

Envisioning the Future—Survey on the IAASB’s Future Strategy

[WORD VERSION–ENGLISH]

Purpose of the Survey and Why It Is Important?

The International Auditing and Assurance Standards Board (IAASB) is committed to the goal of developing a set of international standards which are generally accepted worldwide. There are now [128](#) jurisdictions using or committed to using IAASB’s Clarified ISAs.

The IAASB is approaching the development of its future strategy and work plans with an open mind [1].¹ The IAASB’s strategy consultation process for the period 2020–2023 [2] starts with this stakeholder survey. This survey is intended to help identify key issues for consideration in developing its future strategy, in the context of the IAASB’s broad strategic focus, and the changing environment. The overriding objective is serving the public interest. The input from this survey, as well as direct engagement with a range of stakeholders through targeted outreach efforts, will inform the development of the IAASB’s Consultation Paper on its future Strategy and Work Plans. This Consultation Paper is expected to be released at the end of 2018. It will contain a more robust description of the matters addressed by the survey, and will solicit comments in the form of written responses from stakeholders. Your responses to this survey will assist the IAASB in identifying strategic themes to be addressed as it develops this Consultation Paper later in 2018,

Monitoring Group Review on the IAASB’s Structure, Governance and Oversight

The IAASB is closely following the consultation currently underway by the Monitoring Group (MG) on the IAASB’s structure, governance and oversight.² Changes are expected that will impact the 2020–2023 strategy period, including the IAASB’s operations and its capacity to undertake projects. Notwithstanding that this review is currently underway, the IAASB still believes it is important to continue with the strategy development process in light of the importance of the smooth continuation of the IAASB’s activities until and during any changes resulting from the MG consultation. As the MG works to finalize the outcome of its consultation, the IAASB believes it is important to embrace the change that is coming by considering actions to pilot some of the proposals in the MG’s Consultation Paper. Such piloting may include for example, operating as a more strategically focused Board, considering changes to the technical Staff team and the way in which they support specific projects and seeking enhanced coordination between the IAASB and the International Ethics Standards Board for Accountants (IESBA).

What the IAASB is asking in this Survey

We are requesting input from all interested stakeholders and request that survey respondents complete and submit Sections III and IV by **July 24, 2018**.

- **Section I**—Describes the current Strategy and IAASB projects and initiatives, including background to the projects underway and the expected timing of completion. This will assist respondents in understanding which projects continue into 2020 (thereby providing context about how the IAASB will begin its 2020—2023 strategy period).
- **Section II**—Broadly describes the IAASB’s views about what may affect the IAASB in 2020–2023— including the implications for its people, processes, technology and activities.

¹ Explanations for the numbers in [] can be found in **Appendix 1**

² In November 2017, the Monitoring Group published its consultation paper, [Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Board in the Public Interest](#)

- **Section III**—Information about respondents, including the capacity in which they are completing the survey.
- **Section IV**—Specific questions for respondents.

Responses will be made available on the IAASB's website after the close of the survey.

SECTION I—BACKGROUND AND CONTEXT FOR THE IAASB’S 2020—2023 STRATEGY

What does the IAASB Do, and What Are Its Standards?

The objective of the IAASB is to serve the public interest by setting, independently and under its own authority, high-quality auditing, assurance, and other related standards. The IAASB also seeks to facilitate the convergence of international and national standards. These objectives contribute to enhancing quality and consistency of practice throughout the world, and strengthening public confidence in the global auditing and assurance profession. The IAASB sets its international standards under the oversight of the Public Interest Oversight Board, and with the advice of its Consultative Advisory Group, which provides public interest input into the development of the standards.

The IAASB’s Standards and Other Pronouncements

The international standards developed by the IAASB cover a broad range of engagements, including:

- **Audits and reviews** of historical financial information [3].
- **Other Assurance** engagements (other than audits or reviews of historical financial information), including engagements related to Emerging Forms of External Reporting (EER) [4].
- **Related Services** engagements [5].

The IAASB also establishes **Quality Control** standards [6] to be applied by firms for all services falling under the IAASB’s engagement standards. In addition, the IAASB may issue **guidance** in the form of non-authoritative material [7].

What Has Influenced the IAASB’s Activities over the Last Ten Years?

In March 2009, the IAASB completed its Clarity Project that involved a comprehensive review of all the ISAs to improve their clarity and thereby facilitate their consistent application. Approximately half of the clarified ISAs included substantive changes aimed at improving practice in a variety of respects. During this process, the IAASB’s way of drafting standards was reformed, and standards continue to be revised or developed using these clarity formats and drafting protocols.

After 2009, the IAASB shifted its focus to enhancing the relevance and quality of assurance and related services, and revised a number of its assurance, review and other services standards [8]. At the same time, key stakeholders called on the IAASB to focus on supporting global financial stability. In response, and because the auditor’s report is a key deliverable addressing the output of the audit process for users of the financial statements, the IAASB’s top priority in 2012–2014 was a project to revise the auditor’s report.

In order to understand the effectiveness of the changes made in the clarity project, including the need for further changes, the IAASB undertook a post-implementation review of the clarified ISAs that was completed in 2013. The [Findings from the Post-Implementation Review](#) have largely informed the projects undertaken since 2015, including influencing their relative prioritization.

