

## SUPPLEMENT TO THE IAASB'S CONSULTATION ON ITS STRATEGIC OBJECTIVES AND WORK PLAN FOR 2017–2018

### Introduction

The following is intended to provide respondents to the survey with background information regarding the process to consider the IAASB's future priorities.

The IAASB undertook a survey and an extensive public consultation to develop its [Work Plan for 2015–2016](#) (the current work plan). Respondents to that consultation agreed that the IAASB was focused on the right topics, recognizing that many were quite complex and revised standards were not likely to be completed within the two-year period.

The IAASB's extensive outreach in 2015 and 2016 indicates broad support for the Board's current actions and a desire for the IAASB to progress standard-setting topics as quickly as possible. Accordingly, the IAASB and its Consultative Advisory Group (CAG) generally believe that, absent a change in the external environment or a strong stakeholder view otherwise, the Board's initiatives should continue, albeit they may need to be re-prioritized.

For more information about the IAASB, please see the [2014/2015 IAASB Biennial Report](#).

### Projects Completed in 2014–2016

The following relevant projects were completed in 2014–2016:

- The development of the IAASB's [Framework for Audit Quality](#)
- The [new and revised Auditor Reporting standards](#), including ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, and changes to the ISA 800 series for special purpose reports
- [ISA 720 \(Revised\)](#), which addresses the auditor's work effort in regard to an entity's annual report and what is required to be communicated in the auditor's report as a result
- The [Disclosures](#) project, where revisions were made across a number of ISAs to highlight what is expected of auditors when dealing with financial statement disclosures
- [Limited amendments to the IAASB's International Standards](#) to address actual or received inconsistencies with the International Ethics Standards Board for Accountants' (IESBA) final pronouncement in its Code of Ethics for Professional Accountants (IESBA Code) regarding responding to non-compliance with laws and regulations (NOCLAR)

### Ongoing and Enhanced Initiatives

In addition to its extensive outreach program, the IAASB invests resources in a number of important initiatives to consider how it can best serve its public interest mandate – not only to inform its standard-setting activities, but also to support the adoption and effective implementation of its standards.

The following more significant activities are expected to continue in 2017–2018:

- *IAASB-International Accounting Standards Board (IASB) Liaison*—The IAASB will continue to [monitor IASB pronouncements](#) for auditability and verifiability issues, as well as to consider whether there is a need for the IAASB to address the auditor’s efforts in relation to new or amended financial reporting pronouncements (in particular, those that require the application of significant judgment) through changes to the ISAs or other outputs. In addition, the IAASB will continue to liaise and collaborate with the IASB on topics of mutual interest (e.g., materiality, disclosure, going concern, integrated reporting and matters addressing the IAASB’s project to revise ISA 540).
- *Innovation*—The IAASB’s [Innovation Working Group](#) has the remit to monitor developments in emerging areas of audit, assurance and related services and make recommendations to the IAASB on specific topics for the IAASB to pursue, including whether there is a need for a standard-setting response. These recommendations will take into account whether there is a visible market demand for audit, assurance and related services in the public interest, including the potential need for the IAASB to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future. The Innovation Working Group will also continue to monitor other emerging areas initially identified by the IAASB and the CAG, and with a high level of interest to the NSS, and reports to the IAASB at least annually or on identified emerging topics and which of those are considered to be priority topics for further attention by the Innovation Working Group or by separate working groups. In addition, the Innovation Working Group will consider whether topic-specific background papers or presentations by subject-matter experts may be useful to further inform the IAASB and CAG about those topics.
- *Research*—Academic research is an important input into standard setting. The IAASB will continue to work with the International Association for Accounting Education & Research (IAAER) and others to identify opportunities to engage academics on topics of mutual interest.

As a matter of priority in 2017–2018, the IAASB will enhance its focus on the following two areas when progressing its standard-setting projects:

1. *Consideration of matters related to small and medium practices (SMPs) and audits of small- and medium-sized entities (SMEs)*—As part of each project and initiative, the IAASB will continue to focus on understanding the issues and implementation needs of SMPs, including consideration of the ability of the ISAs and the IAASB’s standard addressing quality control at the firm level to be applied in a manner proportionate with the nature and size of the firm or engagement. At the same time, the IAASB will also continue to consider its International Standards that address services for entities that do not require an audit of financial statements. The IAASB intends to establish a Working Group, including national auditing standard setter representatives, to assist it in exploring these issues. An event will be held in early 2017 to gather stakeholders to share the practical implications of applying the International Standards and explore how the IAASB and others might respond to the challenges and opportunities relating to this stakeholder group.
2. *Coordination with IESBA*—The IAASB has noted that there are issues in certain of its key projects that are likely to be of relevance to the IESBA, and could have potential implications to the IESBA

Code (e.g., in relation to quality control and group audits). Similarly, matters under consideration by the IESBA may have implications for the ISAs or other IAASB International Standards. The IAASB and IESBA are therefore considering how best to coordinate in the context of specific topics, where necessary and appropriate. Although both Boards develop their work plans separately in consultation with their stakeholders and conduct their standard-setting activities independently, there are growing expectations from various stakeholders that the IAASB and IESBA will be well-coordinated due to the linkages between the ISAs and the IESBA Code.

### **Important Considerations in Consulting on the IAASB’s Work Plan for 2017–2018**

The discussion below outlines key considerations evaluated by the Board and its Staff in consulting on its *Work Plan for 2017–2018*. The IAASB recognizes the importance of organizing and conducting its activities in the most effective and efficient way, and the need for ongoing consideration of opportunities to enhance the way it operates. Further, there is need for ongoing consideration of the overall capacity of the IAASB and its staff complement, and to explore opportunities to expand that capacity, for example through collaboration and cooperation with others on particular projects or by sharing staffing resources. The IAASB has been giving specific attention to these matters since 2014, and will continue to do so throughout the strategy period.

