

Tom Seidenstein
IAASB Chair

Filed via the website

Brussels, 11 April 2023

Subject: Proposed Strategy and Work Plan for 2024–2027

Dear Chairman, Dear Tom,

Accountancy Europe is pleased to provide you with its comments on the proposed Strategy and Work Plan of the IAASB for 2024–2027.

Firstly, we would like to congratulate the IAASB for being able to respond to stakeholder demands and emerging needs by taking necessary steps in a timely manner. The quality and speed of the progress made in the less-complex entities (LCE) and sustainability information assurance projects are noteworthy.

We also welcome the IAASB's dynamic approach to its strategy and workplan that aims to bring in agility and flexibility.

Sustainability reporting and assurance should be given the highest priority by all stakeholders including IAASB. In addition, technology keeps changing the way companies operate and report. This has an impact on how audits are planned, executed and reported. We believe that these changes should be assessed by the IAASB and integrated into ISAs with a holistic view.

Recent significant revisions to ISAs, when considered with ongoing projects and ISQMs, will considerably change and improve the financial statements audit process. It will be very beneficial if the IAASB stands back and assesses the impact of these revisions on audit quality before embarking on new projects.

We strongly believe that only principles-based requirements can provide a solid basis for standards to be future-proof and that significant revisions should be made after considering related cost and benefits. There is also work to be done on the understandability, scalability and proportionality of ISAs to ensure that all stakeholders have the same understanding of what is required from the auditor.

We thank you for the opportunity to comment. For further information on this letter, please contact Harun Saki on +32 488 55 25 76 or via email at harun@accountancyeurope.eu.

Sincerely,



Olivier Boutellis-Taft
Chief Executive

About Accountancy Europe

Accountancy Europe unites 50 professional organisations from 35 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

Annex - Request for Comments

Questions

1. *Do you agree with Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition?*

Overall, we agree with the proposed goal, keys to success and stakeholder value proposition, while noting our considerations below.

The proposed goal refers to performance of high-quality engagements. With ISQM-1, the focus is now rightfully on quality management at firm level which underpins performing high-quality engagements. Hence, we believe that IAASB's goal should include a reference to quality management.

We agree that the *consistent* performance of quality engagements is key for the stakeholder value proposition. This consistency can only be achieved by truly principle-based standards that are robust and future-proof. This was well framed in IAASB's extant goal which refers to 'consistent and proper implementation' of its standards.

The proposed work plan aims to meet users' needs, while balancing timeliness and quality. We also underline the need to achieve a balance between having a stable platform, which supports consistent performance, and revising standards to meet rapidly changing public interest demands. Accordingly, in finalizing its work plan, IAASB needs to thoroughly consider the capacity-related and practical issues that standard-setters, professional bodies and firms face in adopting and implementing revised or new standards. Implementation requires considerable time and resources for translation, integration into audit methodologies and training, etc. (please also see our response to question 4)

2. *Do you agree with Our Proposed Strategic Drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal?*

We are of the view that implementation support activities add significant value for stakeholders and should be a focus area for IAASB alongside standard setting. These activities promote consistent understanding and application of the standards. Such support is particularly important for small and medium-sized practitioners.

Implementation support activities and post-implementation reviews also help IAASB to learn and improve its standard setting process.

As noted under the strategic drivers heading, some stakeholders expect to see more granular requirements in IAASB standards, to address common inspection findings, for example. We encourage IAASB to adopt a consistent approach when developing standards when determining what should be included under principles-based requirements, application material or non-authoritative materials.

3. *Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions?*

Yes, overall, we agree with the proposed strategic objectives and actions.

On sustainability, priority should be given to the development of ISSA 5000 and related implementation support activities. Although it is too soon to identify new topics for standard setting in this area, developing a new standard on climate-related disclosures and updating ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements) to align it with the future ISSA 5000 could be likely candidate topics for further IAASB standards. These matters have recently gained global prominence.

