISA 620*—Whether further guidance or other changes to the standard are needed in relation to the expected work effort by the auditor on the expert's work, and the nature and extent of related audit documentation

- ○ *ISA 530*[45]—Whether more guidance is needed on sample sizes to enhance consistency in practice

- ○ *ISA 402*[46]—The need to further consider:(i) clarification of the standard to improve the consistency of the auditor's work effort when relying on internal control reports of a service organization; and (ii) enhancements of the standard to address the use of shared service centers, which are becoming more common, especially in large groups

- ○ *Audit Evidence*— Consideration of emerging issues about audit evidence obtained through the use of sophisticated data analysis techniques, including the implications on the auditor's risk assessment and response, as well as the effect on the nature and timing of other planned audit procedures and the auditor's ability to obtain sufficient appropriate audit evidence

In addition, the IAASB will continue to monitor developments arising from the work of the IASB to explore further guidance on materiality and whether there is a need for enhancement of ISA 320[47] and corresponding changes needed to ISA 450.[48]

Assurance, Reviews and Related Services Engagements

- Develop an assurance or related services standard addressing Integrated Reporting, using ISAE 3000 (Revised)[49] as a basis for doing so. Timing of this initiative will ultimately depend on the IAASB's determination as to when the market demand for assurance on integrated reporting is sufficient to warrant the IAASB devoting significant Board and staff resources to it and the feasibility of developing a standard on a global basis, which will be informed by:

  - ○ The progress of the development of the Integrated Reporting Framework;

  - ○ The discussions of the INFO Working Group; and

  - ○ Outreach with key stakeholders, in particular the CAG and NSS.

- Revision of ISRS 4400[50] in the Clarity format, taking into account national developments and increased use of agreed-upon procedures, including as a possible basis for so-called "hybrid" engagements[51] that serve to meet specific users' needs

- Determine actions to be taken regarding the auditor's association with preliminary announcements, or other financial information practitioners may be associated with (e.g., comfort letters), based on

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[45] ISA 530, *Audit Sampling*

[46] ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*

[47] ISA 320, *Materiality in Planning and Performing an Audit*

[48] ISA 450, *Evaluation of Misstatements Identified during the Audit*

[49] ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

[50] International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

[51] In a "hybrid" engagement, various types of assurance, such as reasonable assurance and limited assurance, as well as agreed-upon procedures, may be combined in one report.

research and consultation with regulators and other stakeholders, in particular to understand whether the development of a standard on guidance on a global basis is feasible

- Post-Implementation Reviews to understand whether revised standards for other assurance and related services are being adopted and implemented on a global basis and to understand any implementation challenges in relation to:

  o ISRE 2400 (Revised)[52] and ISRS 4410 (Revised),[53] in particular feedback from SMPs using these standards; and

  o ISAE 3402,[54] to seek initial feedback on the experiences of service organizations, service auditors, user entities, user auditors and others regarding the implementation of the standard on assurance reports on controls at a service organization.

- As necessary, one or more projects in relation to standards that enhance practice or further meet public interest needs in relation to reviews, other assurance and other related services, such as:

  o Topics arising from recommendations of the INFO Working Group;

  o Consideration of the role of the IAASB's *International Framework for Assurance Engagements* (Assurance Framework), including whether it adequately addresses the underlying concepts necessary for the IAASB to effectively and efficiently pursue further development of topic-specific assurance standards;

  o The potential need for the IAASB to develop a separate assurance standard addressing direct engagements;

  o Redrafting of ISRE 2410[55] in the clarity format; and

  o Actions to respond to findings of the planned post-implementation reviews.

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[52] International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements,* was issued in September 2012

[53] International Standard on Related Services Engagements (ISRS) 4410 (Revised), *Compilation Engagements*

[54] International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Service Organization*

[55] ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

Appendix 2

Indicative Timing for Projects in the IAASB's Work Program for 2015–2016 and Beyond

The following depicts the IAASB's views as to possible timing for the IAASB's proposed future Work Programs for 2015–2016 and beyond. This schedule is premised on the key assumptions that the majority of the IAASB's resources will be expended in the 2015–2016 period on the IAASB's three key projects, and that these will be completed mid-2017,[56] as well as information gathering for projects expected to commence in 2017 onwards (such as ISA 600). It should also be noted that the possible projects in 2017–2018 are subject to public consultation and further consideration for their inclusion in the 2017–2018 Work Program and prioritization. Appendix 3 provides more detail on the approaches that may be taken by the IAASB in relation to individual projects or topics.

Proposed/Possible Project	2015	2016	2017	2018–2019
Develop and Maintain High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statement Audits				
Quality Control – Consideration of issues related to ISQC 1 and ISA 220[*]	Commencement of Project		Completion of Project (by mid-2017)[+]	
Professional Skepticism[*]	Commencement of Project		Completion of Project (by mid-2017)[+]	
Special Audit Considerations Relating to Financial Institutions[*]	Commencement of Project		Completion of Project (by mid-2017)[+]	
Group Audits – ISA 600	Information Gathering	Information Gathering	Commencement of Project	

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[56]   The above timings do not pre-judge the project proposals for each of these projects or the expected output from these projects. Rather it is intended to provide an indicative timing of commencement and possible completion taking into account capacity, including both time for discussion at IAASB meetings as well as staff resources (see Appendix 1 of the Strategy for 2015–2019).

[*]   New priority projects for the Work Program for 2015–2016

[+]   As these projects are expected to be completed within a close time proximity, the IAASB may consider whether to align the effective dates of new or revised standards addressing different topics to allow for more substantive changes to the ISAs to come into effect concurrently, as this may assist auditors, in particular SMPs, in their implementation efforts. The effective dates of new or revised standards will be considered at the appropriate time.

