

Basis for Conclusions
Prepared by the Staff of the IAASB®
December 2014

*International Auditing and Assurance Standards
Board®*

Strategy for 2015–2019: Fulfilling Our Public Interest Mandate in an Evolving World



International Auditing
and Assurance
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The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD STRATEGY FOR 2015–2019: FULFILLING OUR PUBLIC INTEREST MANDATE IN AN EVOLVING WORLD

This Basis for Conclusions has been prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB). It relates to, but does not form part of, *The IAASB's Strategy for 2015–2019* (Strategy), that was approved by the IAASB in September 2014, with affirmative votes by 17 out of 17¹ IAASB members present at the September 2014 IAASB meeting.

Background

1. The IAASB commenced its process of developing this forward strategy and related work plan in December 2012. The [Due Process and Working Procedures](#) requires that the IAASB periodically develops and approves, based on appropriate consultation, a strategy and work program, including a formal survey of its key stakeholders and the issue of a consultation paper for public comment.²

Change of Strategy Period

2. The IAASB's current and previous Strategy and Work Programs have been developed using a three-year time period.³ In considering its forward Strategy, the IAASB agreed that an extended strategy period would enable a better understanding by stakeholders of the IAASB's medium-to-longer-term priorities, and provide a suitable context for purposes of IAASB's decisions on specific initiatives.
3. In considering the need for a potentially longer strategy period, the IAASB acknowledged feedback received on past strategy consultations from its key stakeholders, and experience in developing its strategy and work program, in particular the concern expressed by some about the frequency with which strategy consultations are undertaken. The IAASB recognized that three years may be too short for purposes of setting its strategy taking into account the time necessary to develop standards following due process.
4. The IAASB therefore agreed to consult on the basis that:
 - The Strategy would cover a five-year period (i.e., 2015–2019); and
 - The Work Plan would cover a two-year period (i.e., 2015–2016).
5. Support was expressed by stakeholders for the extended strategy period (including through the stakeholder survey and other consultations described in the *Process for the Development of the IAASB's Strategy for 2015–2019* section). The Public Interest Oversight Board (PIOB) also agreed to the change of periods, provided that during the five-year period there is a chance to re-evaluate the Strategy (in the second or third year). As noted in the Strategy, the IAASB will continue to

¹ For a full record of the voting on the Strategy and *The IAASB's 2015–2016 Work Plan: Enhancing Audit Quality and Preparing for the Future*. (2015–2016 Work Plan), see the minutes of the September 15–19, 2014 IAASB meeting at <http://www.ifac.org/auditing-assurance/meetings/new-york-usa-8> under the heading "Minutes." One IAASB member was not present at the September 2014 meeting and therefore did not have the ability to vote.

² International Federation of Accountant's Standard-Setting Public Interest Activity Committees' *Due Process and Working Procedures* (March 2010), paragraphs 4 and A6–A8.

³ The IAASB's current Strategy and Work Program covers 2012–2014

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. The IAASB intends to do so in connection with the development of its Work Plan for 2017–2018.

Process for the Development of the IAASB's Strategy for 2015–2019

6. The IAASB's formal strategy consultation process commenced with a Stakeholder Survey in February 2013, which sought views to help identify key issues for consideration by the IAASB.
7. The Stakeholder Survey was open for comment through May 7, 2013. 76 responses were received from the following stakeholder groups: investors and users; regulators and oversight authorities; national standard setters; accounting firms; public sector organizations; a preparer; member bodies and other professional organizations; academics; and individuals.
8. The input from the Stakeholder Survey was used in developing the consultation paper (CP) on [*The IAASB's Proposed Strategy for 2015–2019 and Proposed Work Program for 2015–2016*](#) (referred to individually as the Strategy CP and the 2015–2016 Work Program CP). In addition, the IAASB also considered a number of other inputs, including:
 - (a) The key implementation issues identified from the IAASB's [*Clarified International Standards on Auditing—Findings from the Post-Implementation Review*](#). Respondents to the Stakeholder Survey and other key stakeholders echoed the importance of addressing the issues identified and the IAASB agreed that this would be a key area of strategic focus for the IAASB in its future strategy period and, as such, would have a significant effect on the 2015 – 2016 Work Plan.
 - (b) Views on priorities from ongoing and regular dialogue with key stakeholders and others through the IAASB's outreach program (see Appendix 2 of the Strategy).
 - (c) The establishment of the IAASB's Innovation Working Group⁴ to monitor evolving developments in audit, assurance and related services.
 - (d) The implications of efforts on IAASB projects expected to continue into 2015, for example the IAASB's Auditor Reporting proposals and changes to the International Standards on Auditing (ISAs) to address the implications of auditing disclosures.
9. The CP was open for comment until April 4, 2014. 48 responses were received from a wide range of respondents, including regulators and audit oversight bodies, national standard setters, accounting firms, a public sector organization, an investor and analyst, member bodies and other professional organizations, an academic and other individuals.
10. Respondents to the CP were generally supportive of the IAASB's proposed efforts. Comments on the 2015–2016 Work Plan are further explained in the *Basis for Conclusions for the IAASB's 2015–2016 Work Plan: Enhancing Audit Quality and Preparing for the Future*. Based on the overall support from respondents, the IAASB believed that it was appropriate to largely retain the format and content of the Strategy as set out in the Strategy CP, with changes to the strategic objectives, and elsewhere as appropriate. Changes from the Strategy CP are further explained below.

