

## The IAASB's Work Plan for 2017–2018 and Continuing Relevance of Its Strategic Objectives

### Objective of the IAASB Discussion

The objectives of the discussion are to:

- Consider the responses received to the [Survey Consultation—The IAASB's Work Plan for 2017–2018 and Continuing Relevance of Its Strategic Objectives](#) (the Survey Consultation); and
- Approve the IAASB Work Plan for 2017–2018 (**Agenda Item 4-B**) and the Supplement to the IAASB's Strategy for 2015–2019 (**Agenda Item 4-C**).

### Summary

- 93 responses to survey (including 2 written comment letters) across a broad range of stakeholders and from a wide range of jurisdictions; responses included 3 from monitoring group (MG) members.
- Strong support for the continuing relevance of strategic objectives.
- Support for continuing to prioritize projects currently underway.
- New projects recommended for agreed-upon procedures (AUP) (revision of ISRS 4400)<sup>1</sup> and Audit Evidence.

### Background

1. The [IAASB's Strategy for 2015–2019](#) (the Strategy) and [Work Plan for 2015–2016](#) were finalized in December 2014 after broad public consultation.
2. The IAASB's strategic objectives for the five-year period helped illustrate how the IAASB intends to focus its activities over its 2015–2019 strategy period, taking into account the strong platform of standards the IAASB has developed over the last twelve years, the current environment, and feedback from its stakeholders. In approving the due process for the Strategy for the five-year period, the Public Interest Oversight Board approved the strategy on the basis that a mid-period review of the continuing relevance of the strategic objectives was undertaken. The IAASB agreed to undertake this mid-period review as part of its consultation on the Work Plan for 2017–2018.
3. In finalizing its strategy, the IAASB agreed to give priority attention to its first strategic objective, "Ensuring that ISAs Continue to Form the Basis for High-Quality, Valuable and Relevant Audits Conducted Worldwide by Responding on a Timely Basis to Issues Noted in Practice and Emerging Developments," in particular when considering the overall balance and timing of all of the planned initiatives for 2015–2019. Accordingly, the IAASB commenced work on a number of significant

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<sup>1</sup> International Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (Previously ISA 920)*

projects in the 2015–2016 period. The Work Plan for 2015–2016 noted that these projects would take a number of years to complete and would only be completed in the 2017–2018 period. As a result it was understood that there would be very limited capacity for new projects until these significant projects were completed.

4. In light of this, to obtain stakeholder views on the IAASB's projects for the 2017–2018 period, the IAASB undertook a survey consultation, with the objectives of:
  - (a) Enabling the IAASB to determine if its preliminary assessment of priorities is in line with stakeholders' views and, if not, why.
  - (b) Soliciting feedback as to whether any matters not currently on the IAASB agenda should be prioritized ahead of the current initiatives and, if so, why.

As part of this consultation, the IAASB also sought to understand stakeholder views on the continuing relevance of its strategic objectives.

5. In July 2016, the Survey Consultation was issued, with a response deadline of September 30, 2016. The rest of this paper sets out a summary of the responses received and the Steering Committee's<sup>2</sup> views about the projects to be included in the IAASB's Work Plan for 2017–2018 (see **Agenda Item 4-B**).

### **Structure of this Paper**

6. This paper is organized as follows:
  - Section I: Summary of Responses to the Survey Consultation.
  - Section II: The Survey Consultation Feedback on the Continued Relevance of the IAASB's Strategic Objectives.
  - Section III: The Survey Consultation Feedback on the IAASB's Work Plan for 2017–2018.

### **Section I: Summary of Responses to the Survey Consultation<sup>3</sup>**

7. Ninety three responses were received to the Survey Consultation, ninety one of which were received via the electronic survey tool and two that were received in the form of letters to the IAASB. Three<sup>4</sup> MG members responded to the Survey Consultation. The Steering Committee has been informed that the International Organization of Securities Commissions intends to submit a response to the Survey Consultation, which, once received, will be shared with the IAASB.

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<sup>2</sup> The Steering Committee is tasked with the development of the IAASB's Strategy and Work Plans (i.e., performs the role of a task force for this project).

<sup>3</sup> Staff have engaged an academic with the University of Pretoria, South Africa, to assist with analyzing the responses to the Survey Consultation (referred to hereafter in this paper as the Academic Consultant). The Academic Consultant has produced an initial report on the Survey Consultation responses received that provides analysis of the responses, which includes analyzing the relevant priority placed by respondents on certain topics (using statistical and qualitative analysis of the views expressed by the respondents throughout the responses to the Survey Consultation). Staff have validated the analysis in the Academic Consultant's initial report against the responses received. This paper has been prepared utilizing the report from the Academic Consultant as well as Staff analysis of the responses.

<sup>4</sup> The Basel Committee on Banking Supervision (BCBS), the International Forum of Independent Audit Regulators (IFIAR) and the International Association of Insurance Supervisors (IAIS).

8. Of the ninety three responses, thirty-eight (41%) were from individuals. In these responses the individuals had, in limited instances, noted the organization that they worked for, but did not indicate that it was an organization view being represented. Accordingly, these individuals have been presented as the views of an individual in this paper. The other fifty five responses (59%) are from organizations and have been presented as representing an organization view (which likely will be the views of more than one individual). Diagrams 1 through 3 and Table 1 summarize the respondent demographics (as selected by respondents in the electronic tool).

Diagram 1 – Individual and Organization Respondents

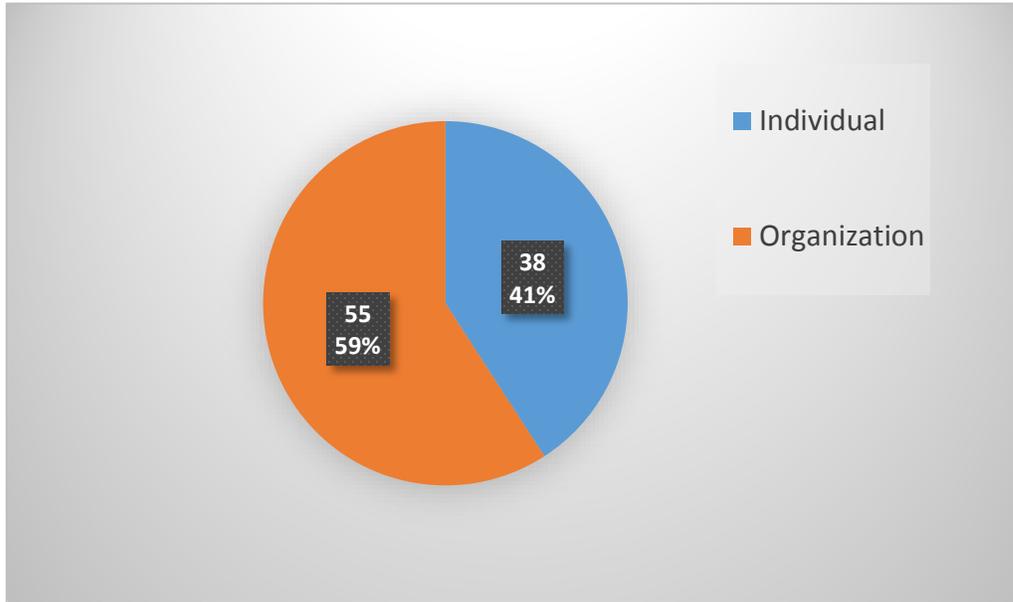


Diagram 2 – Respondent Group (as identified by respondents)