With regards to ISAs, focus should be given to a technology-centred review and supporting consistent implementation as explained in our responses to questions 4, 6 and 8 below. Before committing resources to a new significant revision, IAASB should evaluate the cost and benefits foreseen, taking into account the Board's capacity.

4. *Do you support the identified possible new standard-setting projects as set out in Table B within the area of audits and reviews (numbered A. to K.)? Please share your views on the individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction.*

We welcome ongoing IAASB projects on audit evidence, fraud and going concern. These are relevant issues for both auditors and stakeholders. When these projects are finalised, the ISAs will have further improved. Revisions of ISA 540, ISA 315 as well as the introduction of ISQMs involved substantial changes responding to stakeholder expectations.

Accordingly, post implementation reviews, including the root cause analysis of the inspection findings, should be conducted to assess the impact of these significant changes prior to further related revisions. These reviews should focus on whether there is a case warranting revision of the standards. We would like to note that in many cases, the issues, such as poor inspection results or fraud cases, arise not from inadequate standards but due to non-compliance with the standards or different interpretations of the requirements. Establishing additional requirements is not always the most appropriate reaction. To address such issues in a more specific and faster way, a targeted approach of issuing guidance, examples and case studies could be adopted.

Having said that, we see a value in:

- modernising ISAs with a broad-spectrum update for the impact of technology (see our response to question 6)
- improving the understandability, scalability and proportionality of ISAs based on CUSP (Complexity, Understandability, Scalability and Proportionality) principles (see our response to question 8)
- narrow scope amendments to certain ISAs and revising ISRE 2410 as further explained below

Potential narrow-scope amendments

ISA 315 was modernised to support auditors in better identifying and assessing risks in a financial statements audit. This revision led to conforming amendments in ISA 330 which deals with responding to assessed risks. However, we believe that ISA 330 should be subject to a narrow scope revision to ensure that it addresses new concepts and procedures introduced by revised ISA 315.

The ISA 500 series should be subject to a narrow scope project to better align their requirements with the changes to be made in ISA 500 and to reflect the impact of technological advances. Scope of such a project may include considerations related to attendance at physical stock take for ISA 501 and to new means of external confirmations for ISA 505.

ISA 720 is another candidate for a narrow scope amendment. The scope of other information reported by entities is enlarging. Leveraging from the feedback received during the post-implementation review on auditor's reporting, the IAASB could update certain requirements and related application material in this standard.

We encourage the IAASB to seek support from National Standard Setters and Professional Accountancy Organisations to overcome the resource constraints especially for its work related to narrow-scope amendments.

ISRE 2410

The importance of interim financial information and its independent review has increased. For example, there has been more focus on going concern issues in the current economic climate and interim financial reports have undergone enhanced stakeholder scrutiny.

However, the ISRE 2410 is outdated, and the nature, extent and scope of procedures performed by practitioners in review engagements are broader than those envisaged in the standard.

Therefore, we believe that the IAASB should modernise the extant ISRE 2410 to align it with the current ISAs (especially on areas of risk assessment, going concern, reporting and group engagements) so that the standard remains fit for purpose.

5. *Do you support the identified possible new standard-setting projects as set out in Table B within the area of sustainability and other assurance engagements (numbered L. and M.)? Topic L., Further Standards for Assurance on Sustainability Reporting, would involve addressing multiple topics (as part of possible multiple projects). Please provide your views about likely candidate topics for further standards?*

Organisations of all sizes need to rapidly transform their business models to contribute to a sustainable economy. Accountancy Europe is committed to support Europe's ambitious sustainability objectives and considers companies' reporting and assurance thereon as important means to this end. Therefore, sustainability reporting and assurance should be given the highest priority by all stakeholders including the IAASB.

In this regard, we are pleased that the ED ISSA 5000 will be released earlier than expected to allow stakeholders more time to provide input. This is especially important for Europe considering the deadlines set in CSRD for sustainability reporting and assurance.