The environment has also changed significantly in the last ten years, which has necessitated the IAASB to respond [9]:

- *Stakeholder needs are continually evolving*, including:
 - An increasing call for transparency about the audit (with a significant project to revise the auditor's report,³ completed in late 2014).
 - An increasing focus on non-financial and forward-looking information, and other types of environmental reporting, with the IAASB establishing its Innovation, Needs, and Future Opportunities (INFO) Working Group (now called the Innovation Working Group) [10] in 2014 to monitor evolving developments potentially affecting the IAASB's standards [11].
- *International audit oversight bodies* are evolving, becoming more structured and interconnected, and continue to enhance consistency of the reviews of audits that are performed jurisdictionally, with global findings being made public on an annual basis.
- There are *different, competing, and ever increasing calls from important stakeholder groups* for more to be done to address their specific challenges, some of which also vary from one stakeholder to another. While certain stakeholders are calling for more robust requirements, practitioners providing services to small- and medium-entities (SME's) are calling for more help to support the effective and efficient implementation of the standards, including simpler standards. In particular, there has been an increasing call for a focus on the scalability of the IAASB's auditing standards when auditing smaller or less complex entities [12].
- *There has been an increasing focus on audit quality*, including questions about what 'audit quality' means. Recognizing that audit quality is important to global financial stability and is relevant to all stakeholders in the financial reporting supply chain, the IAASB developed its [Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality](#).
- *Financial reporting frameworks are also continually changing* to address changes in the environment, with increasing emphasis being placed on robust disclosures. For example, International Financial Reporting Standard (IFRS) 9, *Financial Instruments*, resulted in a call, in particular from banking and insurance regulators, for changes in the auditing standards to address issues arising from its impending adoption, especially for financial institutions. This resulted in prioritizing a project to revise ISA 540⁴ relating to the audit of accounting estimates and fair values.
- *Technology is evolving at an increasingly rapid pace*, affecting the way that entities and audit firms operate, and how audits and other engagements are being undertaken.
- *Audits of public sector authorities or entities are increasingly being undertaken using the ISAs* [13]. There have been increasing calls for more help with the implementation of the standards in this sector.
- *The IAASB's coordination efforts with IESBA and the International Accounting Education Standards Board (IAESB) have also become increasingly important* as changes made in the IESBA and IAESB standards sometimes directly impact the IAASB's standards, as well as increasing stakeholder expectations that the standards are not inconsistent with each other.

In summary, to respond to the changing environment and in fulfilling its overall objective, the IAASB's areas of broad strategic focus over the past 10 years have been:

³ The new and revised Auditor Reporting Standards comprise ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; New ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*; ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*; ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*; ISA 570 (Revised), *Going Concern*; ISA 260 (Revised), *Communication with Those Charged with Governance*; and conforming amendments to other ISAs.

⁴ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

- (a) The **development or revision** of standards;
- (b) **Monitoring the adoption** of those standards; and
- (c) Responding to concerns about the **implementation** of the standards by activities designed to improve the consistency and effectiveness of their application.

The IAASB's Strategy for 2015–2019

The IAASB's current strategy runs from [2015–2019](#), and was developed in the context of various influences on the Board's activities as described in the Background section. The strategy sets out the Board's medium-term vision for its activities during this period by describing three identified strategic objectives. These three strategic objectives provide further context for the IAASB's mandate and outputs, and illustrate how the IAASB has, and continues to, focus its activities. A mid-period [review](#) of the continuing relevance of the three strategic objectives was undertaken in 2016, and our stakeholders confirmed that the three strategic objectives remained relevant for the rest of the strategy period.

The strategic objectives for 2015–2019 identified were to:

- (i) 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
- (ii) Ensure the IAASB's Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders for Services Other than Audits of Financial Statements
- (iii) Strengthen Outreach and Collaboration with Key Stakeholders in the Reporting Supply Chain on Public Interest Issues Relevant to Audit, Assurance and Related Services

In this context, in the period 2015–2019, the IAASB has worked towards:

- Enhancing the quality and robustness of the audit to support financial stability, recognizing that the work of the auditor plays a key role in the credibility of audited financial statements for stakeholders.
- Developing international standards and other guidance to address services other than audits of financial statements. The IAASB heeded calls from users, practitioners and others for new and evolving services that were seen to be most relevant in the current environment.

In support of its efforts, the IAASB has increased its focus on broad-based outreach [14], and on enhancing relationships with international and national regulatory bodies, auditor oversight and inspection authorities, investors, national standard-setters, organizations representing small- and medium-practices (SMPs) and practitioners. Through this outreach the IAASB has continued its emphasis on encouraging and facilitating adoption and effective implementation of the ISAs and other IAASB standards.

The specific projects currently underway are described below, including the expected timing for completion of these projects.

The IAASB's Activities in the Period 2015–2019

The IAASB's two-year work plans set out the specific initiatives and projects, as well as their relative priorities, in context of the broader strategy. Public consultations on the [Work Plan for 2015–2016](#) and the [Work Plan for 2017–2018](#) were undertaken to help the IAASB understand stakeholders' expectations about the specific projects and priorities of the IAASB. The IAASB's approved work plans for 2015–2016 and 2017–2018 have been developed in light of input received.

The projects currently underway in 2018 will mostly continue into 2019 (and some beyond). Accordingly, work in 2019 will focus on completing those projects already underway.

2015–2016

In 2015–2016, the IAASB completed its projects to revise ISA 720,⁵ make revisions to the ISAs addressing the auditing of financial statement disclosures, and amend the ISA 800 series.⁶ The IAASB also undertook efforts to promote awareness and understanding, and support effective implementation, of the new and revised Auditor Reporting standards. The IAASB also commenced work on a number of significant new projects, largely driven by the findings from the IAASB's ISA Implementation Monitoring Project and ongoing outreach and engagement with stakeholders, including regulators.