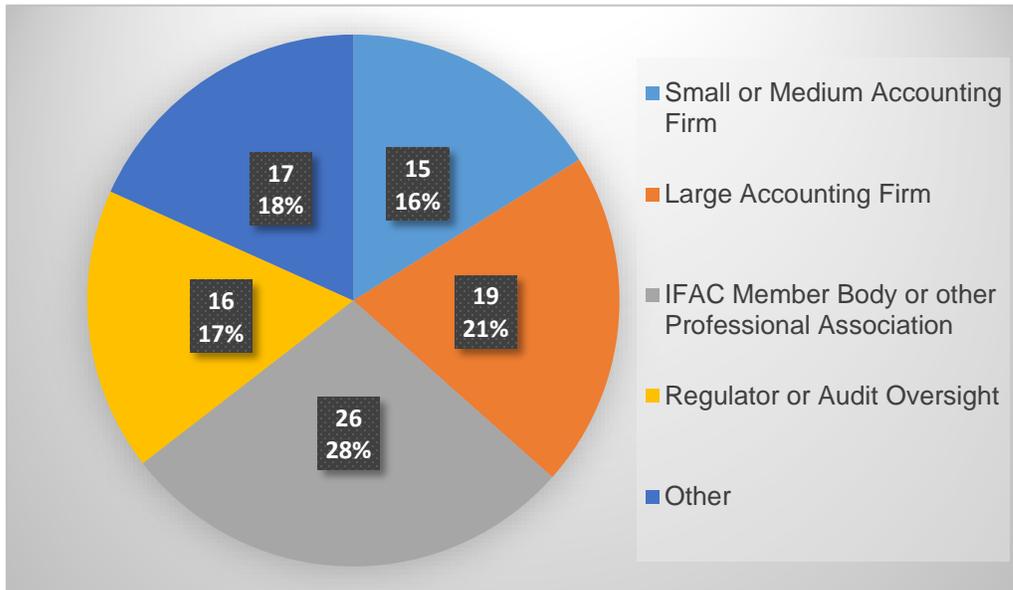
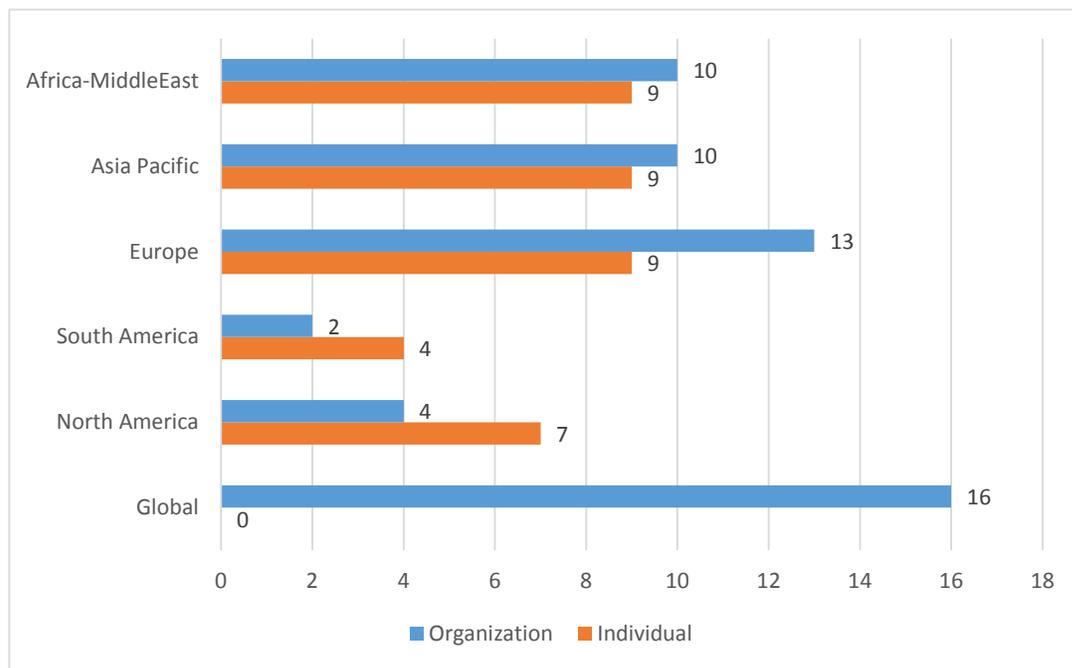


Table 1 – Respondent Group Other (as identified by respondents)

Other respondents	Number
Academia	3
Investor / Analyst / User	1
National Auditing Standard Setter	4
Preparer of Financial Statements	1
Public Sector Auditor	1
Other	7
<b>Total</b>	<b>17</b>

Diagram 3 – Respondents Geographic Locations



**Section II: The Survey Consultation Feedback on the Continued Relevance of the IAASB's Strategic Objectives for 2015–2019 and Steering Committee Views**

