INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

STRATEGY FOR 2020–2023

IAASB

International Auditing and Assurance Standards Board

The International Auditing and Assurance Standards Board (IAASB) is a global independent standard-setting body that serves the public interest by setting high-quality international standards which are generally accepted worldwide.

The IAASB believes that high-quality, robust and operable international standards contribute to enhanced engagement quality and consistency of practice throughout the world, and strengthened public confidence in the global auditing and assurance profession. The IAASB sets its standards in the public interest with advice from the IAASB Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board.

CONTENTS

CHAIR'S FOREWORD

The IAASB plays a meaningful role in the financial reporting ecosystem and wants to remain relevant as an international standard-setter. Therefore, we are committed to operating with a high degree of accountability to our stakeholders. We also want to demonstrate our responsiveness in an evolving world.

This is my first strategy as chair, and a key theme of my first term will be acting with urgency and purpose. While proud of our significant progress to advance high quality audit and assurance standards, the IAASB will not be complacent. The challenges facing the profession and the standards that govern them are real. Some of these challenges go to the core of what society expects of the profession and the type of standards that are needed. This strategy seeks to address these challenges in a highly responsive manner.

As a priority, we will complete on a timely basis our substantial in-progress projects in order to set a strong foundation for our future efforts. These include enhancements to some of our more significant International Standards on Auditing (ISAs) and quality control standards. These enhancements are key to high-quality audits and other engagements.

Our strategy also prioritizes addressing key emerging public interest challenges. The IAASB's attention will focus on:

- The impact of evolving technology.
- Demands for reporting to meet the changing needs of stakeholders (including demands for the IAASB to consider non-financial reporting), and
- Changing expectations for the audit in relation to matters such as fraud and going concern.

I expect those topics will require more immediate action and relative attention in the coming years.

We will face challenging prioritization choices as capacity for new projects or initiatives becomes available. Nevertheless, we will support the effective first-time implementation of our new and revised standards. This is particularly important for our in-progress projects that will result in considerable changes to be implemented by our stakeholders over the short- to medium-term. We also understand the need to give adequate time for those changes to be properly and effectively implemented and for the benefits to be observed. Efforts to ensure effective transition for these changes will also require accountancy organizations, firms, regulators and others to play their part. We are pleased and appreciative that the International Federation of Accountants (IFAC), with whom we have a strong collaborative relationship, continues to be a leader in promoting and monitoring global adoption of our standards. They have renewed their commitment to implementation support and education as a strategic priority.

I want the IAASB to be an innovator among standard-setters by making our processes more agile. The goal should be to reduce the barriers to participating in our standard-setting activities for those who have interest in reporting, auditing and assurance related activities. One way that we will do so is by developing our concept for a new '*Framework for Activities*' that should give even more transparency to our decisions and provide a more deliberate approach on where and how to focus our work effort.

We do not work in isolation. All of our work is underpinned by our interactions with our stakeholders – through our extensive outreach program and in collaboration with others. The foundational relationships already built must be further enhanced. In particular, we need to explore how we can more effectively work with others, such as National Standard Setters (NSS) and IFAC, to expand our capacity.

The IAASB developed this Strategy and Work Plan with a recognition that the Monitoring Group review of our governance and operating arrangements is ongoing. We have developed a Strategy and Work Plan in a way that we can adapt to changing circumstances. Our focus is to continue to act in a timely and independent manner to ensure the public interest is served.

The changes we will make to how we work will take time. But we are confident that as we navigate forward, these changes will facilitate and promote a more agile response while maintaining our core mandate as an international standard-setter.

Tom Seidenstein

Tom Seidenstein
IAASB Chair

OUR GOAL AND STAKEHOLDER VALUE PROPOSITION

Our mandate is straightforward. However, standard-setting itself is not, especially in a global context. The following messages frame the broad lens of our strategic thinking.

