

Meeting: IAASB
Meeting Location: New York
Meeting Dates: September 15–19, 2014

Agenda Item 6

IAASB Strategy for 2015–2019 and Work Plan for 2015–2016

Objective of the Agenda Item

1. To consider and approve *The IAASB's Strategy for 2015–2019* (Strategy) and *The IAASB's Work Plan for 2015–2016* (2015–2016 Work Plan).

Task Force

2. The IAASB Steering Committee operates as the Task Force for this initiative and comprises:
 - Prof. Arnold Schilder, Chairman, IAASB
 - Dan Montgomery, IAASB Deputy Chair
 - Jean Blascos, IAASB Member
 - Merran Kelsall, IAASB Member
 - Annette Köhler, IAASB Member
 - Bruce Winter, IAASB Member
 - Ex-officio: James Gunn, Managing Director Professional Standards; and Kathleen Healy, IAASB Technical Director

Activities since Last IAASB Discussion

3. Since the discussion of the proposed changes to the Strategic Objectives and projects and initiatives planned for 2015–2016 at the June 2014 IAASB meeting, the Steering Committee has held three teleconferences to discuss the final drafts of the Strategy (see **Agenda Item 6-A**) and 2015–2016 Work Plan (see **Agenda Item 6-B**).
4. In addition, IAASB leadership has taken the opportunity to discuss matters relevant to the future Strategy and Work Program as part of its ongoing outreach activities (see **Agenda Item 1**).

Summary of the IAASB's Discussions at Its June 2014 Meeting

The Board generally agreed with the revised strategic objectives and factors guiding the identification of potential priorities and actions in future work programs as set out in Agenda Item 5-A. With regard to the third strategic objective, one Board member suggested that it be revised to reflect a more proactive approach towards collaboration and cooperation, rather than being reactive. Another member was of the view that reference to the corporate reporting supply chain in the objective could be viewed as not relevant to the public sector. One member noted that none of the respondents to the consultation provided comments from the perspective of auditors of public sector entities and that the plans seemed

oriented to audits of private sector entities.

With regard to the revisions to the revised priority projects proposed for the Work Program for 2015–2016, the Board agreed with the proposed projects, including the prioritization of ISA 600,¹ the reconsideration about the approach to be taken to work on professional skepticism, and commencing work in relation to ISRS 4400² (agreed-upon procedures) earlier. The Board also supported the continuing work of the Innovation, Needs, and Future Opportunities (INFO) Working Group (WG), including this group’s monitoring of developments relating to assurance on integrated reporting and the effects of evolving data analytics on the audit. Ms. de Beer noted that the priority projects proposed for the Work Program (financial institutions, professional skepticism, INFO, etc.) are very much in line with the views held by the IAASB Consultative Advisory Group (CAG).

However, the Steering Committee was encouraged to give further consideration to:

- The potential scope of a project to revise ISRS 4400. It was noted that representatives from small and medium practices (SMPs) and others have suggested the IAASB prioritize exploring “hybrid” engagements, using a combination of procedures derived from review, compilation and agreed-upon procedures engagements, as a means of meeting the needs of small- and medium-sized entities. Mixed views were expressed about whether this could be done as part of the plans to revise the existing standard or if more fundamental conceptual decisions would be first needed by the Board in light of the current nature of an agreed-upon procedure engagement (i.e., an engagement focused on procedures specified with appropriate third parties and a report on factual findings of those procedures, where no assurance is expressed) and the concepts of reasonable and limited assurance to find an appropriate way to address a new market need.
- Whether the need for potential revision of, or further guidance in relation to, ISA 315³ in response to the findings of the ISA Implementation Monitoring program had been given appropriate prominence in the 2015–2016 Work Program. In this regard, it was suggested Staff-led information gathering could be useful during the period to enable the Board to determine the timing and an appropriate response.
- Whether the possibility of the need for additional guidance relating to auditing disclosures, in particular in relation to evidence to support disclosures, had been adequately factored into the 2015–2016 Work Program, as the IAASB is currently consulting on the matter.
- Whether, in light of the Board’s continued debates on auditor reporting on going concern, further attention is needed on the topic of going concern.
- Whether the topic of preliminary announcements should be addressed in the 2015–2016 Work Program. It was noted, however, that other topics that were proposed to be included in the Work Program had garnered significantly more support in the Board’s outreach activities. In response to the preliminary announcements as a potential topic, Ms. de Beer agreed that, even though there are some investor groups on the CAG that are keen for the project to receive more prominence, the general view at the CAG was certainly that the projects currently included as high priority were the appropriate ones.