In light of the findings from the IAASB's post-implementation review of the clarified ISAs, and from global outreach to further understand the challenges and issues with implementing the clarified ISAs, the IAASB undertook a global consultation on a number of interrelated topics, to obtain further insight to the challenges and issues that had been identified. The IAASB's Invitation to Comment, [*Enhancing Audit Quality in the Public Interest – A Focus on Professional Skepticism, Quality Control and Group Audits*](#), set out issues related to quality control (at the firm and engagement level), professional skepticism and group audits, as well as possible actions to address the identified issues. The input from this consultation has helped inform the standard-setting activities of the projects to revise ISQC 1,⁷ ISA 220,⁸ and ISA 600.⁹

In addition, significant new changes to the International Financial Reporting Standards,¹⁰ and consequential calls from audit, banking and insurance regulators, propelled a project to consider changes to ISA 540 related to auditing fair values and accounting estimates.

Therefore, the significant new projects that commenced during the 2015–2016 period included:

- Revisions to ISA 540 to drive more robust procedures in relation to accounting estimates and related disclosures.
- Revisions to ISQC 1¹¹ to strengthen and improve a firm's management of quality for all engagements performed under the IAASB's International Standards, by more explicitly incorporating a quality management approach.
- Revisions to ISA 220 to strengthen aspects of quality management for individual audit engagements.
- Revisions to ISA 600 to strengthen the auditor's approach to planning and performance of a group audit, and clarify the interaction of ISA 600 with other ISAs.

⁵ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

⁶ 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*

⁷ 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*

⁸ ISA 220, *Quality Control for an Audit of Financial Statements*

⁹ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

¹⁰ In particular International Financial Reporting Standard (IFRS) 9, *Fair Value*

¹¹ In progressing changes to ISQC 1, the IAASB agreed to bifurcate the requirements and guidance relating to Engagement Quality Control Reviews (new proposed standard ISQC 2, *Engagement Quality Control Reviews*).

- Revisions to ISA 315 (Revised)¹² to establish more robust requirements and appropriately detailed guidance to drive auditors to perform appropriate risk assessment procedures in a manner commensurate with the size and nature of the entity.
- Exploring recommendations on how to more effectively respond to issues related to professional skepticism throughout the IAASB's standards.

In addition, the IAASB formed working groups to explore:

- Emerging developments in the need for assurance for integrated reporting and other emerging forms of external reporting.
- Emerging developments in the effective and appropriate use of technology, including data analytics, and how changes relating to data analytics could be made in the ISAs currently being revised.
- Current use and practice relating to agreed-upon procedures engagements [15], including whether there was a need to revise ISRS 4400.¹³

The IAASB also commenced more formalized coordination efforts with the IESBA, in particular to take account of changes the IESBA was making related to non-compliance with laws and regulations, and the direct impact thereof on the ISAs, in particular ISA 250.¹⁴

2017–2018

The IAASB's focus on its priority projects that commenced in 2015–2016 extended to the Work Plan for 2017–2018. Other work on initiatives that had started in the 2015–2016 period also continued, with a project to revise ISRS 4400 commencing. During this period stakeholders have continually emphasized the importance of the IAASB completing its work on the key ISAs where work was underway, and the IAASB has focused its resources and efforts on the projects that had already commenced at the start of the 2017.

In addition to progressing the projects started in 2015–2016, other areas, existing and emerging, also necessitated the IAASB's attention, and work also started on:

- The development of non-authoritative guidance to enable more consistent and appropriate application of ISAE 3000 (Revised)¹⁵ to emerging forms of external reporting (EER) [16].
- Initial activities to explore what more can be done in relation to audits of smaller or less complex entities. As the IAASB has progressed changes to the key ISAs being revised, scalability has been a strategic focus in each of the projects, but the IAASB is considering what, further can be done.

The IAASB has also increased and formalized its coordination efforts with the IESBA, through establishing a coordination framework that sets out operating principles, criteria and other key considerations for coordination, conducting annual joint meetings of the Boards, as well as working closely on matters of mutual interest.

The IAASB's Forward Agenda (see Appendix 2) sets out the IAASB's most current expectations for the progression and completion of the projects currently underway in 2018. As projects complete in 2018 and 2019, and capacity opens up, time and efforts will first be focused on projects commenced but not

¹² ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

¹³ International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

¹⁴ ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

¹⁵ International Standards on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

significantly progressed (such as the project to revise ISA 600), and then on further explorations relating to a possible project on Audit Evidence (this includes consideration of the revision of certain relevant ISAs, but also includes aspects of matters relating to professional skepticism and data analytics). Towards the end of 2018, the Board will likely commence activities relating to the post-implementation review of the Auditor Reporting standards, as well as ongoing exploration of matters related to audits of SME's.

Furthermore, the IAASB's Work Plan for 2017–2018 has indicated further consideration of International Auditing Practice Notes. The need for, and development of, such International Auditing Practice Notes is still to be considered by the IAASB and would require additional staff resources and further Board time.

2019

As can be seen by the IAASB's Forward Agenda, there is no capacity for new *unplanned* projects or initiatives in 2019. The Board has noted the input from its stakeholders to focus first on completing outstanding projects before turning attention to new ones. Therefore, the Board's efforts will be focused on completing the significant projects commenced and progressed in 2015–2018. Accordingly, the Board will not be consulting on a one year work plan for 2019.

More detailed descriptions about the IAASB's projects and initiatives, including progress to date, can be found on the IAASB's [project pages](#) on the website.

SECTION II—What May Affect the IAASB in 2020–2023—Including the Implications for Its People, Processes, Technology and Activities

The following sets out the matters that the IAASB has identified as impacting its people, processes, technology and activities in 2020–2023. The IAASB is particularly interested in respondent's views about matters that have not been identified relating to the specific points noted, or if a matter has not been identified at all.