OUR GOAL

- **Sustained trust** in financial and other reporting, enhanced by high-quality audits, assurance and related services engagements, through delivery of **robust global standards** that are in the **public interest** and capable of **consistent and proper implementation**.

OUR STAKEHOLDER VALUE PROPOSITION

- *Public Interest Mindset:* A mindset that puts the public interest first, backed by work plans, processes, and activities that reflect our strategic focus as an independent, standard-setting board.

- *Accountability:* Building trust and inspiring confidence through communication and transparency about our actions.

- *Standards:* Globally relevant, forward-looking, applicable to entities of all sizes and complexities, adaptable in an evolving environment, and operable; developed and supported through activities that are independent and free of undue influence, timely, and responsive to the needs of our stakeholders.

- *Engagement with Our Stakeholders:* Timely and meaningful dialogue with a broad range of stakeholders, including with regulatory, user and practitioner communities.

- *Work Plans:* Focused on delivery of our International Standards and other related activities through timely identification of, and response to, our stakeholder needs; addressing issues with a global impact while carefully balancing speed and quality, capacity utilization, and coordination with others.

- *Methods:* Rigorous and inclusive, including leveraging external resources where feasible. Continuously reviewed and improved to better facilitate delivery of committed work plans.

- *Collaboration Efforts:* Leveraging efforts of, and continuing to strengthen coordination and cooperation with the International Ethics Standards Board for Accountants (IESBA), IFAC and NSS.

- *Implementation Support:* Supporting the timely and effective implementation of our major new and revised standards.

STRATEGIC DRIVERS

Adapting to the environment, and meeting stakeholder needs, are the most significant drivers that have shaped our Strategy and Work Plan for 2020–2021 (Work Plan). The most relevant **strategic drivers** influencing our standards and future activities include:

Advancement in, and Use of, Technology	• Rapidly changing and evolving technologies (e.g., artificial intelligence, robotics, blockchain, cloud computing, social networks and digital payment platforms). • Developments in the use of advancing technologies, including how automated tools (including automated data analytics) are used to perform work on audit and assurance engagements, and the way that such technologies influence how engagement teams are structured and interact.
Environment for less complex entities	• Increasing pressure regarding the scalability and proportionality of the standards, in particular relating to the ISAs and quality management standards. • Changing audit thresholds are increasing the demand for other types of assurance or other services for less complex entities.
Increasing Complexity and Its Implications	• The business environment is becoming increasingly complex and as a result, financial reporting standards are responding and becoming more complex. • Accounting practice is evolving, transactions are becoming more complex and financial reporting continues to change, with more estimates and management judgments needed. • The pace of change is driving complexity by exacerbating the impact of many of the factors referred to in this section, increasing pressures on responsiveness and relevance. • The growing adoption of more complex auditing and assurance standards increases implementation and application challenges for practitioners, and, consequently, the need for guidance and support.
Changing Reporting Needs of Stakeholders	• Corporate reporting continues to evolve, with many users of corporate reports increasingly focusing on available non-financial information, and seeking assurance thereon (e.g., sustainability reporting, enhanced reporting requirements for financial institutions or reports addressing an entity's governance arrangements and internal control, and other forms of extended external reporting).
Changing Public Confidence in Audits	• Fluctuating confidence and trust in audits arising from recent high-profile corporate failures and reported poor results of external inspections in some jurisdictions. • Emerging public interest topics resulting from changing stakeholders' expectations about what the standards should require the auditor to do, such as relating to the detection and reporting of fraud, and consideration of going concern issues (i.e., the 'expectation gap' between what is expected from an audit and what the current standards require the auditor to do).

OUR STRATEGY AND FOCUS

Key to our success is delivering on the strategic actions set forth in this Strategy for 2020–2023 (Strategy), which is facilitated:

- Through our commitment to **engage, listen and learn** from our key stakeholders, and to **lead and adapt** in our global standard setting responsibilities.