¹ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

² International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

³ ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

As part of its efforts to finalize its 2015–2016 Work Program, the Board also agreed to pursue the different models for increasing capacity for commencing work in more areas as set out in Agenda Item 5-A, subject to further consideration by the Steering Committee as to how the IAASB could maintain adequate involvement in the direction and outcomes of the planned initiatives with others.

Way Forward

The final IAASB Strategy for 2015–2019 and the IAASB’s Work Program for 2015–2016 will be presented for approval at the September 2014 IAASB meeting.

Matters for IAASB Consideration

A. Strategy

5. In the responses to the Consultation Paper (CP), *The IAASB’s Strategy for 2015–2019*, and discussions with the IAASB Consultative Advisory Group (CAG), and as noted in the meeting papers for the June 2014 IAASB meeting, support was noted for:
 - The IAASB’s proposed efforts as set out in its proposed strategy.
 - Changing the Strategy period to 5 years.
 - The strategic objectives as an appropriate means of guiding the IAASB’s work over the next 5-year period (subject to the changes to address Board comments from the June 2014 IAASB meeting – see discussion below).
 - Concentration of efforts on the ISAs in the early part of the strategy period.
 - The commitment of the IAASB to a mid-period review of the Strategy to ensure that it remained appropriate.
6. Based on the overall support for the strategy, the Steering Committee is of the view that it is appropriate to largely retain the format and content of the Strategy as set out in the CP, with changes as necessary to the strategic objectives and in response to other various comments received. Changes were also made to reflect the final nature of the document, rather than as a means of consultation. For example, material previously in the section “Reflecting on Our Strategic Focus and Developments in the Past Five Years” has been relocated throughout the document where relevant.

Strategic Objectives

7. At the June 2014 meeting, support was largely noted for the proposed revisions to the strategic objectives. Various Board members viewed these changes as a significant improvement, as they were now more outcome-orientated and appropriately classified in terms of the International Standards on Auditing (ISAs) and other standards. However, concern was expressed that:
 - The global nature of the standards, in particular the ISAs, was not characterized in the strategic objectives.
 - The third strategic objective appeared to be reactive, with the suggestion that it could be re-characterized this to reflect the IAASB’s proactive approach to collaboration.

- Because of the use of the term “corporate reporting supply chain”, the third strategic objective did not appear to include public sector entities.
8. Accordingly, the Steering Committee agreed that the strategic objectives could be further revised (see paragraph 5 of **Agenda Item 6-A**). In addition, and as appropriate, changes have also been made to the explanatory text for each strategic objective to incorporate amendments to the Work Plan to respond to IAASB concerns about certain proposed projects (see paragraphs 8-28 in **Agenda Item 6-A**).

Other Matters

9. Concern was expressed that the public sector had not been adequately identified as a key stakeholder. The Steering Committee has further reflected on this and has made changes variously through the Strategy to ensure that the public sector is appropriately distinguished. Minor changes were also made to Appendix 1 of the Strategy to take into account feedback on the factors guiding the identification of potential priorities and actions in future work plans.

Matter for IAASB Consideration

1. The IAASB is asked for its views on the revised Strategy as presented in **Agenda Item 6-A**.

B. 2015–2016 Work Plan⁴

10. With one exception (i.e., work effort relating to ISA 315)⁵ the Board agreed with the overall changes in prioritization to the priorities in the 2015–2016 Work Plan as presented at the June 2014 meeting. However, as noted in the table on page 2, various concerns were expressed about how some projects had been described, in particular their potential scope and approach. The following sets out how these concerns and issues have been addressed.

Current Standard-Setting Projects

11. The Board had no further comments on the emphasis in 2014 and early 2015 on completing current projects, including Auditor Reporting (as well as the ISA 800 series),⁶ ISA 720 (Revised)⁷ and Disclosures. However, the Steering Committee was asked to consider whether potential work to develop additional guidance on auditing disclosures or the topic of going concern needed to be factored into the Work Plan for 2015–2016.

⁴ This has been re-characterized as a ‘Work Plan’ (previously ‘Work Program’) to maintain consistency with the independent standard-setting boards subject to oversight by the Public Interest Oversight Board (PIOB).