It would also be helpful for the IAASB to consider its role with regards to the need for support material for ISSA 5000 given the significance of this "new land" for many stakeholders.

The nature and scope of further standards on sustainability should be determined by demands following the publication of ISSA 5000. As noted above, a new standard on climate-related disclosures and updating ISAE 3410 to have it aligned with future ISSA 5000 could be the topics for new IAASB projects.

Please also see our response to the next question on technology.

6. *Are there other topics that we should consider as new standard-setting projects? If so, please indicate whether any such topics are more important than the topics identified in Table B, and the needs and interests that would be served by undertaking work on such topic(s).*

We believe that the impact of technology, including disruptive technologies, has not been properly addressed on a holistic basis in ISAs. Technologies used by entities in gathering and reporting financial information evolve rapidly. Consequently, audit firms adapt their methodologies and tools. In this regard, there is a strong need to assess the appropriateness of the ISAs as a whole with regards to technology and modernise relevant ISAs as necessary. The non-authoritative materials issued by the IAASB could be a suitable starting point in this respect.

We understand that it may be a challenge for the IAASB to adapt the set of ISAs based on the changes brought about by digitalisation, which has altered the nature of financial statements and annual reports. However, failure to embrace these changes on a timely basis will increase the expectation gap and be a failure to meet public interest, at a time when companies are also responsible for, and users increasingly rely on, machine-readable reporting. If the next work plan of the IAASB does not include

such a work stream, this will mean any work on technology can start only in 2028 and it will unfortunately be a missed opportunity.

In addition, we observe that local/national standard-setters respond to emerging needs of their respective markets by developing local solutions if there is no globally accepted standard in a specific area. IAASB could therefore explore these solutions and determine if there is merit to pursue similar work at global level leveraging these experiences.

7. *Our proposed Strategy and Work Plan emphasizes the importance of close coordination with our sister-Board, IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for joint or complementary actions that would better serve the public interest? Suggestions could entail standard-setting work, engagement with stakeholder groups, and improved ways of working, among others?*

The IAASB and the IESBA should align their terminologies and timelines to the maximum extent possible. While doing this, the main objectives should be to provide consistency and to avoid confusion. This has not been fully achieved on the PIE and listed entity definition project.

Collaboration between the Boards is particularly important in the development of profession-agnostic assurance and ethics (including independence) standards for assurance on sustainability information. Boards should maintain their close coordination in order to develop robust standards that are applicable to sustainability assurance providers, including other independent professionals, and that foster high-quality engagements and consistent practices.

8. *Are there any other matters that we should consider in finalizing our Strategy and Work Plan?*

As indicated by many stakeholders responding to *IAASB's Discussion Paper: Audits of Less Complex Entities (LCEs)*, numerous scalability, understandability and proportionality issues within ISAs are also relevant for audits of non-LCEs. This is mainly because over time, the ISAs have increased in length and complexity, which in turn, has impeded their clarity.

The drafting principles and guidelines developed by the IAASB is a crucial step in this regard. However, the benefits gained are limited as these guidelines would be applicable only to future standard setting activities. Well-defined requirements are vital for consistent and effective auditing practice, and this serves public interest by making the IAASB's expectations clear to all users of its standards. Consequently, we encourage IAASB to review the ISAs from a clarity perspective taking into account CUSP principles and guidelines and building on the experience derived from the LCE project.

In addition, we observe an increased focus on public interest entity (PIE) audits by various stakeholders. This should not cause IAASB to overlook SME/SMP perspectives throughout its standard setting process, related to ISAs in particular.

Finally, ISAs should be considered as a single set of professional standards. This implies for instance, that it is not always helpful, and thus not necessary, to remind a concept (such as professional scepticism and use of professional judgement) or to repeat a requirement from a specific ISA in another standard. Auditors following ISAs already consider and comply with all requirements applicable to the engagement they conduct.