- By **fostering confidence** in the quality and relevance of our processes and standards, evidenced by the many jurisdictions (over 130) using or committed to using the ISAs, including their oversight bodies (regulatory and inspection), and by user and practitioner communities.

Continuously understanding our key opportunities and challenges (identified as the **strategic drivers** influencing our work), and balancing the needs of all stakeholders, are crucial to the continued use and ongoing adoption of our standards globally.

The emphasis of our actions will be on making timely and relevant changes to respond to the evolving environment, in particular the rapid advances in technology, and other public interest areas identified as driving our work. Achieving our objectives is underpinned by our independence, effective and efficient processes, being innovative about how we undertake our work, and broad and engaging outreach and collaboration.

Our three **strategic objectives** have been developed to direct the activities we commit to in pursuit of our goal. The **strategic actions** broadly describe our planned actions for each strategic objective. Our **work plans** set out the specific actions we will undertake.

> **I. Increase the Emphasis on Emerging Issues to Ensure that Our International Standards Provide a Foundation for High-Quality Audit, Assurance and Related Services Engagements**

Core to our activities is developing and maintaining high-quality international audit, assurance and related services standards. We will continue to focus on our traditional, core standard-setting activities, in relation to topics which are seen to be responsive to emerging and ongoing issues, in particular those topics where there is an increasing public interest. At the same time, greater attention will be given to supporting the first-time implementation of changes arising from our recent significant projects.

Strategic Actions – We will:

- Complete our major audit quality enhancements and other work underway in the first half of 2020.

- Undertake actions to develop ways to address complexity, understandability, scalability, proportionality and usability.

- Challenge and enhance the fundamentals of our International Standards by:

  – Increasing our focus on addressing emerging issues identified from the evolving environment, including how technology is impacting the implementation of the International Standards, and the growing desire for the IAASB to address non-financial reporting in light of changing corporate reporting;

  – Considering further topics to maintain public confidence in audits in light of the changing public interest (such as relating to the auditor's consideration of fraud and of going concern); and

  – Serving as a thought leader and convening stakeholders on topics related to the future of audit and assurance.

- Undertake actions to provide standards that are easily accessible and searchable.

- Respond, as appropriate, to divergence in practice or lack of clarity in standards where it has been identified as leading to issues in audit quality, or where it provides the opportunity to enhance our standards.

- Support and facilitate the effective implementation of our standards, through developing or collaborating on support materials, including to assist first-time implementation of new and revised standards, and other related activities, to promote the changes in the initial period after a final new or revised standard is published.

II. Innovate Our Ways of Working to Strengthen and Broaden Our Agility, Capabilities, and Capacity to Do the Right Work at the Right Time

Enhancing and strengthening our processes is critical to our success, and will enable our standards to remain relevant, robust and operable.

Strategic Actions – We will:

- Innovate how we work through the use of technology, new collaboration tools, and other means to increase our agility and maximize the impact of our activities.

- Develop and implement our concept of a *Framework for Activities* to include:

  – Undertaking more structured and robust information-gathering and research activities as a foundation for future workstreams, while also providing transparency about the decisions made for the work we undertake.

  – Procedures for developing and revising standards, and the effective implementation thereof.

  – Developing mechanisms for addressing issues and challenges on a more timely basis.

- Consider how we can continue to improve our due process to ensure continuing public confidence.

III. Maintain and Deepen Our Relationships with Our Stakeholders to Achieve Globally Relevant, Progressive and Operable Standards

Timely and meaningful outreach and collaboration to appropriately inform our work, and to deliver on our mandate.

Strategic Actions – We will, in addition to maintaining and deepening our relationships with our key stakeholders (see Appendix 1), focus on:

- Exploring new ways to collaborate with, and leverage insight, knowledge and resources of, NSS, academics and others, as needed.

- Building on our ongoing collaborative relationship with IFAC in promoting adoption and effective implementation of the ISAs and our other standards, in particular for audits of less complex entities, emerging markets and the public sector.

- Understanding issues, including implementation issues and challenges, that affect our standards through our wide-ranging outreach program.