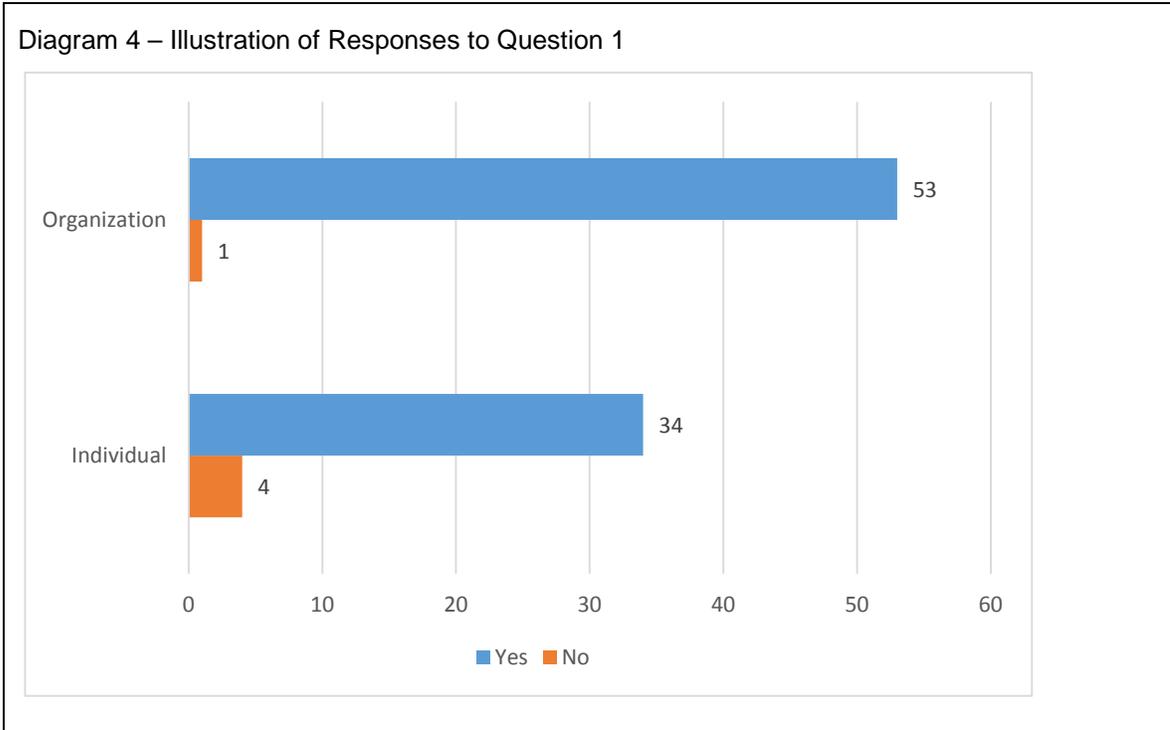
9. In developing its strategic objectives for 2015–2019, the IAASB articulated its strategic vision through three strategic objectives:

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|-------|--|
| (i)   | Ensuring that International Standards on Auditing (ISAs) Continue to Form the Basis for High-Quality, Valuable and Relevant Audits Conducted Worldwide by Responding on a Timely Basis to Issues Noted in Practice and Emerging Developments |
| (ii)  | Ensuring the IAASB's Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders for Services Other than Audits of Financial Statements   |
| (iii) | Strengthening Outreach and Collaboration with Key Stakeholders in the Reporting Supply Chain on Public Interest Issues Relevant to Audit, Assurance and Related Services   |

10. In relation to the IAASB's strategic objectives for 2015–2019, respondents were asked to answer Question 1 (see below), to which respondents had the option of responding Yes or No, as well as the option to state Why or Why Not:

**Question 1: Do you agree that the three strategic objectives for the strategy period 2015–2019 continue to remain relevant?**

11. Respondents overwhelmingly (87 of 93 or 94%), including two<sup>5</sup> members of the MG, responded yes to Question 1 (see Diagram 4). One<sup>6</sup> respondent (and member of the MG) did not specifically comment on Question 1.



<sup>5</sup> Regulators and Audit Oversight Bodies: BCBS, IAIS

<sup>6</sup> Regulators and Audit Oversight Bodies: IFIAR

12. Respondents variously provided additional comments with reasons for agreement with the continued relevance of the IAASB's three strategic objectives. Themes from these additional comments include:

- Adherence to the IAASB's strategic objectives will contribute to enhancements to audit quality and consequently greater trust in the audit profession, and result in the IAASB developing audit standards and guidance that when applied in practice will:
  - Increase consistency and effectiveness of the application of audit standards;
  - Encourage investor confidence in financial reports;
  - Assist in protecting shareholder value in an entity;
  - Inspire confidence and trust in public information;
  - Contribute to improved quality of accountability and ethics;
  - Contribute towards better quality of information;
  - Inspire market confidence; and
  - Contribute towards the trust bestowed on the profession being retained and upheld.
- The emphasis the strategic objectives for 2015–2019 place on stakeholder communication and coordination is valued, including that such communication and related coordination is integral to the strategic objective of ensuring that the ISAs continue to form the basis for high-quality, valuable and relevant audits. Further related themes expressed include that:
  - Communication with, and consideration of, the view of all stakeholders is important in understanding the issues affecting the various stakeholders in practice, and in areas where the need for guidance is emerging.
  - The IAASB should guard against the perception that the Board is driven primarily by input / feedback from a few selected / key stakeholders and is particularly encouraged to not lose sight of communication with smaller practices and entities, which the respondents noted remain a significant part of the market.
  - The IAASB should ensure sufficient communication and coordination with the International Ethics Standards Board for Accountants (IESBA) and the International Accounting Education Standards Board (IAESB).
- The needs of the various stakeholders should be appropriately balanced against the resources and capacity of the Board and staff.

Other individual comments were made variously including that the standards need to align the ISAs, as necessary, with accounting standards (e.g., International Financial Reporting Standard (IFRS) 9),<sup>7</sup> that the standards need to remain principle-based and that it was preferred that more fundamental revisions of the standards are undertaken rather than lots of small revisions.

13. The five<sup>8</sup> respondents (one organization and four individuals) that did not agree with the continuing relevance of the strategic objectives noted various reasons, including that the strategic objectives do not sufficiently reflect the realities of the changes in the environment (such as challenges in

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<sup>7</sup> IFRS 9, *Financial Instruments*

<sup>8</sup> *Regulators and Audit Oversight Bodies*: ASIC; *Individuals and Others*: I-Academia (1), I-AF-LN (2), I-RB (1)

undertaking quality audits and the impact of technology). One<sup>9</sup> respondent noted that the first strategic objective should have a much higher priority than the other two.

#### *Steering Committee Views*

14. The Steering Committee is of the view, given the overwhelming support from the responses to Question 1 (from organizations and supported by individual's views) that the IAASB's strategic objectives continue to be relevant and should remain unchanged for the remainder of the strategy period 2015–2019. The Steering Committee recommends that a "Supplement to the IAASB's Strategy for 2015–2019" is developed to attach to the Strategy that presents the IAASB's findings from the mid-period review and the continuing relevance of the strategic objectives (see **Agenda Item 4-C**).

#### **Matter for IAASB Consideration**

1. The IAASB is asked whether it agrees with the Steering Committee's views and recommendation in paragraph 14 above. If not, please indicate why not.