Continuing Challenges

In the current Strategy period, it has become clear that there are changes in the environment that are presenting some overarching challenges to the IAASB in undertaking its work. These challenges will likely continue into the next strategy period and include:

- Changes driven by the outcome of the MG review—including transitioning to a new model that could be substantively different and involve different needs for, and qualifications of, Board members and Staff, making changes to the standard-setting process that are workable, practical and result in the desired changes (including enhancing the speed of the IAASB's standard-setting activities), and embracing use of technologies to enhance the standard-setting process.
- Determining the prioritization of different and competing calls for IAASB action—this includes the projects that are selected, as well as how the IAASB addresses the issues that have been raised, so that the IAASB is seen to be continuing to act in the public interest in the activities it undertakes.
- Deciding how to heed the call for more efforts to support effective global implementation of the IAASB's standards—the IAASB has not traditionally developed detailed implementation guidance but there are ongoing and increasing calls for such guidance from many different stakeholders. In addition, there may be other options to support effective implementation such as publications including 'interpretations' of specific requirements or a 'rapid response' mechanism to address a single issue that has been identified (i.e., a targeted standard-setting response to address a specific requirement or small number of requirements and related application material, not a broader project involving more comprehensive revisions).
- Finding ways to address issues in a more timely manner—standard-setting that results in quality standards, with appropriate consultation, takes time. The pace of change in the environment has caused the IAASB to start considering how it can be more agile in its response to these issues, for example developing non-authoritative guidance or other Staff documents to address more immediate issues.
- Continuing to coordinate on a timely basis with IESBA on matters of mutual interest—including addressing the impact on the international auditing and assurance standards of recent, and ongoing, changes being made to IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)* (Code of Ethics).
- Keeping the standards 'fit-for-purpose' with the current pace of change in relation to:
 - Technology and its consequential effect on the environment—this includes how technology is causing audit firms to challenge traditional approaches to auditing and to transform the manner in which audits are being performed, for example:
 - More advanced data analytics are being used to perform audit procedures, especially as IT systems continue to evolve at a rapid pace. Data analytics tools and techniques are being used to perform such procedures differently, and in some cases, more robustly,

than traditional audit methods; thereby changing the way that audit evidence is being obtained. This may in turn impact certain extant standards.

- As audited entities continue to evolve and advance in their use of new and evolving technologies such as cryptocurrency, artificial intelligence (AI) and blockchain, the auditor's 'traditional' approaches to performing audit procedures will likely need to evolve, which in turn may impact the standards.
- Engagement teams are being structured differently and there is increased use of audit delivery centers to focus on specific aspects or functions. Increasingly technology is leveraged to provide for more virtual collaboration between engagement teams, thereby introducing new quality management challenges at both the firm and engagement level.
- Changes in financial reporting—Financial reporting standards are becoming increasingly complex to address changes in the environment, in particular in light of the increased use of fair value and other current value measurements that involve making significant accounting estimates. There is also an increasing focus on forward-looking information, as well as on non-GAAP measures and non-financial information by investors and other users of financial statements.

Other Strategic Factors and Trends Influencing the IAASB's Activities

In addition to completing the projects still underway at the start of 2020, and impacts of the ongoing challenges described above, other strategic factors and trends likely to influence the activities of the IAASB in 2020–2023 include:

- Whether the quality of audits will improve once the key ISAs recently revised, or currently being revised, are implemented—including whether the revisions will achieve their desired objectives.
- Whether the standards currently being revised or developed are scalable—that includes whether the revised and new standards have been effectively implemented by firms of differing nature and size.
- Continuing evolving stakeholder needs—the need for broader assurance may impact the focus of the IAASB's activities on its suite of standards:
 - There is a continuing shift of focus towards reporting on non-financial (e.g., environmental) or forward-looking information, and other emerging forms of external reporting.
 - The audit market will continue to change. For example, changing audit thresholds in certain jurisdictions may impact the types of services being performed (i.e., increasing numbers of entities may no longer be required to have an audit performed, and these entities may look for other types of engagements delivering assurance or related services).
- The ongoing evolution of the expectations and needs of regulators in relation to regulated entities—including the impact on the standards, for example: public interest entities may require different kinds of standards and guidance versus what is needed by non-public interest entities for effective implementation; financial institutions may require more specific guidance about how the standards should be effectively implemented.

At the same time, there may be opportunities that the IAASB could take to change what it does, or the way it does it, for example:

- Consideration could be given to a strategic review of the extant standards with a focus on whether they are fit-for-purpose in the evolving environment (including as it relates to technology), and if not, what changes could be made.

- In light of changing technology, consideration could be given to whether:
 - An interactive handbook may help support the scalability of the standards.
 - Using advance collaboration tools may facilitate international task force meetings rather than task force participants meeting in person.

In addition, further consideration may be needed about how the Board operates in order to address concerns about the capacity of the Board to set standards and undertake its activities, including how the Board and the Staff are resourced.

SECTION III: ABOUT THE RESPONDENT

1. From which perspective are you providing this feedback:

- (a) A personal view.
- (b) The view of an organization.

[If (a) is selected]

Name

Organization (if applicable):

OR

[If (b) is selected]

Name of Organization:

Name or Person submitting Survey on behalf of the organization:

Select one of the following options that describe your organization (number; letter if applicable; numeral if applicable):

- 1) Academia
- 2) Accounting Firm
 - (a) Global network [17] (or firm within such a network)
 - (i) Is this response on behalf of the global network
[yes/no]
 - (ii) [if no] Is this response on behalf of a regional or national firm
[yes/no]
 - (b) Other individual firm
 - (i) National or regional firm
 - (ii) Sole practitioner
- 3) **IFAC Member Body or Other Professional Organization**
 - (a) **IFAC Member Body, Affiliate or Regional Organization**
 - (b) **Other professional organization**
- 4) Investor or Analyst
- 5) National Standard Setter
 - (a) National auditing standards same as, or based on, the IAASB's current International Standards on Auditing
[Yes/No]
[if no] Please specify which standards are used.
 - (b) Other national standards same as, or based on, IAASB's other standards (i.e., assurance, related services and reviews)
[Yes/No]
[if no] Please specify which standards are used.
- 6) Preparer of Financial Statements
 - (a) Listed entity
 - (i) Small- or medium-sized entity [12]
[Yes/No]
 - (b) Non-listed entity
 - (i) Small- or medium-sized entity [12]
[Yes/No]
- 7) Public Sector
 - (a) Preparer
 - (b) Auditor

