

April 11, 2023

Comments on The IAASB's Proposed Strategy and Work Plan for 2024–2027

My name is Kazuhiro Yoshii, and I was a member of the IAASB CAG until the IAASB CAG MTG in September 2022. During the September 2022 discussion on the work plan, I forgot to comment on three points, so I will mention them. My comments are about Q3. These are not the opinions of the company to which I belong or the Japan Securities Dealers Association, but my personal comments as a user of corporate information.

Question 3

Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions (see pages 10–14)?

I agree. Regarding sustainability information in particular, the amount of information disclosed is increasing rapidly, and the formulation of a wide variety of disclosure standards is also progressing rapidly. I strongly agree with the work Plan giving high priority to the development of assurance standards for such information.

On the other hand, I would like to comment on the following two points.

(1) In the process of discussions on ISQM1, etc., there were requests from users of financial statements to prepare and publish audit firm transparency reports and AQIs. However, this work plan does not mention them. A major audit firm voluntarily prepares a transparency report, explains how it is implementing the PDCA cycle to improve audit quality based on ISQM1, etc., and explains AQI with originality and ingenuity. However, there is a problem in terms of comparability because the disclosure methods and content differ for each audit firm. In addition, for example, when an investee company suddenly changes its accounting auditor from a major audit firm that prepares transparency reports to a small and medium-sized audit firm that does not prepare such reports, shareholders and investors may be confused about investment decisions because they do not know how the new audit firm is working to improve the quality of audits. I propose that audit firms' transparency reports and AQI be considered as an agenda item in reviews of ISQM1, etc.

(2) Considering the purpose of the IAASB organizational change from 2024 as proposed by the Monitoring Group (5 of the 16 board members are audit practitioners), I propose to do the review of this work plan about 2 years after the new members are formed.

This work plan was discussed and developed by the Board, half of which are audit practitioners. However, in the course of the new Board's discussions, members from stakeholders other than audit practitioners may offer new perspectives on the ongoing work program. In addition, as the IAASB and IESBA CAGs are merged into the SAC, there is a possibility that the SAC will present new views based on the discussions of both Boards. This seems to be effective from the viewpoint of strengthening cooperation between the IAASB and IESBA.

Finally, I would like to thank everyone for their help during my time at CAG. I would like to express my deep gratitude and wish you all the best in your future endeavors.

Best Regards

By Kazurhio yoshii