⁵ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

⁶ As a result of the Auditor Reporting project, in particular the changes proposed to ISA 700, *Forming an Opinion and Reporting on Financial Statements*, amendments are necessary to the ISA 800 series. The ISA 800 series includes ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and ISA 810, *Engagements to Report on Summary Financial Statement*

⁷ ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

Steering Committee Recommendations in Relation to Current Standard-Setting Projects

- Until the responses to the Disclosures Exposure Draft (ED) have been received⁸ and consideration given to whether any further guidance may be required relating to disclosures and, if so, what form it may take, the Steering Committee is of the view that it is not appropriate to prejudge the need for such guidance or allocate specific time in the proposed forward timetable. However, the Work Plan acknowledges the possibility of further work in this area (see paragraph 11(c) of **Agenda Item 6-B**). Should the Board have the view at the time of finalization of the changes to the ISAs for disclosures that more work is needed in this area (e.g., relating to evidence for disclosures), the IAASB would need to consider competing priorities at that time and reforecast the forward timetable to take this into account.
- Regarding Going Concern, notwithstanding that it is an important topic and more work may be needed in this area, the Steering Committee is of the view that this topic should not be prioritized above those already planned for 2015–2016 in light of the overall support for those topics. However, this will be acknowledged in the Basis for Conclusions for the 2015–2016 Work Plan, by flagging that the topic of going concern will be included in the topics for consideration for the 2017–2018 Work Plan. Doing so will also allow time to assess whether the accounting standard setters have progressed work in this area, as well as developments by national standard setters (NSS) (such as the US Public Company Accounting Oversight Board (PCAOB) and UK Financial Reporting Council (FRC)).

New Initiatives Commencing in 2014 and Beyond

12. The Steering Committee considered the most appropriate way to present information about the individual topics in the final Work Plan and was of the view that it is necessary to illustrate for each initiative, at a high level, what issues may be addressed, the standards that may be addressed, possible other outputs, and a preliminary approach to the project. Complementing these descriptions, in the Appendix in **Agenda Item 6-B**, is a new overview of the IAASB's projects and initiatives and activities planned for 2015–2016. The revised format distinguishes activities for the 2015–2016 period, while at the same time recognizing that there is still a fair amount of uncertainty as to what will be done on certain projects. In the Steering Committee's view, this approach enables stakeholders to see the volume and direction of activity expected to occur in 2015–2016 related to the new project and initiatives without seeking to forecast these activities on a quarterly basis.
13. It is important to note, however, that the commencement of new standard-setting activities is subject to the approval of a project proposal by the IAASB, and as project task forces or working groups consider the nature and scope of the projects and initiatives, and these evolve, the indicative timing of the commencement of new initiatives is subject to change.

⁸ The comment period for the Disclosures ED ends on September 11, 2014.

14. Various comments were noted as to how the proposed projects had been articulated in the 2015–2016 Work Plan. Changes were made to the individual descriptions to respond to the IAASB’s concerns, most notably:
- To incorporate feedback on the Board’s initial discussion of the Quality Control project⁹ about how the topic would be approached and the issues that may be addressed;
 - To place greater emphasis on exploring issues related to the insurance industry, as well as consideration of the Basel Committee on Banking Supervisions’ suggestion of particular ISAs that may need to be addressed as part of the Financial Institutions project; and
 - To more clearly articulate the nature of issues that may be addressed as part of the project on Agreed-upon procedures, including the need to carefully consider the implications of hybrid engagements more holistically, rather than infer that such engagements are already contemplated by the IAASB’s current suite of standards.

Steering Committee Recommendations

Quality Control

- The project on Quality Control has now been collapsed back into one workstream, with consideration to be given to the breadth of issues to be addressed, including how potential revisions to ISQC 1¹⁰ or ISA 220¹¹ should be approached.
- More time has been devoted to information-gathering activities to clearly identify the issues that need to be addressed for more effective scoping of the project proposal.

Special Audit Considerations Relevant to Financial Institutions

- The Steering Committee agrees that broadening the scope of the project, both in terms of addressing the insurance industry and allowing for the possibility that ISAs other than ISA 540¹² may be affected by work in this area, is appropriate in light of the Board’s feedback.

Agreed-Upon Procedures–Revision of ISRS 4400 and Consideration of More Holistic Issues

- The Steering Committee is of the view that more time is needed for information gathering to properly scope a project in this area, in particular to give consideration to whether the nature and intent of an agreed-upon procedures engagement as set out in ISRS 4400 is still appropriate (including whether the standard needs to be revised to clarify such nature and intent), and to further explore whether standard-setting activities on the emerging types of engagements in this area is needed. The Steering Committee therefore recommends deferring a project proposal until initial discussions are held with the IAASB on the direction for this topic, in order to enable sufficient time for more strategic issues to be fully explored.