(c) Public sector audit organization

- (i) Do you apply International Standards of Supreme Audit Institutions (ISSAIs) for financial audits

[Yes/No]

8) Regulator or Audit Oversight Body

9) Those Charged with Governance

(a) Private sector

- (i) Listed entity

- (ii) Non-listed entity

(b) Public sector

10) Other – Please specify

Fill in capacity below

2. Are you any of the following? *[this option will only appear if the respondent is an individual]*

- IAASB Consultative Advisory Group Representative
- IAASB Observer
- IAASB Member
- Former IAASB Member
- Former Consultative Advisory Group Representative
- Member, Technical Advisor or Observer of Other Public Interest Activity Committee, IFAC Board or Other IFAC Committee

3. Geographical Region

Please select the geographical region where you are based:

- Africa-Middle East
- Asia
- Oceania
- Europe
- South America
- North America
- Global Organization *[this will not come up as an option if the respondent's view is a personal view or a response from a global network]*

SECTION IV—QUESTIONS FOR RESPONDENTS ABOUT THE IAASB'S STRATEGY FOR 2020-2023

As the current projects are completed, it is important for the IAASB to focus on where and how its resources should be deployed to continue to meet its public interest mandate. In doing so, the IAASB is of the view that gathering information to understand the future direction to be embodied in its 2020–2023 Strategy should be embarked on with an open mind, while still taking into account the needs of the IAASB's stakeholders within its mandate. Accordingly, the IAASB is seeking views on the following matters to help identify key issues for consideration in developing its future strategy. The IAASB particularly welcomes input that is insightful or that will be influential in shaping the direction of its future strategy, or which may help identify emerging developments or trends that are likely to be important in the public interest in the future.

GLOBAL ISSUES, TRENDS OR DEVELOPMENTS

1. In your view, what will the strategic environment affecting the needs of the IAASB's stakeholders look like in 2020 onward (for example, will the audit market change significantly; will other services dominate stakeholders needs – including what the needs may be for different types of evolving services; how evolving technologies, such as cryptocurrency, artificial intelligence or blockchain, will impact the environment in which the IAASB's stakeholders operate, etc.), and what may be the implications for the IAASB's International Standards.

Q1. Response

There is uncertainty as to the strategic environment from 2020 not least since business, technology and society is undergoing rapid change, change which is often hard to predict. This uncertainty warrants the IAASB positioning itself such that it is alert the early warning signs of change and able to respond quickly as necessary. As we represent SMPs and SMEs we will share some thoughts most pertinent to these sectors.

1. **Technology** – *rapid and unpredictable changes seem likely. The main concern we have is that in the medium to long term only the larger accounting firms will be able to fully leverage and adapt to these technologies resulting in a playing field tilted in favor of large over small. SMPs typically place high reliance on software to interpret ISAs and many SMPs seek some assurance / comfort that software does what it promises. This begs the question whether oversight / inspection bodies should in some way check such software to ensure they do what they promise. Although the concepts of an audit might not change, technological developments will have an impact on the execution of an audit. Data analytics and machine learning are tools that can improve the audit and the audit quality, but they might also raise some issues. For example, how does data analytics provide audit evidence and how to take responsibility for the tools used? The ISAs do not hinder the use of data analytics, but do not encourage them either. We cannot foresee the true impact on the ISAs but recommend providing guidance to help the implementation of technology in practice.*
2. **Trust** – *high profile audit failures, largely involving large companies / entities and large accounting firms, may undermine the public's confidence in and trust of the competence and integrity of professional accountants and accounting firms no matter their ilk or size. This may trigger an overreaction by the regulators, an overreaction that may result in excessive regulation that may adversely impact SMPs.*
3. **Scalability** – *the desire to accommodate the most sophisticated of audit client, including large MNCs and financial institutions, has resulted in highly complex ISAs. While we agree with the principle of a single set of high quality audit-related standards applicable to all entities no matter their size or complexity we have some doubts as to whether existing standards are sufficiently suitable for SME audits due to their inherent complexity. Scalability is a critical prerequisite for standards to be suitable for SMEs and for the principle of cost effectiveness to be realised on smaller engagements. The audit is of much value to any SMEs and their stakeholders and so we must ensure it is not made unaffordable. Scalability should be seen and used as a bottom-up concept, starting with requirements designed for small and simple entities and then adding requirements for larger, more complex entities including public interest entities (PIEs). In the absence of scalability there may be no option other than to pursue differential standards. Appropriate emphasis needs to be placed on the needs of SMEs and the SME and SMP constituencies will need to be adequately involved in both the governance and oversight as well as the development of standards.*
4. **Market concentration** – *the forces described above are collectively could force many SMPs to exit the market for regulated services like audit or else prompt them to merge. This may erode competition.*
5. **Succession planning** – *the profession in many advanced Western economies, including Europe, is aging and this is resulting in many SMPs struggling to plan for succession.*

2. **Section II** describes the additional challenges and opportunities that the IAASB has identified relating to its people, processes, technology and activities, including possible changes that may arise from the MG consultation. In your view, as the IAASB develops its Strategy for 2020–2023, what are the:
- Key challenges and other factors that may impact the IAASB's focus in relation to its people, processes, technology and activities; and
 - Main opportunities for changing the way it undertakes its activities.