### **Section III: The Survey Consultation Feedback on the IAASB's Work Plan for 2017–2018 and Steering Committee Views**

#### *The IAASB's Priority Projects*

##### Summary of Consultation Survey Responses

15. The Survey Consultation provided respondents with a summary of the IAASB's priority projects currently underway, including the standard-setting activities that have, or are expected to have, commenced by the end of 2016. The survey also highlighted that in progressing the standard-setting projects during the 2017–2018 Work Plan period, the IAASB will enhance its focus on the following two areas:
  - Coordination with the IESBA; and
  - Consideration of matters related to small- and medium-sized practices (SMPs) and audits of small- and medium-sized entities (SMEs).
16. The Survey Consultation noted that the IAASB intends to continue with the priority projects outlined during 2017–2018, unless stakeholder responses indicate that other topics should have a higher priority. Respondents were asked to answer Question 2.

***Question 2: Do you agree with the IAASB's view that these topics should continue to be prioritized? Yes or No. Why or why not?***

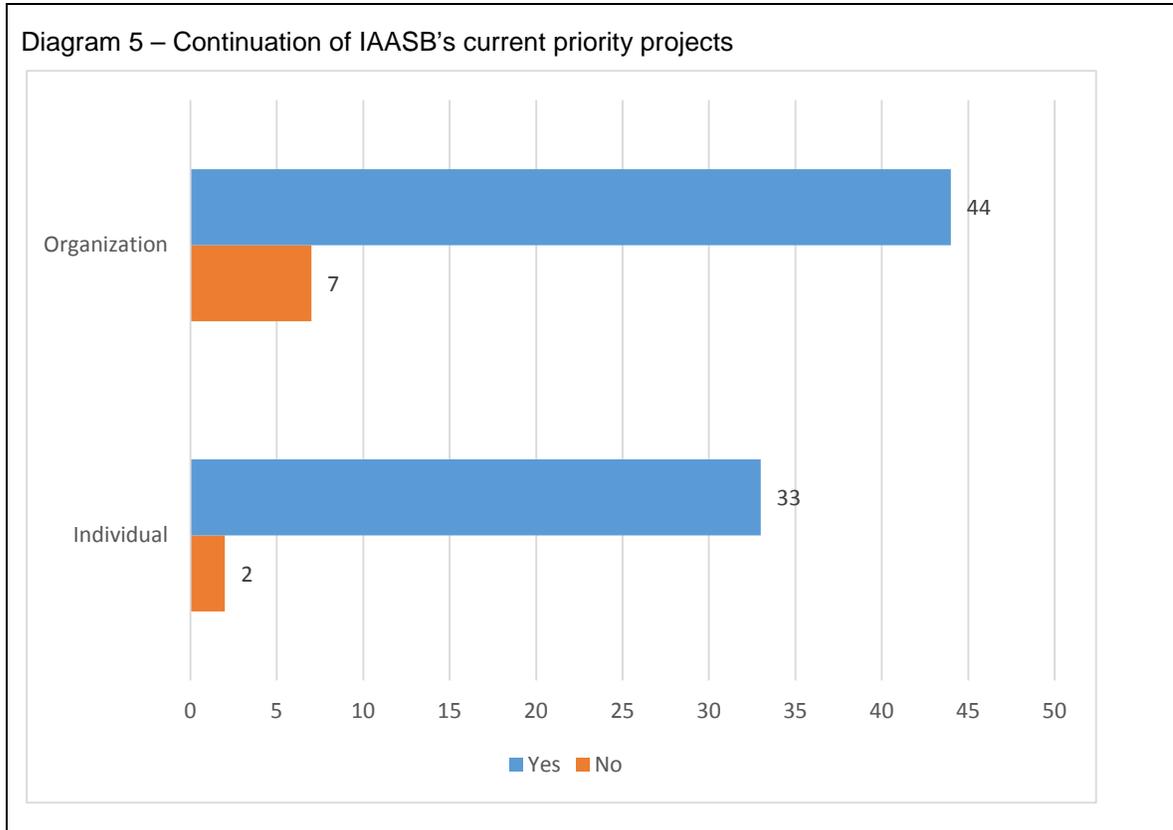
***If you believe any project(s) or initiative(s) should not be prioritized, please provide your reasons for this view.***

17. The views expressed by respondents to the Consultation Survey were generally consistent with what was heard in response to the previous consultations on the IAASB's Strategy for 2015–2019 and Work Plan for 2015–2016 (i.e., agreed that the projects currently underway should be the IAASB's priority). The majority of respondents, including one<sup>10</sup> MG member, answered 'yes' to Question 2 (77

<sup>9</sup> *Regulators and Audit Oversight Bodies: ASIC*

<sup>10</sup> *Regulators and Audit Oversight Bodies: IAIS*

of 93 or 83%), agreeing with the Board's view that the IAASB's priority projects currently underway should continue to be prioritized (see Diagram 5). Respondents, however, cautioned that the work plan is ambitious and suggested that robust standard-setting on each of the priority topics should take precedence over trying to address too many topics.



18. Staff performed further analysis of the responses from respondents that did not respond 'yes' to Question 2. Seven<sup>11</sup> respondents did not specifically respond 'yes' or 'no' to Question 2. The remaining nine<sup>12</sup> respondents noted the following reasons for their 'no' response:
- Seven respondents,<sup>13</sup> including one member of the MG,<sup>14</sup> were of the view that not all of the projects should receive the same level of priority. These respondents noted that given the number of projects proposed for the IAASB's 2017–2018 Work Plan and the related timetable for those projects, the Board should focus its attention on those projects that will have the greatest impact to audit quality. The views of these seven respondents regarding which projects would have the greatest impact to audit quality, and therefore should be prioritized, were consistent in relation to some projects (e.g., that the AUP project should not be a priority

<sup>11</sup> *Regulators and Audit Oversight Bodies:* IAIS, IFIAR; *Accounting Firms:* BTI, HLA; *Individuals and Others:* I-Academia (2), I-RB (1)

<sup>12</sup> *Regulators and Audit Oversight Bodies:* ASIC, BCBS; *Accounting Firms:* KPMG; *Member Bodies and Other Professional Organizations:* CPA Australia, IRE-IBR, ICAS, NBA; *Individuals and Others:* I-AF-LN (2)

<sup>13</sup> *Regulators and Audit Oversight Bodies:* ASIC, BCBS; *Accounting Firms:* KPMG; *Member Bodies and Other Professional Organizations:* CPA Australia, IRE-IBR, ICAS, NBA

<sup>14</sup> *Regulators and Audit Oversight Bodies:* BCBS

project) and inconsistent in relation to other projects (e.g., some<sup>15</sup> of these respondents were of the view that the project on emerging forms of external reporting (EER), including integrated reporting) should be of higher priority, while others<sup>16</sup> were of the view that EER be of lower priority.

