

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

Agenda Item

8

Innovation Working Group

Objectives of Agenda Item

1. To obtain the IAASB's agreement on the operating objectives and focus of the Innovation Working Group (Innovation WG)¹
2. To obtain the IAASB's input on the Innovation WG's recommendation to form separate Working Groups (WGs) to commence further work on:
 - Integrated Reporting <IR>
 - Data Analytics and the effect on the audit

Innovation WG

3. Members:
 - Dan Montgomery, IAASB Deputy Chair and Chair of the Innovation WG
 - Merran Kelsall, IAASB Member and the Innovation WG <IR> workstream leader
 - Annette Köhler, IAASB Member
 - Brendan Murtagh, IAASB Member
 - Valdir Coscodai, IAASB Member

Status and Timeline

Priority Topics and the Establishment of Separate WGs in Relation to These Topics

4. In 2013, the IAASB agreed that the Innovation WG should monitor developments by the International Integrated Reporting Council's (IIRC) with respect to *The International <IR> Framework*, and any further development in <IR> to determine the most appropriate time for the IAASB to proceed with <IR>. At the March 2014 Consultative Advisory Group (CAG) meeting,² a further update was provided on the latest developments in <IR>.

¹ The name of the Innovation, Needs and Future Opportunities Working Group (INFO WG) was changed in August 2014 to Innovation WG.

² Section D of the March 2014 CAG public session minutes (Agenda Item B) summarizes Paul Druckman's (IIRC Chief Executive) presentation on <IR> and Representatives' comments thereon.

5. At the CAG and IAASB March 2014 meetings the Innovation WG also discussed other topics that could be of interest for the IAASB to monitor.
6. In addition, at the IAASB–National Auditing Standard Setters (NSS) May 2014 meeting, views were sought from the participants on the relevance of various emerging topics to international standard-setting. In addition to <IR>, other high priority topics identified by the participants, for monitoring by the IAASB, were data analytics and sustainability.
7. The Innovation WG also reviewed and considered the responses to the consultation on the *Proposed Strategy for 2015–2019* and *Proposed Work Program for 2015–2016*.
8. Based on these different sources of input, the Innovation WG noted that, in addition to <IR>, data analytics and the effect on the audit emerged as a priority topic. The following topics were also supported:
 - Monitoring of assurance on non-financial information, including sustainability reports;
 - Assurance on corporate governance reporting; and
 - Assurance on internal control over financial reporting, including aspects of internal control such as risk management.
9. To inform the Board about the emerging topic of data analytics, a presentation was held at the June 2014 IAASB meeting. The Board agreed that this is of increasing importance to international standard setting and confirmed the view of the Innovation WG that <IR> and data analytics should be priority topics.
10. Agenda Item 8-A discusses the Innovation WG’s recommendation to establish separate WGs to pursue further activities, including any publications that may be developed (e.g., thought leadership, discussion papers, etc.). The benefits of establishing separate WGs include:
 - Improving the focus on a specific topic;
 - Enabling the Board to obtain a more in-depth knowledge;
 - Enabling Board and Staff resources to be deployed effectively.
 - Leveraging the expertise of outside experts and NSS.
11. The IAASB’s Proposed Work Plan for 2015–2016 (see paragraph 13 of **Agenda Item L.2**) describes the establishment of separate WGs to specifically monitor:
 - (a) The developing interest in Integrated Reporting (<IR>) and the demand for assurance on integrated reports. This includes initial thinking on the nature of such engagements, including the scope of the subject matter and the suitability of the criteria; and other matters related to assurance on integrated reports. The Innovation WG will also consider the appropriate approach to standard-setting.
 - (b) The various applications of data analytics, “big data”, and its relationship to the audit, such as the effect on: risk assessments; testing approaches; analytical procedures; and other audit evidence.

Ongoing Role and Activities of the Innovation WG

12. **Agenda Item 8-A** also includes recommendations on the ongoing role and activities of the Innovation WG to identify emerging areas with relevance to auditing, assurance and related services and also, with consideration of guidance from the CAG and NSS, to recommend appropriate action.
13. Establishing the separate WGs will enable the Innovation WG to keep its strategic focus on monitoring identified and emerging topics and on making recommendations to the IAASB on these topics.
14. In connection with its ongoing monitoring activities, the Innovation WG will update the IAASB and CAG at least annually on identified emerging topics and which of those are considered to be priority topics for further attention by the Innovation WG. In addition, the Innovation WG 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.

Material Presented

Agenda Item 8-A Update on the Innovation WG

Material Presented – For IAASB Reference Purposes ONLY

IIRC's Discussion Paper on Assurance on <IR> | The IIRC
<IR> Assurance

Action Requested

15. The IAASB is asked for its views and whether it agrees with:
 - The operating objectives and focus of the Innovation WG; and
 - Establishing separate working groups for the two priority areas identified to enable further focus on these topics and to allow the Innovation WG to keep its high-level strategic focus.