Your response may include views about the matters identified by the IAASB as set out in Section II, but any views about matters that have not been mentioned are particularly welcome.

Q2. Response

Please see our MG consultation response at http://www.efaa.com/cms/upload/efaa_files/pdf/Publications/Comment_letters/2018/20180207_EFAA_Response_MG-FINAL.pdf. Our primary concern, as described above in our response to Q1, is the need to make the ISAs scalable. As far as process improvements are concerned we offer the following tentative suggestions for the IAASB to consider (though caution against consultation, key to the pursuit of the public interest, being compromised in the interests of efficiency and timeliness):

- Scrap conventional task force / Board meeting minutes – these take up a significant amount of time yet technology renders them obsolete, replaced by recordings. If some text record is needed then this might be bullet point meeting highlights with action points.
- Extend the practice of end of meeting recap presentation – this is an effective way of summing up and confirming action points. Indeed this might serve as the basis for the summary text minutes.
- Foster innovation through experimentation and trial and error activity by outsourcing the early stages of development of some projects (e.g., scalability, SME audit standard). The IAASB / WBCSD collaboration on assurance over emerging forms of external reporting is welcome but we wonder whether one could facilitate more of the same by officially inviting and / or encouraging PAOs and others to incubate an idea / project, progress it to the point of project proposal or even some form of consultation and then have the SSB modify as necessary, endorse or otherwise, and progress / publish / abort project.
- Implement different levels of due processes depending on the level of public interest of the activity.
- Enhance efficiency, mitigate constant change (typically the main challenge facing SMPs and SMEs) and improve project alignment by transiting to a system where all projects run coterminous on a plan-do-check-act (PDCA) cycle – set strategy / plan, develop new or revised standards, translate / adopt / implement, post implementation review and then start cycle over again.

3. Are there specific initiatives within the stakeholder group to which you belong, or of which you are aware, that you believe the IAASB should actively monitor in light of their potential to inform the IAASB's future agenda? If so, what are they, and why do you think they are relevant to the IAASB?

Q3. Response

Perhaps the most relevant and significant is the initiative spear-headed by Accountancy Europe on simplifying auditing standards for small or non-complex entities. We support the recent call to action.

THE FOCUS OF THE IAASB'S ACTIVITIES IN 2020–2023

One of the significant challenges facing the IAASB, as noted in **Section II**, is dealing with different and competing calls for IAASB action, including the prioritization of projects that are selected, such that the IAASB is seen to be continuing to act in the public interest.

4. **Section II** illustrates that the IAASB has, and will continue to, focus a significant part of its efforts in 2015–2019 on revising and developing standards addressing the audit of historical financial information and quality control. With respect to new standard-setting projects for the period 2020–2023, in light of where you believe IAASB actions are needed and to continue to serve the public interest, in your view what proportion of effort should the IAASB allocate to each of the following? (Allocation should total 100%)

Quality control	<input type="text" value="0"/>	indicate %
Audits and reviews of historical financial information	<input type="text" value="20"/>	indicate %
Other assurance – EER engagements [4]	<input type="text" value="10"/>	indicate %
Other assurance (and related services) - other than EER engagements [18]	<input type="text" value="10"/>	indicate %
<i>Crossover Topics:</i>		
Professional skepticism	<input type="text" value="10"/>	indicate %
Matters relating to audits of smaller and less complex entities	<input type="text" value="50"/>	indicate %
TOTAL =	100%	

Please indicate the rationale for your response and any related comments you may have.

Q4. Response

1. **Matters relating to the audit of smaller and less complex entities / audits and reviews** - as we state above the desire to accommodate the most sophisticated of audit client, including large MNCs and financial institutions, has resulted in highly complex ISAs. While we agree with the principle of a single set of high quality audit-related standards applicable to all entities no matter their size or complexity we have some doubts as to whether existing standards are sufficiently suitable for SME audits due to their inherent complexity. Scalability is a critical prerequisite for standards to be suitable for SMEs and for the principle of cost effectiveness to be realised on smaller engagements. The audit is of much value to any SMEs and their stakeholders and so we must ensure it is not made unaffordable. Scalability should be seen and used as a bottom-up concept, starting with requirements designed for small and simple entities and then adding requirements for larger, more complex entities including public interest entities (PIEs). In the absence of scalability there may be no option other than to pursue differential standards. The IAASB might need to think in terms of “think simple first”.
2. **Other** – the need for assurance on non-financial information is growing and any solutions need to be scalable in case one day SMEs need to get assurance on their NFI; ISRS 4400, often misunderstood, should be revised to provide more clarity; professional skepticism needs to be considered in the light of the IESBA project; and once the standards relating to quality control are completed in 2019 there is no need for further work for a while.

5. **Section II** has noted another significant challenge for the IAASB is deciding how to heed the call for more efforts to support effective global implementation of the IAASB’s standards, for example through the development of implementation guidance. However, the IAASB also recognizes the need to strike a balance between activities related to implementation and the development of new, or revising extant, standards to further enhance practice. Accordingly, the IAASB is also seeking views on the appropriate balance between setting new or revising standards, and implementation activities (e.g., through developing material that assists implementation of the standards, or development of guidance such as Practice Notes or staff publications, as well as post-implementation reviews).

How, in your view, should the IAASB focus the majority of its efforts?