- Broadening the level of stakeholder interaction among all interested parties throughout the standard-setting process.
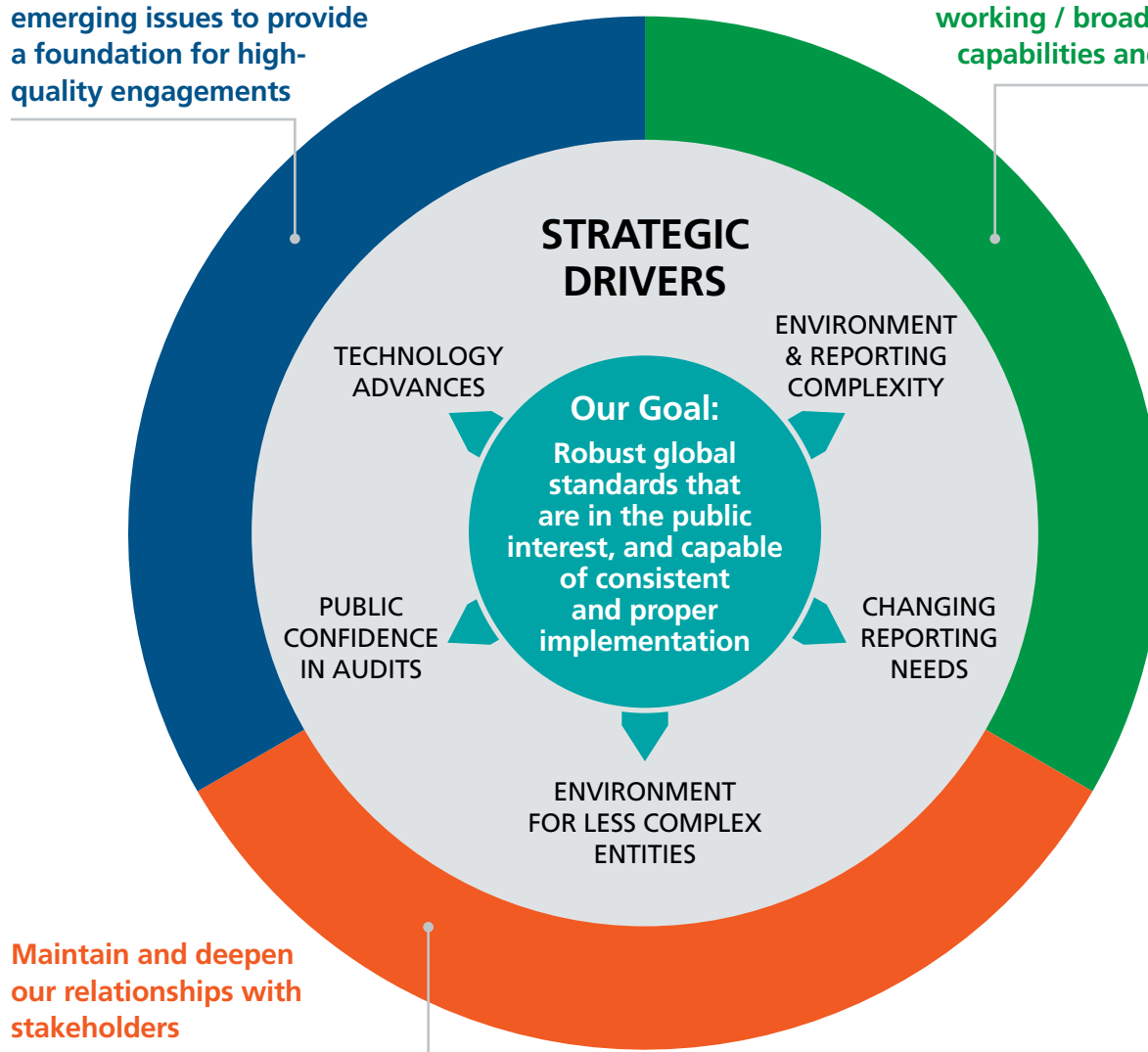
THE RELATIONSHIP BETWEEN OUR PLANNED ACTIVITIES AND OUR GOAL

We have developed our three strategic objectives taking into account the strategic drivers and the need to maintain the relevance and usability of our standards. The strategic objectives will guide the activities we decide to undertake in 2020–2023 in pursuit of our goal.

