International Auditing and Assurance Standards Board®

Work Plan for 2015–2016: Enhancing Audit Quality and Preparing for the Future

IAASB | International Auditing and Assurance Standards Board®

This document was prepared by the Staff of the International Auditing and Assurance Standards Board® (IAASB®).

This IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

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.

THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

WORK PLAN FOR 2015–2016: ENHANCING AUDIT QUALITY AND PREPARING FOR THE FUTURE

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 Work Plan for 2015–2016* (the 2015–2016 Work Plan), that was approved by the IAASB in September 2014, with affirmative votes by 17 out of 17 IAASB members present at the September 2014 IAASB meeting.[1]

Background

1. The IAASB commenced the process of developing its forward strategy and its 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 issuance of a consultation paper (CP) for public comment.[2]

2. As noted in the Basis for Conclusions for *The IAASB's Strategy for 2015–2019*: *Fulfilling Our Public Interest Mandate in an Evolving World* (the Strategy), the IAASB has agreed to an extended five-year strategy period to 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. The IAASB recognizes that, as developments in auditing, assurance and related services occur, there is a need to establish a work plan that is both realistic and specific in terms of timing of deliverables. The IAASB therefore agreed a two-year work plan period. This will better enable the IAASB to forecast its shorter-term deliverables and to be more responsive to emerging needs, within the context of its longer-term strategy.

4. Reference to the Strategy and its related Basis for Conclusions[3] may be useful in understanding matters within this Basis for Conclusions, as the various initiatives within the 2015–2016 Work Plan have been aligned to the three strategic objectives for the five-year period. In addition, Appendix 1 of the Strategy highlights factors used by the IAASB in guiding the identification of potential priorities and actions in determining its work plans, including the 2015–2016 Work Plan.

5. The IAASB discussed the proposed Strategy and the 2015–2016 Work Plan 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 2015–2016 Work Plan.

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[1] For a full record of the voting on the Strategy and 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 Accountants (IFAC) Standard-Setting Public Interest Activity Committees' *Due Process and Working Procedures* (March 2010), paragraphs 4 and A6–A8.

[3] The *Basis for Conclusions* for the *IAASB's Strategy for 2015–2019: Fulfilling Our Public Interest Mandate in an Evolving World* can be found at [http://www.ifac.org/auditing-assurance/publications-resources]

Process for the Development of the IAASB's Work Plan for 2015–2016

6.   Developing the 2015–2016 Work Plan involved discussions with stakeholders during the IAASB's international outreach activities. There was also a formal survey (the Stakeholder Survey) in February 2013, to solicit views about matters of strategic relevance to the IAASB, including in relation to individual projects that were under consideration.

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:

   •   The key implementation issues identified from the IAASB's *Clarified International Standards on Auditing—Findings from the Post-Implementation Review.*[4]   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.

   •   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).

   •   The establishment of the IAASB's Innovation Working Group[5] to monitor evolving developments in audit, assurance and related services.

   •   The implications of efforts on IAASB projects expected to continue into 2015, for example the facilitation of the implementation of the new and revised Auditor Reporting standards, 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 2015–2016 Work Program CP were generally supportive of the proposed 2015–2016 Work Plan. There were various suggestions as to how such initiatives should be articulated and prioritized over the period. In addition, the IAASB was encouraged to consider how to commence work in more areas. This Basis for Conclusions explains the more significant issues

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[4]   The report highlights the findings of the IAASB's efforts to learn whether the clarified ISAs are being consistently understood and implemented in a way that achieves the IAASB's goals in clarifying and revising them.

[5]   Previously the Information, Needs, and Future Opportunities (INFO) Working Group. This Working Group has been 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.

raised by respondents to the 2015–2016 Work Plan CP and how the IAASB has addressed these issues and other significant environmental developments in finalizing the 2015–2016 Work Plan.

The IAASB's Focus for 2015–2016

11. The Strategy acknowledges the IAASB's strong commitment to meeting the expectations of stakeholders regarding the application of the ISAs and International Standard on Quality Control (ISQC),[6] which together serve a fundamental role in underpinning audit quality, in both the private and public sectors. Respondents to the Strategy Survey generally agreed with a focus on these in the early part of the Strategy period.