- (i) Developing new or revised standards; or
- (ii) Undertaking implementation activities; or
- (iii) Apply efforts to both, and if so, in what proportion

(Please provide relative %; each category to total 100%)

Quality control	-	Indicate:	50	
			(i) develop new or revised standards;	50
			(ii) undertake implementation activities; or	%
			(iii) apply efforts to both, and if so, in what proportion	%
Audits and reviews of historical financial information	-	Indicate:	80	
			(i) develop new or revised standards;	20
			(ii) undertake implementation activities; or	%
			(iii) apply efforts to both, and if so, in what proportion	%
Other assurance – EER engagements [4]	-	Indicate	90	
			(i) develop new or revised standards;	10
			(ii) undertake implementation activities; or	%
			(iii) apply efforts to both, and if so, in what proportion	%
Other assurance (other than EER engagements) and related services [18]	-	Indicate	80	
			(i) develop new or revised standards;	20
			(ii) undertake implementation activities; or	%
			(iii) apply efforts to both, and if so, in what proportion	%

Please indicate the rationale for your responses and any related comments you may have.

Q5. Response
 We believe that the primary focus should be on developing new or revising existing standards (scalability of ISAs, EER, ISRS 4400). We also encourage the undertaking of post-implementation review with an emphasis on the impact on SME engagements and SMPs (quality control), the findings of which may inform improvement of the standards.

6. In relation to the development of new, or the revision of extant, standards as noted in Question 5, and keeping in mind the potential impact of the evolving environment and the challenges and opportunities for the IAASB in 2020–2023, should the IAASB, in your view:
- Focus first on a strategic review of extant standards (for example, consider how the standards could be better structured or presented in light of evolving technologies) before prioritizing projects on new topics. Please provide an explanation for your view.
 - Prioritize projects on new topics (as determined by the consultation on the IAASB’s future strategy and priorities). Please provide an explanation for your view.
 - During implementation of the current standards under revision (i.e., those standards that currently have a committed project plan in place), consider a moratorium on developing new or other revised standards? If so, how long should such a moratorium last? Please provide an explanation for your view.
 - Undertake other actions related to the development of new, or revision of extant, standards, and/or implementation support. Please describe what these actions should be and provide an explanation for your view.

Q6. Response

We encourage the IAASB to focus first on a strategic review of extant standards, to make them scalable and based on think simple first basis as well as better structured or presented in the light of evolving technologies, before prioritizing projects on new topics. This should include consideration as to how audit can be made more relevant to SMEs.

SPECIFIC AREAS OF POTENTIAL FOCUS

7. If there was a specific topic(s) that, in your view, should be the IAASB’s priority(ies) when developing new, or revising existing, standards or related guidance for the period 2020—2023, what would it be, and why?

Where applicable, kindly indicate whether in your view the topic(s) (you have indicated) has particular relevance mainly for engagements for listed entities, small- and medium-sized entities (SMEs), or for entities of all sizes. Views in relation to matters of relevance to developing nations and the public sector are also encouraged.

As mentioned above we encourage the IAASB to focus on making the ISAs scalable and based on think simple first basis.

OTHER

8. Are there any other topics of interest or matters of relevance that you feel the IAASB should consider when conducting its strategic review, including those related to its the way that the IAASB undertakes its activities (e.g., changes to address matters highlighted in the MG review)?

Q8. Response

Please see our MG consultation response at http://www.efaa.com/cms/upload/efaa_files/pdf/Publications/Comment_letters/2018/20180207_EFAA_Response_MG-FINAL.pdf and suggestions as to process improvements in response to Q2 above.

Thank you for completing our survey—your response is very important to us.

- [1] For example, it may be the appropriate time to consider whether another reform of the IAASB's standards and activities, including the way that the activities are undertaken, is needed.
- [2] The period of the strategy has changed to 4 years to align with the end of the strategy period for the International Ethics Standards Board for Accountants.
- [3] The **auditing standards** address an audit of an entity's financial statements by an independent auditor. The applicable IAASB standards are the International Standards on Auditing (ISAs).
Review standards address the review of an entity's financial statements by a professional accountant in public practice, and the review of interim financial information by the independent auditor of the entity. The applicable IAASB standards are the International Standards on Review Engagements (ISREs).
- [4] **Other assurance engagements** include engagements that are not audits or reviews of historical financial information where assurance is provided. This includes reasonable or limited assurance engagements on a greenhouse gas statement, assurance engagements to report on controls at a service organization, and assurance engagements to report on the compilation of pro forma financial information included in a prospectus. The applicable IAASB standards are the International Standards on Assurance Engagements (ISAEs).
EER engagements refers to engagements related to emerging forms of external reporting by entities that increasingly provide non-financial information that goes beyond the traditional (financial statement) focus on the entity's financial position, financial; performance and impact on its financial resources.
- [5] **Related services engagements** include compilation engagements, engagements to apply agreed-upon procedures to information, and other related services engagements as specified by the IAASB. The applicable IAASB standards are the International Standards on Related Services (ISRSs).
- [6] The applicable IAASB standards are the International Standards on Quality Control (ISQCs).
- [7] This material includes Practice Notes such as the IAASB's International Auditing Practice Notes (IAPNs), and Staff publications.
- [8] *Revisions: ISRE 2400 (Revised), Engagements to Review Historical Financial Statements; ISRS 4410 (Revised), Compilation Engagements; ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*
New: ISAE 3410, Assurance Engagements on Greenhouse Gas Statements; ISAE 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus
- [9] Section I describes the IAASB's specific projects and initiatives undertaken since 2015 and that are currently underway.
- [10] This working group was established with the mandate to identify the need for development, or revision, of an International Standard or other guidance for auditors and practitioners.
- [11] In undertaking its activities, the Innovation Working Group identified two emerging areas that the IAASB agreed necessitated separate work streams, and for which separate Working Groups / Task Forces have been established: (1) the Emerging Forms of External Reporting (EER) Task Force (formerly the Integrated Reporting Working Group) and (2) the Data Analytics Working Group. The related activities and projects of these groups are further described in Section I.