- Two respondents<sup>17</sup> were of the view that some of the projects (specifically ISA 540<sup>18</sup> and professional skepticism) seem to be overly focused on emphasizing additional documentation, and that such revisions would not result in enhanced audit quality, while issues in other projects (specifically ISA 315 (Revised)<sup>19</sup> and quality control) are more related to auditors not understanding current requirements and therefore revisions alone to these standards will not enhance audit quality.
19. Six<sup>20</sup> respondents specifically commented on the second part of Question 2. Other respondents did not specifically respond to the second part of Question 2, however those respondents expressed their views regarding the prioritization of the IAASB's projects currently underway. The responses to the second part of Question 2 and respondent views expressed elsewhere in the Survey Consultation have been considered in analyzing respondent views regarding prioritization of the IAASB's projects currently underway.
  20. While there were diverse views expressed regarding how the projects identified in the Survey Consultation as the IAASB's current priority projects were or should be prioritized, a consistent message was for the IAASB to remain focused on completing the projects that have commenced before starting new projects.
  21. Respondents generally were of the view that the IAASB's projects related to ISA 540, quality control, group audits, professional skepticism, ISA 315 (Revised) and the effects of technology on the audit, including data analytics, should be prioritized over the IAASB's other activities. Respondents,<sup>21</sup> including two<sup>22</sup> MG members, noted further that completion of the ISA 540 project should remain the IAASB's highest priority.
  22. Respondents generally considered the IAASB's projects related to emerging forms of external reporting (EER, including integrated reporting), AUP, auditor reporting implementation and innovation as having lower priority. However, certain respondent groups identified integrated reporting as a high priority, specifically those respondents from jurisdictions where integrated reporting is more prevalent and the need for assurance on aspects of integrated reports is being sought by stakeholders. Paragraph 49 of this paper further explains the Steering Committee's recommendation on how the

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<sup>15</sup> *Accounting Firms: KPMG; Member Bodies and Other Professional Organizations: CPA Australia, ICAS*

<sup>16</sup> *Regulators and Audit Oversight Bodies: BCBS; Member Bodies and Other Professional Organizations: NBA*

<sup>17</sup> *Individuals and Others: I-AF-LN (2)*

<sup>18</sup> *ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

<sup>19</sup> *ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

<sup>20</sup> *Regulators and Audit Oversight Bodies: ASIC, BCBS; Accounting Firms: KPMG; Member Bodies and Other Professional Organizations: CPA Australia, ICAS, NBA*

<sup>21</sup> *Regulators and Audit Oversight Bodies: BCBS, IAIS, National Auditing Standard Setters: AUASB, FRC Accounting Firms: EYG; Member Bodies and Other Professional Organizations: ACCA, EFAA, FAR, NBA, Individuals and Others: I-RB*

<sup>22</sup> *Regulators and Audit Oversight Bodies: BCBS, IAIS*

IAASB may consider further work on EER, taking into account the comments from the EER Discussion Paper currently out for consultation.

23. Certain respondents<sup>23</sup> (specifically SMPs, and those that represent the interests of SMPs, and others that perform other assurance services for SMEs) identified the IAASB's AUP project as a high priority for various reasons, including that ISRS 4400 has not been revised using the clarity conventions, whether ISRS 4400 continues to be fit for purpose, and the importance of the project to SMPs who have seen an increase in demand for non-audit assurance services such as AUP engagements.<sup>24</sup>

#### Steering Committee Views

24. Based on the Survey Consultation responses, the Steering Committee has the view that there is no need to re-evaluate the current priorities of the Board, and that the priority projects currently underway, listed below, should continue to be prioritized in the 2017–2018 period:
- (a) ISA 540;
  - (b) ISA 315 (Revised);
  - (c) Quality control;
  - (d) Group Audits;
  - (e) Professional skepticism; and
  - (f) Effects of technology on the audit, including data analytics.
25. In particular, the responses have indicated a strong support for completing ISA 540 as planned, i.e., to continue to place an emphasis on completing this project in a timely manner for the upcoming changes in the accounting standards, IFRS 9.<sup>25</sup>
26. Although respondents did not rate the revision of ISA 315 (Revised) ahead of other priority projects (namely projects on quality control and group audits), the Steering Committee recognizes the importance of prioritizing ISA 315 (Revised) due to the interdependency of the concepts in this standard to other standards, in particular ISA 540 (which is on an accelerated timeline), ISA 220<sup>26</sup> and ISA 600.<sup>27</sup> Accordingly, the Steering Committee proposes that the Board continue to prioritize this topic.
27. Respondents supported the continuation of projects on quality control and group audits. The standard-setting objectives and description of the crossover issues between these projects have

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<sup>23</sup> *National Auditing Standard Setters: NZAuASB; Member Bodies and Other Professional Organizations: ACCA, FEE, SMPC*

<sup>24</sup> In this regard, the response from the International Federation of Accountants (IFAC) SMP Committee made reference to the 2015 IFAC Global SMP Survey, which received 6,725 responses from 169 countries, and found that revenue from both accounting, compilation and other non-assurance / related services and advisory and consultancy services increased more than audit and assurance and that this trend is expected to continue.

<sup>25</sup> In early 2016, the IAASB agreed to accelerate this project, recognizing the importance of addressing the issues identified relating to ISA 540, but also the importance of being responsive to concerns in relation to the audits of financial institutions and other entities applying IFRS 9.

<sup>26</sup> ISA 220, *Quality Control for an Audit of Financial Statements*

<sup>27</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

been set out in the project proposals on quality control and group audits in **Agenda Item 9-A** for the December 2016 IAASB meeting.