12. In the Work Plan for 2015–2016 CP, the IAASB proposed to invest significant effort in 2015–2016 to respond to some of the key implementation issues identified by the IAASB's ISA Implementation Monitoring project and through other outreach activities. This included accelerating the completion, by 2017, of three topics (quality control, professional skepticism and special audit considerations relevant to financial institutions), by focusing a significant amount of the IAASB's resources on these topics, similar to the approach taken in the Auditor Reporting project. The IAASB also suggested focusing on finalizing important initiatives underway, in particular facilitation of the implementation of the new and revised Auditor Reporting standards, and initial efforts on post-implementation monitoring of these new and revised standards.

13. The 2015–2016 Work Program CP asked for respondents' views about the IAASB's decision to focus on fewer key projects with the goal of completing these by 2017. While respondents to the 2015–2016 Work Program CP broadly supported the IAASB's proposed efforts on quality control, professional skepticism and special audit considerations relevant to financial institutions, the majority of respondents did not support commencing work *only* in these three areas at the expense of efforts on other topics that were also viewed as important. Several respondents therefore urged the IAASB to consider how it could increase capacity for work in more areas to commence sooner than originally proposed. In particular, concern was expressed that efforts to address some of the key findings from the ISA Implementation Monitoring project were not planned to commence, and would therefore not be finalized, until much later in the strategy period. Specific topics noted by respondents for more urgent action included work relating to:

- Group audits (ISA 600).[7]
- ISA implementation findings related to ISA 315 (Revised).[8]
- Agreed-upon procedures (AUP) (ISRS 4400).[9]

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[6] International Standards on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

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

[8] ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

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

IAASB Decisions

14. In light of this feedback, the IAASB reassessed its proposed approach to address three priority projects on an accelerated basis and agreed to commence work on more projects than initially envisaged in the period 2015–2016. In particular, the decision was made to accelerate substantive work on group audits and the revision of ISRS 4400, and undertake information-gathering activities to further understand the ISA Implementation Monitoring findings related to ISA 315 (Revised). The Board also considered suggestions from respondents about how particular projects could be better articulated, in terms of the issues that may be addressed and approach that may be taken. The projects included in the 2015–2016 Work Plan are discussed in more detail below.

15. However, by expanding the number of projects to be undertaken in the 2015–2016 period, as well as the challenging nature and extent of the issues to be explored in many of the projects, the IAASB is of the view that it is unlikely that any of these projects, including the three topics originally prioritized, will be completed in an accelerated timeframe as originally envisaged. Several current IAASB projects are expected to be completed in the 2015–2016 period. In relation to new projects and initiatives, depending on the approach to be taken on the project, some outputs other than final standards may also be completed in 2015–2016. However, initially information gathering will be needed for the IAASB to form a view as to the most appropriate outputs for each new project, and therefore the IAASB expects that most new projects will be completed in the 2017–2018 period.

16. The IAASB has also recognized that demands exceed what can be undertaken with current Board and Staff resources. The IAASB has therefore considered how best to respond to the strong message about the need for the Board to consider different ways in which projects can be commenced and progressed. The IAASB is of the view that it could expand its capacity and address key topics on a more timely basis through collaboration with others (e.g., national standard setters (NSS), IAASB Technical Advisors (TAs), subject-matter experts from the firms and regulatory community, and others) as appropriate. The IAASB has taken opportunities to do so into account in considering the balance and timing of initiatives included in the revised Work Plan 2015–2016.

Projects Included in the IAASB's 2015–2016 Work Plan

17. While recognizing calls from stakeholders for IAASB effort on a variety of important topics, the IAASB has considered how best to deploy its limited resources in a way that has the greatest potential to serve the public interest.