- [12] The concept of 'smaller or less complex entities' varies country by country, but ordinarily exhibits one or more of the following characteristics:
- Concentration of ownership and management in a small number of individuals.
 - One or more of the following:
 - Straightforward or uncomplicated transactions.
 - Simple record keeping;
 - Few lines of business and few products within business lines;
 - Few formal internal controls;
 - Few levels of management with responsibility for a broad range of controls; or
 - Few personnel, many having a wide range of duties.
- [13] Public sector auditing standards, the International Standards of Supreme Audit Institutions (ISSAI's), incorporate the extant ISAs, with a Practice Note developed by the International Organization of Supreme Audit Institutions (INTOSAI) for each ISSAI to provide guidance on the application of the ISAs in a public sector environment.
- [14] Since the start of 2015, IAASB members, and others related to the IAASB's work, have undertaken more than 450 outreach events and presentations about the IAASB's work.
- [15] A project to revise ISRS 4400 was planned for the 2012–2014 Work Plan, but was postponed due to the reallocation of resources to focus on the Auditor Reporting project.
- [16] The exploratory work by the Integrated Reporting Working Group indicated that the assurance needs were broader than only integrated reporting, but rather spanned a range of emerging types of external reporting. Accordingly, the Integrated Reporting Working Group was renamed the EER Working Group to denote its broader remit.
- [17] Some audit firms operate internationally through a network of firms. Network firms often share common methodologies and quality control and monitoring policies and procedures. Some networks also share guidance in relation to values, ethics, and attitudes, and have programs to enhance the knowledge and experience of partners and staff.
- [18] Related services pronouncements include:
ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* (currently being revised); ISRS 4410 (Revised), *Compilation Engagements*

IAASB Planned Forward Agenda

This table sets out when the IAASB's ongoing projects, and other committed initiatives, are expected to be discussed at IAASB meetings through the end of 2020 (projections up to date as of [May] 2018). Each project or initiative is shown based on the amount of time expected to be allocated for the necessary discussion at each Board meeting (i.e., significant time (8-12 hours), moderate time (3-7 hours), shorter time (1-2 hours)). As projects and initiatives progress and circumstances change, further amendments to this table will likely need to be made.

2018			2019				2020			
June	Sep	Dec	March	June	Sep	Dec	March	June	Sep	Dec
ISA 540**										
ISA 315*		ISA 315	ISA 315	ISA 315**						
	ISQC 1*			ISQC 1	ISQC 1	ISQC 1	ISQC 1**			
	ISA 600	ISA 600	ISA 600	ISA 600	ISA 600	ISA 600*		ISA 600	ISA 600	ISA 600
AE			AE	AE	AE		AE	AE	AE	AE*
	ISQC 2	ISQC 2*			ISQC 2	ISQC 2	ISQC 2**			
ISA 220	ISA 220	ISA 220*			ISA 220	ISA 220	ISA 220**			
	AUP	AUP	AUP*				AUP	AUP**		
EER	EER	EER	EER	Note 1						
	Strategy	Strategy (C)		Strategy	Strategy (F)					
	IESBA Joint				IESBA Joint				IESBA Joint	
	SME		SME (C)		Note 2					
	IESBA Coord	IESBA Coord	IESBA Coord	Note 3						
	DA	DA	Note 4							
	PS	PS	PS	PS	PS	PS	PS	PS	PS	PS
		AR Impl	AR Impl	AR Impl	AR Impl	AR Impl				
		INN			INN				INN	
		IASB				IASB				IASB
							Possible new projects / initiatives (Note 5)			
Estimated Total Number of Hours at Board Meeting (Average Meeting is 30–33 hours)										
41	37	32	35	36	40	40	39	25	26	25

	8-12 hours Board time
	3-7 hours Board time
	1-2 hours Board time

* Anticipated Finalization of Exposure Draft

** Anticipated Finalization of New or Revised Standard

(C) Consultation Document

(F) Finalization of Strategy

PS – Professional Skepticism. Aspects of professional skepticism will be considered as part of the IAASB's planned future project on Audit Evidence (see below) and will also continue to be considered within each of the individual projects currently underway.

DA – Data Analytics. The Data Analytics Task Force will continue to work with the Task Forces of other projects currently underway to consider changes relating to the use of automated tools and techniques in audits. Broader issues relating to the use of automated tools and techniques in an audit will be considered as part of the work being explored in relation to the planned project on Audit Evidence (see below).

AE – Audit Evidence (planned project) (will include aspects of Data Analytics and professional skepticism)

SME – Discussion of matters related to audits of small- and medium-sized entities / less complex entities (may become a more substantial project in 2019 depending on Board discussions and stakeholder views)

INN – Innovation

IESBA Coord – matters relating to recent revisions to the IESBA's Code of Ethics (changes to the IAASB's International standards still to be determined)

IESBA Joint – Joint meeting with IESBA Board

IASB – Update from the International Accounting Standards Board

Note 1—The continuation of EER is dependent on resources and Board agreement on further activities related to EER

Note 2—Further timing for Board discussions and activities related to 'SME' matters is dependent on the outcome of the 'SME' consultation

Note 3—The outcome from the review of the IESBA's revised *Code of Ethics* for changes on the IAASB's standards is yet to be determined and may result in further Board discussions; in addition there will be continuing coordination as the IESBA and IAASB continue their standard-setting activities

Note 4—Data analytics will be further addressed by the project on Audit Evidence

Note 5—New project(s) / initiative(s) will be determined subject to the IAASB's commitments and priorities at that time.

Furthermore, the IAASB's Work Plan for 2017–2018 has indicated further consideration of International Auditing Practice Notes. The need for, and development of, such International Auditing Practice Notes is still to be considered by the IAASB and would require further Staff, Task Force and Board time.