28. With regard to professional skepticism, the IAASB discussed the responses to the December 2015 ITC<sup>28</sup> and possible actions for a way forward at the September 2016 IAASB meeting. The IAASB was supportive of further consideration of aspects of this topic in a new proposed project on Audit Evidence (see paragraph 51(b) in the section on new projects for 2017–2018 below). The Board also agreed that the Professional Skepticism Working Group would continue to work with the other IAASB Task Forces and Working Groups, as appropriate, to consider how to strengthen requirements and guidance in key standards currently under revision to emphasize the importance of the application of professional scepticism, and set forth expectations about how professional skepticism is expected to be applied (e.g., accounting estimates in ISA 540, risk assessment in ISA 315 (Revised), quality control (at the firm level) in ISQC 1,<sup>29</sup> quality control (at the engagement level) in ISA 220, and group audits in ISA 600).
29. At its September 2016 meeting, the Board was also supportive of further consideration of data analytics in a new project on Audit Evidence (see paragraph 51(b)).<sup>30</sup> Further consideration of data analytics as part of the proposed Audit Evidence project would be in addition to the Board's agreement at its June 2016 meeting that the Data Analytics Working Group would continue to work with the other Task Forces and Working Groups, as appropriate, to contribute to their further progress. This includes identifying areas for consideration in key standards currently under revision for reference to, or inclusion of, language related to data analytics (e.g., accounting estimates in ISA 540, risk assessment in ISA 315 (Revised), quality control (at the firm level) in ISQC 1, quality control (at the engagement level) in ISA 220, group audits in ISA 600 and professional skepticism). Responses to the IAASB's Request for Input, [Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics](#),<sup>31</sup> will also provide the IAASB with further inform the IAASB on how to progress with the data analytics project more broadly.
30. The IAASB has also commenced initial efforts on AUP's. These efforts have culminated in the need for further consultation, with a Discussion Paper on various matters related to AUP engagements and multi-scope engagements being explored. This discussion paper will be published at the end of November 2016. The responses to the discussion paper will need to be considered, and further information on moving forward with a project on this topic can be found in paragraph 51(a) below.
31. In addition to the priority projects described above, in the 2015–2016 Work Plan period the IAASB continued to explore developments in integrated reporting and other emerging developments in external reporting. The IAASB is currently consulting on this topic through a discussion paper, [Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements](#).<sup>32</sup> Moving forward on this topic is explained further in paragraphs 47–49.

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<sup>28</sup> Invitation to Comment, *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*

<sup>29</sup> ISQC 1, *Quality Control for Firms That Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*

<sup>30</sup> This was discussed in the context of the interconnectivity of all the projects when discussing the way forward on the Invitation to Comment topics.

<sup>31</sup> The Request for Input is out for comment until February 15, 2017

<sup>32</sup> The Discussion Paper is out for comment until February 3, 2017

**Matter for IAASB Consideration**

2. Do IAASB members agree with the continuing prioritization of the projects set out in paragraph 24 above?

*New Projects in the 2017–2018 Work Plan*

32. As previously noted, the IAASB's priority projects will take up a large portion of both Board and Staff capacity in the 2017–2018 period. However, as larger projects are completed (e.g., ISA 540) it allows other projects and initiatives to progress more substantially.<sup>33</sup> To understand stakeholder views on the Board's next priorities, the Survey Consultation provided respondents with a list of various other topics that could commence 2017–2018 period. The list of these topics has been developed from consultation on the 2015–2016 Work Plan, in discussions and comment letter responses on other projects, or other consultations, albeit with varying views about the need to further explore these topics and whether standard-setting or other actions are necessary. The other projects that the respondents were asked to specifically consider and comment on, were:

- Materiality and evaluating misstatements (ISA 320<sup>34</sup> and ISA 450).<sup>35</sup>
- Going concern, including further actions related to auditor reporting.
- Potential revision of the IAASB's standard dealing with the use of the work of an auditor's expert (ISA 620).<sup>36</sup>
- Exploring issues related to audit evidence, and potential revision of the IAASB's standard dealing with audit evidence (ISA 500).<sup>37</sup>
- Analytical procedures and audit sampling.
- Potential revision of the IAASB's standard addressing the auditor's responses to assessed risks (ISA 330).<sup>38</sup>
- Potential revisions to the IAASB's standard dealing with the auditor's responsibilities relating to fraud in the audit of financial statements (ISA 240).<sup>39</sup>
- Further revision to the IAASB's standard dealing with the auditor's consideration of laws and regulations in an audit of financial statements (ISA 250).<sup>40</sup>

<sup>33</sup> Subject to available Staff (or other as appropriate) resources, a working group may be set up to commence initial activities on a new project in advance of the project coming onto an IAASB meeting agenda.

<sup>34</sup> ISA 320, *Materiality in Planning and Performing an Audit*

<sup>35</sup> ISA 450, *Evaluation of Misstatements Identified during the Audit*

<sup>36</sup> ISA 620, *Using the Work of an Auditor's Expert*

<sup>37</sup> ISA 500, *Audit Evidence*

<sup>38</sup> ISA 330, *The Auditor's Response to Assessed Risks*

<sup>39</sup> ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

<sup>40</sup> ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

- Developing a process for post-implementation reviews of other standards, including the IAASB's standards on compilations (ISRS 4410 (Revised)<sup>41</sup> and reviews (ISRE 2400 (Revised)<sup>42</sup>).
- Potential revision of the IAASB's standard addressing external confirmations (ISA 505).<sup>43</sup>
- Potential further revision of the IAASB's standard dealing with using the work of internal auditors (ISA 610 (Revised 2013)<sup>44</sup>).
- Potential revision of the IAASB's standard addressing the examination of prospective financial information (ISAE 3400).<sup>45</sup>
- Potential revision of the IAASB's standard dealing with the review of interim financial information performed by the independent auditor of the entity (ISRE 2410).<sup>46</sup>
- Auditor involvement with earnings releases /preliminary announcements.
- Exploring matters related to direct engagements (i.e., where the practitioner prepares the subject matter information in an assurance engagement).
- Exploring matters relating to joint audits (i.e., where two or more auditors share responsibility for the audit and the auditor's report).
- Overarching considerations relevant to the *International Framework for Assurance Engagements*.
- Other – as identified by respondent.

#### Summary of Consultation Survey Responses

33. Respondents were asked to indicate the relative importance of the topics listed in paragraph 32 by indicating whether the topic was Not Important, Moderately Important or Very Important. With the support of statistical analysis of the responses by the Academic Consultant and performance of further qualitative analysis by IAASB Staff, the topics that were ranked as having higher priority over the others from the list in paragraph 32 above were:
- (a) Materiality and evaluating misstatements (ISA 320 and ISA 450).
  - (b) Going concern, including further actions related to auditor reporting.
  - (c) Exploring issues related to audit evidence, and potential revision of the IAASB's standard dealing with audit evidence (ISA 500) (which will include consideration of data analytics, ISA 520<sup>47</sup> and ISA 530).<sup>48</sup>

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<sup>41</sup> ISRS 4410 (Revised), *Compilation Engagements*

<sup>42</sup> International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

<sup>43</sup> ISA 505, *External Confirmations*

<sup>44</sup> ISA 610 (Revised 2013), *Using the Work of Internal Auditors*

<sup>45</sup> International Standards on Assurance Engagements (ISAE) 3400, *The Examination of Prospective Financial Information*

<sup>46</sup> ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

<sup>47</sup> ISA 520, *Analytical Procedures*

<sup>48</sup> ISA 530, *Audit Sampling*

- (d) Potential revision of the IAASB's standard addressing the auditor's responses to assessed risks (ISA 330).
34. Sixteen<sup>49</sup> respondents expressed the view that while they had indicated relative importance for these projects, none of the projects listed in paragraph 32 above should be considered to be higher priority than the IAASB's current priority projects, and that the IAASB's current priority projects should continue to receive the Board's focus until completed. It was noted by respondents that it would be anticipated that some of the Board's current priority projects would be completed prior to the end of the 2017–2018 Work Plan period, and therefore that the projects from the list in paragraph 33 should be considered for addition to the 2017–2018 Work Plan.
35. Respondents variously provided views supporting and further clarifying the relative importance of the projects in paragraph 33. These views are summarized below.