⁹ Comments on Quality Control outlined in this paper include consideration of the separate discussions with the Board on this topic at the June 2014 IAASB meeting (see minutes in Section 6 of **Agenda Item 1-A**).

¹⁰ International Standards on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

¹¹ ISA 220, *Quality Control for an Audit of Financial Statements*

¹² ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

Information Gathering Activities to Inform Future Work

Innovation Working Group¹³ (IWG) Activities

15. Changes have been made in **Agenda Item 6-B** to reflect the possibility that two proposed workstreams addressing the demand for assurance on integrated reports (or the need for broader assurance on non-financial reporting) and developments in information technology and their effect on the financial statement audit will be pursued. This is further discussed in **Agenda Item 8**; further changes to the final Work Program may be necessary as a result of the Board's consideration of that Agenda Item.

Further Understanding of ISA Implementation Monitoring Findings Related to ISA 315

16. Work on revising ISA 315 had not previously been reflected on the forecasted timetable for 2015–2016, mainly because there was a view that there were parts of a potential project in this area being monitored by the IWG (in particular in relation to evolving information technology and data analysis). However, at the June 2014 meeting, the Board again expressed concern that the potential work on ISA 315 to respond to the findings from the ISA Implementation Monitoring findings had not been given sufficient prominence in the 2015–2016 period, in particular as this was an evolving area that had a significant impact on the audit.

Steering Committee Recommendation

- The topic of ISA 315 has now been described in the Work Plan, and included in the forecasted timetable for 2015–2016, initially as a Staff-led information gathering topic. Once initial activities have enabled a view to be formed on an appropriate way forward, this will be presented to the IAASB and a decision taken at that time about commencement of work in this area, taking into account other competing priorities. A Working Group could then be appointed to work towards a project proposal.

Other Activities

17. In light of the potential implications to projects included in the 2015–2015 Work Plan, the Board's discussions about developing mechanisms for an accelerated standard-setting response as well as for non-authoritative material (including International Practice Notes (IPNs)) have been advanced. See the discussion included in **Agenda Item 9**.

Matter for IAASB Consideration

2. The IAASB is asked for its views on the revised Work Plan as presented in **Agenda Item 6-B**.

Consideration by the IAASB of Significant Matters Identified by the Steering Committee

18. In the Steering Committee's view, the significant matters the Steering Committee has identified as a result of its deliberations since it started work on developing the Strategy and 2015–2016 Work Plan, and the Steering Committee's considerations thereon, have all been reflected in the issues papers, draft consultation paper, and draft Strategy and draft 2015–2016 Work Plan as presented at the IAASB meetings in February 2013, September 2013, December 2013, June 2014, and this

¹³ Previously referred to as the INFO Working Group

meeting. In the Steering Committee's view, there are no significant matters discussed within the Steering Committee in developing the Strategy and 2015–2016 Work Plan that have not been brought to the IAASB's attention.

Consideration by the IAASB of the Need for Further Consultation

19. In formulating this Strategy and 2015–2016 Work Plan, the IAASB undertook a formal public survey and also issued a consultation paper. At its February 2013 meeting, the IAASB agreed with the Steering Committee's proposed approach to developing the Strategy and 2015–2016 Work Plan, including proposed outreach activities. Roundtables were not initially contemplated due to the information already available to the Board as a result of the ISA Implementation Monitoring project, the results of the survey and the outreach that had been taken. The Steering Committee does not believe that further consultation in the form of roundtables or focus groups is necessary, given that there were no suggestions from respondents to the CP or others (including the CAG) to hold such events and the IAASB continues to inform itself of new developments through its liaisons with the CAG, NSS, and ongoing outreach with, among others, regulators and audit inspection bodies and audit firms, as well as the work of the IWG.

Materials Presented

- Agenda Item 6-A Draft of *The IAASB's Strategy for 2015–2019 – Fulfilling Our Public Interest Mandate in an Evolving World*
- Agenda Item 6-B Draft of *The IAASB's Work Plan for 2015–2016 – Enhancing Audit Quality and preparing for the Future*

Actions Requested

20. The IAASB is asked to:
- Consider the revised Strategy in **Agenda Item 6-A** and 2015–2016 Work Plan in **Agenda Item 6-B**, including the proposed timing for the commencement of new projects and initiatives; and
 - Approve these documents for submission to the PIOB as the IAASB's medium-term strategy and 2015–2016 work plan.