18. This section sets out the planned projects for the 2015–2016 period. This includes the three priority projects proposed in the 2015–2016 Work Program CP, as well as the additional projects now included based on the responses to the 2015–2016 Work Program CP and other outreach of the IAASB. The timing of the commencement of activities on these proposed projects is dependent on the completion of work on the IAASB's projects currently underway from the 2012–2014 Work Program. As resources become available, including both at the Staff and Board level, as well as leveraging others in some areas as explained above, the following projects are expected to commence:

Proposed Projects Included in the CP	Retained in Final Work Plan	Reference to Project Description[10] in 2015–2016 Work Plan
Quality Control	Yes (1)	Paragraph 12(f)
Professional Skepticism	Yes (2)	Paragraph 12(i)
Special Audit Considerations Relevant to Financial Institutions	Yes (1)	Paragraph 12(g)
New Projects Now Included in Work Plan		
Group Audits (ISA 600)	(3)	Paragraph 12(e)
Agreed-Upon Procedures (ISRS 4400)	(3)	Paragraph 12(h)
Further Understanding of ISA Implementation Monitoring Findings Related to ISA 315 (Revised)	(3)	Paragraph 12(j)

(1)   These projects have been retained with further consideration about the potential scope and activities within these projects to meet stakeholder needs, subject to further work by the relevant Task Forces or Working Groups to develop a project proposal for approval by the IAASB.

(2)   While this project will be retained in the 2015–2016 period, the approach to it has changed from what was proposed in the CP in light of feedback from respondents – see further description below.

(3)   Expanded descriptions of these projects that have now been incorporated into the 2015–2016 Work Plan are explained further below.

Group Audits (ISA 600)

19.   Respondents to the CP, as well as members of the IAASB CAG, and other key stakeholders (including members of the Monitoring Group (MG)) expressed strong views to bring forward the project on group audits as a matter of priority, in particular in light of the findings from the ISA Implementation Monitoring project that had identified key and important issues[11] relating to the application of ISA 600.

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10   Within the final Work Plan, the IAASB has included a description of the issues that may be addressed, as well as the standards that may be revised and other possible outputs, in relation to each planned project, in order to provide stakeholders with a view on the possible scope and output(s). The nature and scope in relation to particular projects and initiatives is likely to evolve as the discussions on these topic progresses.

11   'Key issues' are those where there is a body of evidence to suggest that the ISA is not being consistently understood and applied in a manner that achieves the IAASB's goals in revising it, and changes to the ISA are likely to have the greatest potential for improving audit quality. 'Important issues' are where there is some evidence that the ISA is not being consistently understood and implemented in a manner that achieves the IAASB's goals in revising it, and changes to the ISA may have potential for improving audit quality.

20.   The 2015–2016 Work Plan CP noted a number of issues related to the application of ISA 600, including the involvement of the group auditor in the work of the component auditor, determining component materiality, identified issues around applying ISA 600 in certain situations, such as "letterbox audits"[12] and access to the work of component auditors. In addition to these issues, respondents, including MG members, also suggested the need to explore matters such as shared service centers and offshoring. Respondents also suggested that professional skepticism on group audits should be further considered.

IAASB Decisions

21.   In considering the responses to the 2015–2016 Work Program CP and the views of others, the IAASB has agreed to bring forward substantial work effort on ISA 600 in its 2015–2016 Work Plan.

22.   The Board has agreed to initially seek to understand the issues related to "letterbox audits" and the approach to such audits, including the applicability of ISA 600 in such circumstances. This will help the Board determine what actions may be appropriate to address this particular area. Work in this area has commenced in late 2014.

23.   In 2015, as the Board completes other projects currently underway, the Board will escalate its information-gathering activities to further understand the most appropriate response to address the other issues identified relating to ISA 600, and may develop a Discussion Paper or obtain information through fora such as roundtables. A determination will then need to be made about the nature of the IAASB's response(s) to the issues identified (i.e., whether standard-setting activities are appropriate to address the issues and, if so, whether specific enhancements within ISA 600 or a more holistic approach to revision of the standard would be more appropriate).

24.   The Board also agreed that other identified or emerging issues in the area of group audits, such as shared services centers and offshoring, will also be explored as part of this project, and these have been included in the project description in the Work Plan (and, as relevant, will also be considered as part of the Quality Control project). The Board will also consider whether any further actions would be appropriate to improve professional skepticism when performing group audits.

Quality Control

25.   Respondents to the 2015–2016 Work Program CP, including MG members, agreed with the topic as a priority, but concern was raised by some respondents about some of the issues to be addressed in this project, in particular relating to the way that some of these issues may be addressed. Respondents, including MG members, also suggested other areas for consideration, including: offshoring; whether firm's systems of quality control addressed actions when external inspections identified significant audit deficiencies; provisions relating to the use of the work of a specialist and an auditor's expert; and the governance structures of firms and networks.