#### Materiality and evaluating misstatements (ISA 320 and ISA 450)

36. Forty seven respondents (25 organizations and 22 individuals) responded that the IAASB considering a project related to materiality and evaluating misstatements is very important, while forty respondents (27 organizations (including three<sup>50</sup> MG members) and 13 individuals) noted it is moderately important. Several<sup>51</sup> respondents suggested that the IAASB should delay significant focus on materiality until the International Accounting Standards Board (IASB) had concluded its project on this topic. It was suggested that the IAASB consider greater collaboration with the IASB as the IASB makes progress on its project on materiality. There were some<sup>52</sup> respondents that made specific reference to the fact that a project addressing materiality and evaluating misstatements should also include consideration related to such evaluations of misstatements related to financial statement disclosures, while others<sup>53</sup> commented that materiality related to other non-financial information should also be considered.

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<sup>49</sup> *Regulators and Audit Oversight Bodies:* BCBS, IAIS, IFIAR; *National Auditing Standard Setters:* CAASB; *Accounting Firms:* CHI, DTT, EYG, GTI, PwC; *Member Bodies and Other Professional Organizations:* AICPA, CAANZ, ICAEW, SMPC, MICPA, NBA; *Individuals and Others:* I-RB

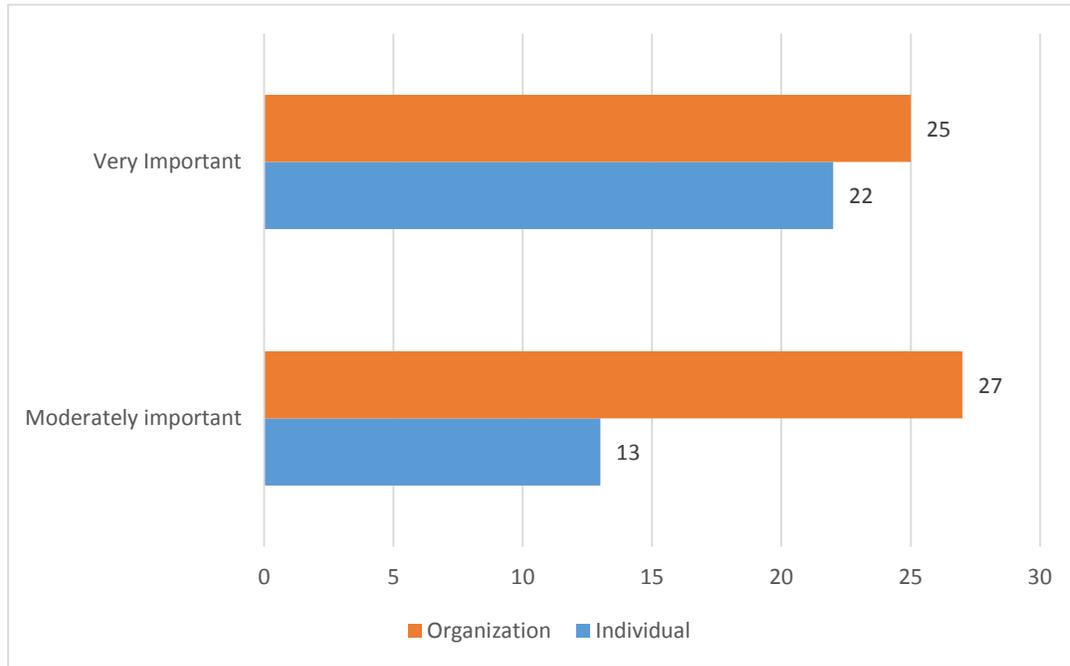
<sup>50</sup> *Regulators and Audit Oversight Bodies:* BCBS, IAIS, IFIAR

<sup>51</sup> *Regulators and Audit Oversight Bodies:* BCBS; *National Auditing Standard Setters:* CAASB, NZAuASB; *Accounting Firms:* EYG, GTI, PwC; *Member Bodies and Other Professional Organizations:* ACCA, CAANZ, FAR, FEE, IDW, SMPC

<sup>52</sup> *Regulators and Audit Oversight Bodies:* BCBS, IAIS; *National Auditing Standard Setters:* FRC, *Member Bodies and Other Professional Organizations:* AICPA

<sup>53</sup> *National Auditing Standard Setters:* AUASB, NZAuASB; *Member Bodies and Other Professional Organizations:* CAANZ

Diagram 6 – Materiality and evaluating misstatements: very important and moderately important responses



37. Some<sup>54</sup> respondents noted that should the IAASB proceed with this project in the short- or medium-term that this be in the form of additional application guidance rather than additional requirements. Four<sup>55</sup> respondents commented that materiality and evaluating misstatements was Not Important.

Going concern, including further actions related to auditor reporting

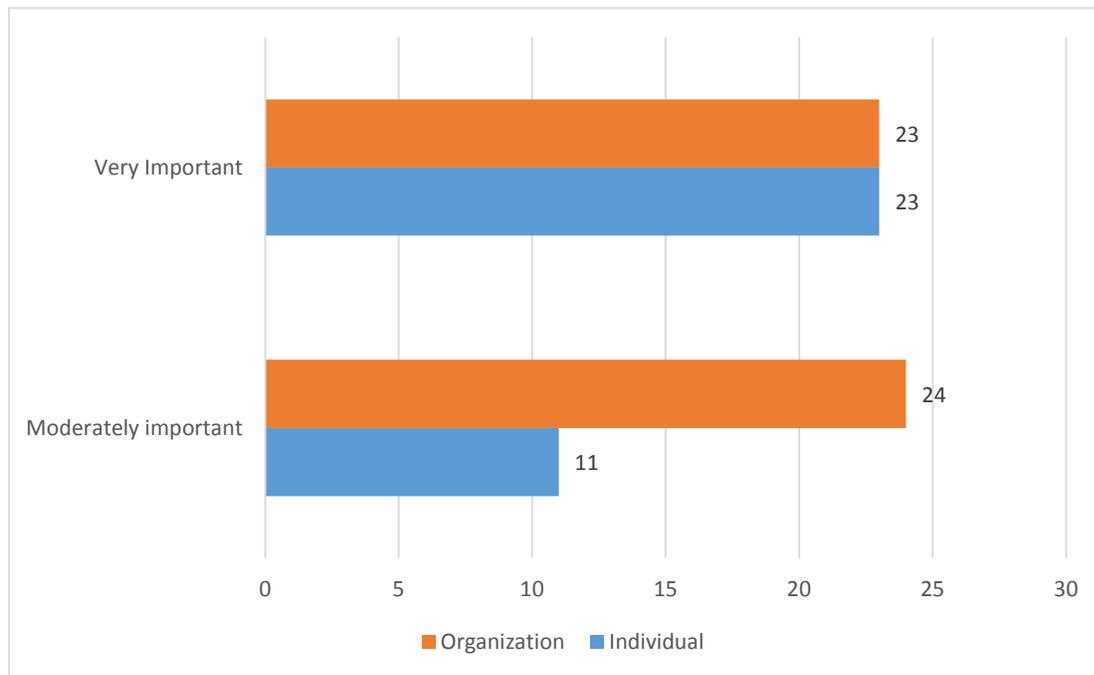
38. Forty six respondents (23 organizations and 23 individuals) responded that the IAASB considering a project related to going concern is very important, while thirty five respondents (24 organizations (including two<sup>56</sup> MG members) and 11 individuals) noted it is moderately important (with 4 respondents not specifically commenting).