⁴ Previously the Information, Needs, and Future Opportunities (INFO) Working Group. The Working Group was established to explore emerging developments in audit, assurance and related services to assist the IAASB in identifying opportunities for standard-setting or other potential actions.

11. The IAASB discussed this project with its Consultative Advisory Group (CAG) on four separate occasions during April 2013 to September 2014: after the stakeholder survey had been issued, prior to the issue of the CP, after issue of the CP and prior to finalization of the Strategy and the Work Plan 2015–2016.

Strategic Objectives

12. The strategic objectives were developed to respond to calls for the IAASB to more clearly articulate its strategic vision and what it is intending to achieve in the strategy period beyond the areas of focus set out in its [Terms of Reference](#). The strategic objectives are therefore intended to illustrate how the IAASB intends to focus its efforts over the 2015–2019 strategy period, and were developed from the various sources of input as described in paragraph 8. Future Work Plans will be developed to align with these strategic objectives for the five-year period, subject to any changes arising from the mid-period review of the strategic objectives (as described in paragraph 5).
13. There was general support for the strategic objectives proposed in the CP. However, there was also a view that the objectives might better focus on setting out key strategic messages rather than on the underlying projects in the Work Plans. The changes that have been made to respond to the comments received have been explained further below.

Strategic Objective 1: Ensure that ISAs Continue to Form the Basis for High-Quality, Valuable and Relevant Audits Conducted Worldwide by Responding on a Timely Basis to Issues Noted in Practice and Emerging Developments

14. Respondents to the Strategy CP, including a Monitoring Group (MG) member, largely supported a focus on high-quality ISAs during the five-year period. However, it was noted that it was unclear what activities were included in the first strategic objective as presented in the Strategy CP, which was initially articulated as follows:

Develop and Maintain High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statement Audits
15. Respondents also highlighted that actions beyond standard setting may be needed to supplement the strong base of the clarified ISAs.
16. The focus on ISAs and their importance to the capital markets continues to be stressed by the MG,⁵ regulators and others. At the same time, the IAASB agreed that the auditing needs of small- and medium-sized entities (SMEs) and small and medium practices (SMPs) must also be taken into account. Finally, as further highlighted in the feedback on the second objective presented in the Strategy CP, developments in the environment, particularly in relation to the effects of evolving data analytics on audits, will likely need to be explored by the IAASB in the near term to ensure the ISAs remain “fit for purpose” and therefore relevant for entities of all sizes in all industries.

⁵ The Monitoring Group comprises The International Organization of Securities Commissions (IOSCO), the International Forum of Independent Audit Regulators (IFIAR), the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), the World Bank (WB), the European Commission (EC) and the Financial Stability Board (FSB). The BCBS and WB responded to the Stakeholder Survey. The BCBS, IAIS, IFIAR and IOSCO responded to the CP.

IAASB Decisions

17. The IAASB therefore made changes to this strategic objective to focus on maintaining both the relevance and value of an audit, as well as on the continued credibility of the Board and confidence in its work as a global standard setter. These changes capture all planned work relevant to ISAs in the same objective. The revised 2015–2016 Work Plan cements this focus, and acknowledges a variety of actions that may be taken to support the ISAs beyond development or maintenance of standards.
18. In addition, the efforts of the Innovation Working Group relating to the audit will also form part of the IAASB's activities relating to this strategic objective.