26.   Respondents also highlighted that some of these topics were not unique to this project, and may have aspects that would need to be dealt with across various projects.

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[12]   A letterbox audit is one where the group parent entity is registered in one jurisdiction, which is where the group auditor is based, but the group's operations, accounting records and management are located in a different jurisdiction.

IAASB Decisions

27. The IAASB agreed to continue to focus on this area as a matter of priority, in particular given the support across a broad range of stakeholders. Before making decisions on the future actions in this area, further information gathering and discussion is expected to further inform the Board.

28. Areas for consideration as part of the information-gathering activities have been set out in the project description in the Work Plan,[13] but the IAASB will need to further deliberate on the scope of the project as well as the actions it will undertake to identify the identified issues. The IAASB commenced discussions on the topic in June 2014, and will continue to work towards a project proposal in mid-2015.

Special Audit Considerations Relevant to Financial Institutions

29. Recognizing the importance of financial institutions in financial markets, respondents to the 2015–2016 Work Program CP, including MG members, were largely supportive of this project. However, the IAASB was cautioned against developing an industry-specific ISA, and was encouraged to consider whether an International Auditing Practice Note (IAPN) or other guidance would be more appropriate.

30. The IAASB was also encouraged to consider the wider applicability of the issues identified relevant to financial institutions (e.g., in ISA 540)[14] and also to consider these issues for the insurance industry (by a member of the MG). The IAASB has also been encouraged to involve appropriate subject-matter experts when carrying out the work on this project.

IAASB Decisions

31. The IAASB intends to continue to focus on this project as a priority area, and is in process of involving appropriate subject-matter experts in its work.

32. In revising the possible areas for consideration (e.g., areas specific to banks such as impairment and loan loss provisioning), as set out in the project description in the Work Plan, the IAASB agreed to also consider issues arising in the insurance industry. The IAASB has also agreed to further consider whether there are issues in ISA 540 that have been identified but have wider applicability, including but not limited to applying professional skepticism when carrying out work on accounting estimates and fair values.

Agreed-Upon Procedures (ISRS 4400)

33. Respondents to the 2015–2016 Work Program CP encouraged the IAASB to bring forward work relating to AUP (ISRS 4400) in light of the view that the 2015–2016 Work Plan does not address the growing demand for the broad range of services provided, including by small and medium practices (SMPs). Representatives from SMPs and others have suggested the IAASB prioritize exploring "hybrid" engagements, which involve a combination of procedures derived from review, compilation and agreed-upon procedures engagements, as a means of meeting the needs of small- and medium-sized entities (SMEs).

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13   Areas for consideration also include topics identified from the IAASB's deliberations during the development of its *Framework for Audit Quality*, which was published in February 2014.

14   ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

IAASB Decisions

34. The IAASB agreed that work in this area should be brought forward, particularly in light of planned work on the topic in the 2012–2014 period being postponed due to the acceleration of the Auditor Reporting project.

35. The IAASB considered the suggestion that work to revise ISRS 4400 could also address "hybrid" engagements in light of the current nature of an agreed-upon procedure engagement[15] and the concepts of reasonable and limited assurance to find an appropriate way to address a new market need.

36. Mixed views were expressed about whether this could be done as part of the plans to revise the existing standard or if more fundamental conceptual decisions would be first needed by the Board. Accordingly, the IAASB agreed that more time is needed for information gathering to properly scope a project in this area.

37. On an initial basis, the IAASB will consider an appropriate way forward with respect to the revision of ISRS 4400, taking into account the work of various NSS in this area. The IAASB will also undertake, in coordination with other interested stakeholders, initial research and information gathering to inform the IAASB's considerations as to whether a new standard or other activities is needed to address the evolving use of "hybrid" engagements. By deferring the consideration of a project proposal until late in 2015, the IAASB is of the view that this will allow sufficient time for more strategic issues to be explored.