#### **Balance of Resources between the IAASB, Its Chairman and Its Staff**

With the exception of the full-time Chairman, all IAASB members participate on a volunteer basis. As such, there are limitations on the available Board time that can be devoted to particular projects, both during IAASB meetings and through project task force and working group meetings. Project task forces and working groups are chaired by IAASB members, and comprise IAASB members, IAASB technical advisors, and others with relevant expertise. These project task forces and working groups typically meet at least once between each IAASB meeting. Each IAASB member ordinarily participates in two or more project task forces or working groups.

Board members may be asked to participate in the IAASB Consultative Advisory Group (CAG) meetings and liaison meetings with national auditing standard setters (NSS), and outreach activities in their particular jurisdictions.

The full-time IAASB Chairman, IAASB members and senior Staff undertake a significant level of outreach activity, speaking at conferences and meetings of organizations interested in the work of the IAASB, engaging in dialogue with key stakeholders moving ahead with adoption of the ISAs, participating in discussions about the regulatory environment in which auditors operate, and furthering the work of the IAASB in a number of forums.

Each standard-setting project is supported by at least one Staff member (often two), who is responsible for organizing Board and task force meetings, developing issues papers and draft standards, guidance or other publications for consideration by the project task force or working group, revising these materials for discussion by the Board, and preparing minutes for Board discussions. In addition to managing projects, IAASB Staff develop publications such as Staff Audit Practice Alerts, Staff Questions and Answers, press

releases and project updates for individual projects, explanatory memoranda that accompany exposure drafts, and bases for conclusions that accompany final pronouncements. They are also involved in liaison activities and prepare relevant materials to support IAASB communication activities and the Chairman's outreach efforts. Staff also support the development of the agendas and material for the semi-annual IAASB CAG and annual IAASB-NSS liaison meetings, and have responsibility for reporting to the Public Interest Oversight Board (PIOB).

## **Key Assumptions**

The IAASB's future capacity for its *Work Plan for 2017–2018* has been based on the following key assumptions:

- The IAASB will continue to be funded exclusively by the International Federation of Accountants (IFAC), and accordingly will be subject to budgetary constraints. Budgets, including staffing complements, are determined approximately 18 months in advance, and are expected to be consistent with past levels.
- The Board comprises a full-time remunerated Chairman and 17 volunteer members who are asked to contribute approximately 650 hours per year (800 hours if serving as a task force or working group chair). The Board is comprised of a balance of practitioner and non-practitioner members, which includes at least three public members whose travel costs are borne by the IAASB.
- There are 9 full-time technical staff and 3 full-time administrative staff members supporting the Board's operations.
- The IAASB generally meets for five days, four times per year, and usually holds a teleconference each quarter. The number of projects that can be discussed at each IAASB meeting varies depending on the stage of the project.
- Detailed work on projects is undertaken by task forces and working groups drawn from the membership of the IAASB and IAASB technical advisors and which may include external experts from relevant organizations (e.g., regulators, NSS, subject matter experts, representatives from the public sector and SMP communities, and others).
- The development of all standards and pronouncements is done following comprehensive due process. This includes consultation with the IAASB CAG and public exposure, typically 120 days. Most projects take a minimum of 36 months to complete, assuming approximately five projects are discussed at each meeting. However, the overall time needed is also dependent on the complexity of the subject matter, including the assessment of the need to issue consultation papers or to conduct significant research or other outreach in advance of the issuance of an exposure draft, as well as the disparity of views from different stakeholders.
- The commencement of any new standard-setting project is subject to IAASB approval of a project proposal designed to identify the objective(s) of the project and how achievement of those objectives would serve the public interest.

The *Work Plan for 2017–2018* includes time to allow for research activities, education sessions to further inform the IAASB's debates, outreach and direct interaction with interested stakeholders, and development of communications relating to individual projects. These activities may be undertaken before the development of a project proposal, in particular when it may not be clear at the onset of the IAASB's discussions as to the appropriate outcome(s) of a project to serve the public interest, for example, whether one of the following, or some combination thereof, would be an appropriate response to the issue that had been identified:

- Standard-setting activities;
- Implementation guidance in the form of a non-authoritative Practice Note or in some other form; or
- Staff publications.

### **Factors Guiding the Identification of Potential Priorities and Actions in Future Work Plans**

While there are calls from many stakeholders for IAASB efforts on a variety of important topics, the IAASB must prioritize its actions in light of its strategic objectives, available resources and the model established by its terms of reference. In consultation with its stakeholders, the IAASB has identified certain criteria to enable it to make decisions regarding which actions should be included in future work plans and how such actions can be prioritized. Such criteria include the following:

- The IAASB's views about the urgency in the public interest of the need for change, and the potential implications if action is delayed, taking into account both the demands of the capital markets and the impact on businesses of all sizes.
- The need for change to enhance audit quality globally, or to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future, and the degree to which such change would further facilitate high-quality financial and corporate reporting and enhance public confidence therein.
- The degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action by the IAASB. In this regard, consideration may need to be given as to the appropriate time to undertake a standard-setting response in light of emerging practice, market demand and the possibility of developing a standard capable of international application.
- The global applicability of the potential actions, for example in relation to entities of different sizes and complexity, different industries, and across jurisdictions, with acknowledgement of the potential impact associated with these actions.

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