Increase the emphasis on emerging issues to provide a foundation for high-quality engagements

Innovate our ways of working / broaden agility, capabilities and capacity

STRATEGIC DRIVERS

TECHNOLOGY ADVANCES

ENVIRONMENT & REPORTING COMPLEXITY

Our Goal:
Robust global standards that are in the public interest, and capable of consistent and proper implementation

PUBLIC CONFIDENCE IN AUDITS

CHANGING REPORTING NEEDS

ENVIRONMENT FOR LESS COMPLEX ENTITIES

Maintain and deepen our relationships with stakeholders

OUR WORK PLANS AND CONCEPT FOR A FRAMEWORK FOR ACTIVITIES

WORK PLANS

Our specific activities are set out in our work plans (for 2020–2021 and 2022–2023[1]).

The prioritization, timing and expected outcomes in the work plans reflect our current thinking about the allocation of existing resources and Board capacity, but could evolve as we:

- Progress our thinking on new topics in terms of our enhanced information gathering and research activities, with the purpose of responding to our strategic drivers;

- Continue to enhance staff resources, in particular at more senior levels; and

- Free up plenary capacity.

During our strategy period, we will continue to monitor internal and external developments and evaluate how changes may impact our approach to delivery of our Strategy and work plans.

IAASB Work Plan for 2020–2021

The *Work Plan for 2020–2021* describes our planned projects and activities in 2020 and 2021, including projected timelines where relevant, and is based on a full allocation of current staff, Board and other available resources. We will develop our Work Plan for 2022–2023 using the strategic objectives to guide our planned activities.

In our previous strategy period (2015–2019), we allocated most of our resources to standard-setting activities (i.e., developing new and revising standards). Our current strategy, particularly our activities relating to the first and second strategic objectives, drives us to be a more agile and responsive standard-setter. Our aim is to respond to public interest issues in a more targeted manner.

As we move into our new workstream activities, it is expected that we will devote increasing time and resources to support the early implementation and application issues relating to the changes in our standards, address complexity in, and usability of, the standards, and address emerging and public interest issues (as set out in our strategic objectives and strategic actions). Accordingly, we plan to increase the relative amount of resources to support our new and enhanced activities and workstreams, while still allocating relatively significant effort to standard setting.

Past experience has shown that we have allocated our resources to a mix of activities, but with a significant focus on standard setting (in particular in the 2015–2019 strategy period as we undertook projects to enhance audit quality). The mix of activities in this Work Plan is still reflective of this in 2020 as we complete our significant standard-setting projects. As we finish these projects and shift our focus in line with our strategic objectives during 2021 there is expected to be a change in the mix of activities.

---

[1] The *Work Plan for 2022–2023* will be developed during 2021, with consultation on the proposed activities as needed.

FRAMEWORK FOR ACTIVITIES

In 2020 we will develop a Framework for Activities (Framework), the concept of which is to better articulate how we organize our efforts to deliver on our committed actions.[2] Key components of the Framework envisioned include:

- **Information Gathering and Research Activities**—fact finding activities, post-implementation reviews, targeted information gathering, and other activities for scoping projects, to support future workstreams. Output from this component is intended to inform the Board's decisions about its future work streams.

- **Revising and Developing Standards**—following due process in the development of new or revised standards, including consulting further (as needed), developing an exposure draft and related conforming and consequential amendments, developing changes to address comments on exposure and activities related to finalization of a new or revised standard.