Information-Gathering Activities to Inform Future Work

Professional Skepticism

38. Respondents to the 2015–2016 Work Program CP agreed that the subject of professional skepticism is important and should be addressed by the IAASB, but encouraged the IAASB to give further consideration to the nature of the project, and whether it is a separate project to be addressed on a priority basis or could rather be addressed within other projects. In particular, respondents did not support a standard-setting project of changes to various ISAs as the primary response to the concerns and issues that have been identified, but rather suggested that the IAASB undertake initial work to explore the nature of the issues (e.g., behavioral and training issues) to further understand what could be done in this area before committing to a project on the topic.

IAASB Decisions

39. The IAASB has agreed to continue to include this topic in the 2015–2016 Work Plan, but has reconsidered its approach. The IAASB plans to engage in initial discussions to consider how best to address the topic of professional skepticism, for example through Board information sessions from regulators, academics and others with an interest in this area to further inform the IAASB as it deliberates its approach on this topic. Relevant research, findings and recommendations from regulators, academics and others will also be reviewed to further inform the Board's considerations.

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[15] An agreed-upon procedures engagement is an engagement focused on procedures specified with appropriate third parties and a report on factual findings of those procedures, where no assurance is expressed

40.   In the view of the IAASB, while professional skepticism will be considered as an aspect of the other new projects and initiatives commencing, including Quality Control, Group Audits and the Financial Institutions project, further focus on professional skepticism is still needed. Therefore the IAASB will initially discuss what further efforts may be needed and undertake efforts accordingly.

Further Understanding of ISA Implementation Monitoring Findings Related to ISA 315 (Revised)

41.   Concern was expressed respondents to the 2015–2016 Work Program CP, including a MG member, as well as by the IAASB CAG members, about the timing of the planned work on ISA 315 (Revised), in particular as this had been highlighted in the ISA Implementation Monitoring Findings as an area where key issues had been identified. Suggestions were made advocating more attention on both the findings from the ISA Implementation Monitoring project as well as the effects of enhanced data analytics on the audit.

IAASB Decisions

42.   The IAASB agreed to commence information-gathering activities in 2015 at the Staff level to consider the potential objectives and scope of a possible project. The Board acknowledged that coordination with firms and regulators will be necessary to inform the view as to an appropriate way forward, which could include specific enhancements to ISA 315 (Revised), additional guidance or a more fundamental consideration of the implications on the auditor's risk assessment and response. Substantive activity could then be planned for 2016 and beyond, and would likely be further informed by activities of the Innovation Working Group (see paragraphs 13–15 of the 2015–2016 Work Plan).

Other Projects and Initiatives in the IAASB's Work Plan

43.   The CP highlighted various other initiatives and ongoing projects into 2015. The majority of respondents to the CP, as well as the IAASB CAG members, supported the view that its public interest mandate would be best served by completing these projects and undertaking work effort on the noted initiatives. This includes completing projects to revise ISA 720 (Revised)[16] (if not completed in 2014), proposed changes to address financial statement disclosures[17] and the amendments to the ISA 800 Series[18] arising from the Auditor Reporting project. It is expected that standard-setting activities on these should be substantially complete by mid-2015, subject to further IAASB discussions.

44.   Respondents to the CP, as well as the IAASB CAG members, also strongly supported the vital role of the Innovation Working Group in identifying and discussing emerging issues for future Board

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[16]   ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, is planned for approval in December 2014 or March 2015

[17]   Changes to the ISAs as a result of the exposure draft (ED), *Proposed Changes to the International Standards on Auditing (ISAs), Addressing Disclosures in the Audit of Financial Statements*, are planned for approval in March 2015.

[18]   As a result of the Auditor Reporting project, in particular the changes proposed to ISA 700, *Forming an Opinion and Reporting on Financial Statements*, amendments will be necessary to the ISA 800 series. The ISA 800 series includes ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks,* ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and ISA 810, *Engagements to Report on Summary Financial Statement*

consideration.[19] As discussed in the 2015–2016 Work Plan, based on the recommendation of the Innovation Working Group, two separate Working Groups have been established to proactively start information gathering activities on assurance on integrated reports (including the need for expanding this to the issue of non-financial reporting) and on developments in data analytics and the effect on the audit.

45.   The importance of supporting the effective implementation, including providing guidance in specific areas as necessary, of the new and revised Auditor Reporting standards was highlighted by respondents to the 2015–2016 Work Program CP and other key stakeholders. Support was also expressed for a timely post-implementation review of the new and revised standards once they have been effective for a period of two years,[20] and the IAASB intends to commence planning for this post-implementation review in 2016.