Proposed/Possible Project	2015	2016	2017	2018–2019
Completion of projects commenced prior to start of 2015[57]				
Risk Assessment – ISA 315		Information Gathering	Commencement of Project	
Auditor Reporting – Adoption and Implementation	Support for Adoption and Implementation	Support for Adoption and Implementation	Post-Implementation Review	Findings from Post-Implementation Review
Commencement of project(s) on one or more ISAs classified as Important from the ISA Implementation Monitoring findings[58] or from other input			Information Gathering	Commencement of one or more project(s)
Ensure the IAASB's Suite of Standards Continues to Be Relevant in a Changing World by Responding to Stakeholder Needs				
INFO Working Group Monitoring – including information-gathering activities relating to Integrated Reporting and periodic reporting to the IAASB	Information Gathering	Information Gathering	Commencement of Project on Integrated Reporting	
Development of a process for post-implementation reviews for assurance and other related services standards				
Preliminary announcements or other financial information practitioners may be associated with (e.g., comfort letters)				Determine whether to commence a project

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[57]   Including revision to ISA 800-series, revision to ISAs / guidance on the audit implications of disclosures and possible revisions to ISA 570 (see paragraphs 42–45).

[58]   As listed in Appendix 1, these could be ISA 520, ISA 620, ISA 530, ISA 402 or a project on audit evidence.

Proposed/Possible Project	2015	2016	2017	2018–2019
Post-implementation reviews of assurance and related services standards[59]			Post-implementation review	Findings from Post-implementation Review
Revision of ISRS 4400 – Agreed-Upon Procedures			Commencement of a project	
Commencement of project(s) on one or more topics identified from work of INFO Working Group and other input				Commencement of a project
Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed				
Ongoing dialogue with key stakeholders				
Activities to support use of the IAASB's *Framework for Audit Quality*				
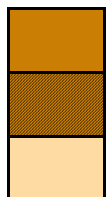
Project presented for IAASB discussion

Project presented for IAASB discussion, subject to views on consultation to be undertaken in 2016

Staff / Chair Activities or other Working Groups or IAASB activities

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[59] ISRE 2400 (Revised), ISRS 4410 (Revised) and ISAE 3402

Appendix 3

Approaches that May Be Taken by the IAASB in Relation to Individual Projects or Topics

The diagram on the following page illustrates various approaches that the IAASB may undertake in relation to individual projects or topics. In the case where the IAASB determines standard-setting is the most appropriate response to address a particular topic (whether through revision of an existing standard or the development of a new standard), the IAASB's due process applies, including public exposure, typically 120 days. The overall time needed to address a particular topic is also dependent on the complexity of the subject matter, including the assessment of the need to issue consultation papers or to conduct significant research or other outreach in advance of the issuance of an exposure draft, as well as the disparity of views from different stakeholders.

Appendix 1 of the proposed *Strategy for 2015–2019* highlights important considerations relevant to the IAASB's future capacity. Most notably, the IAASB ordinarily meets four times a year, resulting in approximately 20 days of available time for Board deliberations on projects and approval of documents for issuance. The following sets out a brief description of each step in the diagram on the following page:

1	Input from ISA Implementation Monitoring Project, outreach activities, CAG, work of others (e.g., NSS)
2	Activities may include surveys, roundtables, consultation papers, information gathering, specific outreach, etc. as necessary
3 & 4	Standard setting activities may not be the only response to issues identified –the most appropriate action and who is best placed to address the issue will be considered. Should standard-setting be necessary, the IAASB Steering Committee[60] and the CAG[61] must be consulted on a project proposal, and the project must be approved by the IAASB in a public meeting
5	Further consultation is undertaken if necessary. This may include a decision to conduct further field testing of the application of any new proposals or additional activities noted in no. 2 above. Consultation papers are published for public comment ordinarily no less than 60 days
6	Ordinarily the development of an exposure draft necessitates discussion with the IAASB at least at two meetings before the IAASB meeting where the proposals will be approved. The exposure draft is also required to be discussed with the CAG. Exposure period for an exposure draft is ordinarily 120 days
7	Comments on exposure are analyzed and considered by the project task force, and presented to the IAASB with changes proposed as appropriate for deliberation. Once the changes are finalized, an assessment is made whether re-exposure is necessary based on whether substantial changes have been made from the exposure draft. The revised proposals are also required to be discussed with the CAG
8	In setting the effective date, the IAASB considers the reasonable expected minimum period for effective implementation, including the need for translation into national languages
9	Where appropriate, implementation activities undertaken may include among other activities "train the trainer" materials, webinars, etc.

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[60] The IAASB Steering Committee is a standing committee of the IAASB. The purpose of the Steering Committee is to formulate views and advise the IAASB on matters of strategic and operational importance to the IAASB, while also relieving the IAASB of the need to address certain administrative matters that do not necessarily require deliberation by the IAASB.

[61] The CAG meets twice a year for 2 days at each meeting.

COLLABORATION AND COOPERATION

Staff consideration of issues (1)

↓

Further information gathering / research as necessary (2)

↓

Work Program decision (3)

Staff publication (4)

Project proposal (4)

Collaboration / joint project (NSS etc.) / other activities (4)

↓

Consultation as necessary (5)

↓

Development of new / revised standard for exposure (6)

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Analysis and discussion of comments; finalization of new / revised standard (7)

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Decision on implementation date (8)

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Implementation Activities (if applicable) (9)

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