Strategic Objective 2: Ensure the IAASB's Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders for Services Other than Audits of Financial Statements

19. The second strategic objective was intended to address the relevance of the IAASB's standards, and was articulated as follows:

Ensure the IAASB's Suite of Standards Continues to Be Relevant in a Changing World by Responding to Stakeholder Needs
20. Respondents to the CP commented that it was unclear exactly what IAASB activities related to this strategic objective, as some audit-related activities included in the description of this strategic objective were related to both this and the first strategic objective, resulting in what was viewed as a loss of prominence for some key audit initiatives.

IAASB Decisions

21. The IAASB therefore agreed to change this strategic objective to focus primarily on stakeholder needs in relation to the IAASB's standards other than ISAs and International Standards on Quality Control (ISQCs). By revising this objective, the IAASB is of the view that greater prominence is given to the considerations around assurance, review and related services engagements, including for SMPs.

Strategic Objective 3: Strengthen Outreach and Collaboration with Key Stakeholders in the Reporting Supply Chain on Public Interest Issues Relevant to Audit, Assurance and Related Services

22. Within the CP, the third strategic objective was articulated as follows:

Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed
23. Respondents to the CP were broadly supportive of having collaboration and cooperation with others. However, some viewed this as being an overarching consideration rather than a strategic objective.

IAASB Decisions

24. Given the level of emphasis and effort placed on outreach as a key strategic activity of the IAASB, the Board remained of the view that there was a need to express this as a strategic objective. However, the objective was changed to better reflect the IAASB's proactive approach to collaboration, and the description supporting this strategic objective now provides additional examples of important aspects of this cooperation and collaboration.

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

25. The Strategy CP set out a number of factors that the IAASB considered in setting its priorities. Respondents largely supported the use of these factors to provide a reasonable basis for selecting future priorities. However, suggestions were variously made aimed at providing a clearer link between the factors and the projects identified.

IAASB Decisions

26. The IAASB considered the various suggestions and, notwithstanding the difficulties associated with evaluating costs and benefits of specified actions, made changes to include acknowledgement of potential costs versus benefits when considering priorities. Changes were also made to make clear that in considering projects and prioritizations, the Board would consider how best to fulfill its public mandate while at the same time recognizing the diverse needs of its wide range of stakeholders. However, the IAASB concluded that it would be difficult to assign weightings to the factors, or explicitly link the factors to outcomes. The IAASB therefore made changes to the factors to make the link to the projects more apparent, with the revised factors as follows:

- (a) The IAASB's views about the 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.
- (b) 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.
- (c) The degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action by the IAASB.
- (d) The global applicability of the potential actions, for example in relation to entities of different sizes and complexity, different industries, and across jurisdictions, with acknowledgement of the potential costs and benefits associated with the actions.

Feedback received from public consultation on the IAASB's strategy and work plans, outreach activities and discussions with the CAG as well as the PIOB are taken into account in the IAASB's consideration of how best to fulfill its public mandate in adding initiatives to its Work Plan, recognizing the diverse needs of the wide range of its stakeholders.

27. These factors will be used to assist the IAASB as it develops its Work Plans in 2017–2018 and onwards.

Measuring the IAASB's Success

28. The Strategy does not include defined goals for measuring the success of the IAASB over the five-year Strategy period. It was noted variously that there are no specific targets in relation to the next milestones, for example a target number of countries using the clarified ISAs, as a basis of measurement.

IAASB Decisions

29. The IAASB decided that it is neither meaningful nor practicable to identify specific quantitative targets relating to the next milestones, for example a target number of countries using the clarified ISAs, as a basis of the measurement of success. The IAASB would like to see increasing adoption of the clarified ISAs, and monitors and stimulates this with great interest. However, many aspects of adoption are outside of the control of the IAASB and therefore would not be representative of the IAASB's efforts over the five-year period. The IAASB has also previously explored potential metrics and was of the view that quantitative measurement can become an arbitrary exercise. The IAASB rather focuses on the quality of its outputs, with post-implementation reviews of the effective implementation of new and revised standards being used to assess the effective implementation of its standards.

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