- **Narrow Scope Maintenance of Standards**—Developing responses to address issues in a more nimble or timely way, which may include narrow-scope amendments to standards, or interpretations relating to specific questions about an approved standard.

- **Activities to Support Implementation of the IAASB's Standards**—Developing support materials, and other related activities to assist with the effective implementation of new and revised standards in the initial period after a final standard is published, or developing non-authoritative guidance where information gathering has indicated that guidance is needed, or the issue relates to a specific industry.

In carrying out our activities, we will look to continued collaboration and resource leveraging opportunities, as appropriate and as needed, with IFAC, NSS, the academic community, and others.

---

[2] The Framework will be more comprehensively developed as we continuously enhance our processes and procedures during the strategy period (and in accordance with our strategic objectives).

DELIVERY OF THE STRATEGY AND WORK PLAN

Delivery of our Strategy and Work Plan is under constant scrutiny by ourselves and our stakeholders in relation to:

- Meeting targeted outcomes set out in our Work Plan.

- Expanding global adoption of our standards, including adoption of new and revised standards by jurisdictions who are already using our standards.

- Facilitating the effective first-time and continuing implementation of new and revised standards.

- Building stronger relationships with key stakeholders.

Managing delivery of our committed Work Plans with limited resources requires careful consideration of the allocation of the available resources to the planned activities in the Work Plan in the most effective way. Our primary resources include a combination of staff and volunteer time from Board members, technical advisors and others, and financial resources in the form of an operating budget. The Framework being developed will help guide our decisions regarding the allocations of these resources, for which there are inherent limitations.

Accountability to our stakeholders about our actions, including how we undertake our activities, underlies the trust and confidence our stakeholders have in our standards. Therefore, we recognize the importance of demonstrating accountability to our stakeholders. As we develop our Framework, we will also consider how we can enhance transparency about how we are meeting our objectives and our goal. This will likely take into account, among other things, our efforts to change the focus of our activities (for example, enhanced implementation activities and more robust information gathering), changes in the adoption and use of our standards, how we collaborate with others to increase the capacity for our activities, and how we have strengthened relationships.

APPENDIX: MAINTAIN AND DEEPEN OUR CONNECTIONS WITH OUR KEY STAKEHOLDERS

We work with many stakeholders, with a variety of expectations and needs that must be balanced and prioritized. Where necessary, we will seek out additional stakeholders in an effort to expand our influence or gain a greater understanding. Most importantly, our strategy must reflect and respond to the needs of all stakeholders in an integrated way. In maintaining and deepening our connections we plan to:

- Continue to **interact with the** IAASB's Consultative Advisory Group **(CAG)**. The CAG is a fundamental part of our engagement with our stakeholders and is a key element of our due process. The CAG is comprised of over 30 member organizations representing global regulators, business and international organizations, accountancy regional bodies and users and preparers of financial statements.

- Further enhance our **coordination efforts with IESBA**.

- Explore new ways to expand our **collaboration with NSS** to optimize our activities.

- Continue our two-way coordination with the **International Accounting Standards Board**, providing input on auditability and verifiability of new and revised International Financial Reporting Standards (including in relation to, for example, its projects on management commentary and primary financial statements), thereby contributing to the quality of financial reporting.[3]

- Increase collaboration with the **International Forum of Independent Audit Regulators** and other **regulators and oversight bodies** to identify emerging issues related to the application of our standards and further explore causal factors for these issues.

- Further enhance working relationships with **investor groups, audit firms, the public sector, and other standard-setting bodies** (such as the International Valuation Standards Council) to help understand their concerns.

- Build on our existing **collaborative relationship with IFAC** and its various committees, in particular in relation to implementation support activities.

- Continue to establish **subject-specific Advisory Panels**, as needed, to enable Task Forces and Working Groups to receive timely input on developing proposals from a broad range of relevant stakeholders.

---

[3] For more information about the IAASB's liaison with the IASB see the project page: http://www.iaasb.org/projects/iaasb-iasb-liaison