46.   In 2016 the IAASB also plans to develop a process for carrying out post-implementation reviews of its assurance and related services standards. Respondents to the 2015–2016 Work Program CP highlighted the importance of these reviews, but the reviews will only be carried out in the 2017–2018 period due to the implementation dates of the recently revised and new assurance and related services standards.

IAASB Decisions

47.   The IAASB agreed that these initiatives are of critical importance and should continue to be included as part of the 2015–2016 Work Plan. Reference has been made to these and other ongoing initiatives, such as continued monitoring of International Accounting Standards Board pronouncements, coordination with other independent standard-setting boards on matters of mutual interest (in particular, the International Ethics Standards Board for Accountants), and further activities to support the use of the IAASB's *Framework for Audit Quality* (see paragraph 17 of the 2015–2016 Work Plan), In addition, Appendix 2 of the Strategy outlines the objectives of the IAASB's outreach activities, which will continue to be a fundamental part of the IAASB's work involving significant resources at the Chairman, Deputy Chair and senior Staff levels.

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

48.   The initiatives specified for the period 2015–2016 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 Plans. Through ongoing discussions and outreach with others,[21] the IAASB will monitor national and international developments to continually assess the prioritization of its future planned projects.

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[19]   This Working Group will also monitor developments in assurance on non-financial information (including sustainability reports), assurance on corporate governance reporting, assurance on internal control over financial reporting, including aspects of internal control such as risk management and preliminary announcements.

[20]   The new and revised Auditor Reporting standards will become effective for audits of financial statements for periods ending on or after December 15, 2016 ("2016 audits").

[21]   Including the IAASB CAG, regulators, NSS, practitioners and other key stakeholders, and through ongoing monitoring by the Innovation Working Group

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.

49. 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, for example, NSS or researchers, or through other steps to enhance resources available to the IAASB.

Consideration of Other Projects Suggested for Inclusion in the 2015–2016 Work Program

50. In addition to considering what it learns from ongoing outreach and liaison activities, the IAASB also plans to undertake a limited public consultation in 2016 (e.g., through a survey) as a basis for its 2017–2018 Work Plan. The development of a Work Plan for 2017–2018 will also take into account resources committed to completing projects carrying over from the 2015–2016 Work Plan and available capacity.

51. Appendix 1 of the proposed Work Plan in the CP included an overview of possible actions for inclusion in future work programs,[22] in support the IAASB's strategic objectives over the five-year period 2015–2019. Respondents variously commented on the need to prioritize some of these projects in 2015–2016 for various reasons.

52. A few respondents, including members of the MG, as well as the IAASB CAG and Board also mentioned other topics for possible inclusion in the 2015–2016 Work Plan, including:

- Further work on the topic of going concern, for example to assess whether the accounting standard setters have progressed work in this area, and consider any relevant developments by NSS (such as the UK Financial Reporting Council (FRC) and the US Public Company Accounting Oversight Board (PCAOB)).

- Strengthening the auditor's work effort in accordance with ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, recognizing this may arise an area for consideration in addressing the topic of professional skepticism

- Matters relating to ISA 505, *External Confirmations* in light of the increasing use of electronic confirmations.

- Revision of ISAE 3400, *The Examination of Prospective Financial Information*, in the Clarity format

- Further revision of ISA 610 (Revised 2013), *Using the Work of Internal Auditors,* based on continuing concern by a few respondents about the use of internal auditors to provide direct assistance.

- Matters relating to joint audits, in light of the European audit reform proposals

53. However, with the exception of the calls to accelerate work on ISA 600, ISA 315 (Revised) and ISRS 4400, no other projects received support to a degree that, in the IAASB's view, would warrant

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[22] Possible actions included work on topics such as analytical procedures, the use of an auditor's expert, audit sampling, the use of a service organization, audit evidence, materiality and evaluating misstatements, preliminary announcements, direct engagements, review of interim financial information, and overarching considerations relevant to the *International Framework for Assurance Engagements*.

prioritization of that project over those set out above. Rather, these initiatives (as noted in paragraphs 51 and 52 above) will be considered in developing the Work Plan for 2017–2018.

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