<sup>54</sup> Accounting Firms: KPMG, PKF; Member Bodies and Other Professional Organizations: CAANZ, CPA Australia

<sup>55</sup> Accounting Firms: ALEI; Member Bodies and Other Professional Organizations: CNCC and CSOEC; Individuals and Others: I-AF-LNF (2)

<sup>56</sup> Regulators and Audit Oversight Bodies: BCBS, IAIS

Diagram 7 – Going concern: very important and moderately important responses



39. For those that provided comments related to the topic of going concern, those respondents variously expressed the following views:
- Analysis of whether further work is needed by the IAASB in the area of going concern be performed as part of the IAASB's post implementation review of the new and revised Auditor Reporting standards,<sup>57</sup> with one respondent noting that additional guidance for auditors in dealing with matters related to going concern is what is needed;<sup>58</sup>
  - The IAASB should not advance any work in this area until the IASB has started a project on the topic of going concern;<sup>59</sup>
  - The topic should receive greater priority, particularly due to the diversity seen in procedures performed related to going concern during a review of interim financial information;<sup>60</sup> and
  - Support for the IAASB continuing work in this area, noting requirements in local jurisdictions where more is required of the auditor than ISA 570 (Revised)<sup>61</sup> requires.<sup>62</sup>

<sup>57</sup> *National Auditing Standard Setters: AUASB; Accounting Firms: EYG, GTI; Member Bodies and Other Professional Organizations: SAICA*

<sup>58</sup> *Member Bodies and Other Professional Organizations: IRE-IBR*

<sup>59</sup> *National Auditing Standard Setters: NZAuASB; Accounting Firms: KPMG; Member Bodies and Other Professional Organizations: AICPA, FEE, ICAEW, IDW, SMPC*

<sup>60</sup> *Regulators and Audit Oversight Bodies: ISA*

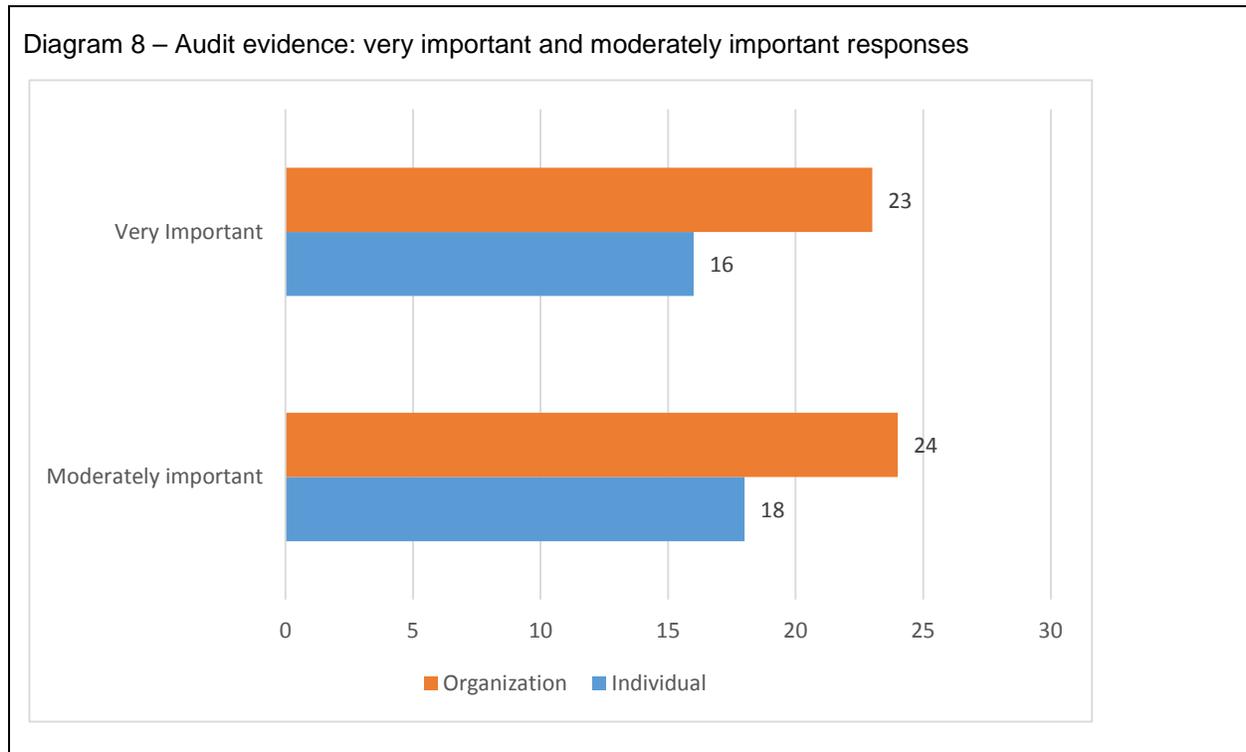
<sup>61</sup> *ISA 570, Going Concern*

<sup>62</sup> *National Auditing Standard Setters: FRC*

40. Eight<sup>63</sup> respondents stated that going concern was not important for the 2017–2018 Work Plan. Some<sup>64</sup> stated the view that other stakeholders in the financial reporting supply chain, such as the IASB, need to act in this area, rather than the IAASB, while others<sup>65</sup> expressed a view that going concern should be covered as part of any post-implementation review of the IAASB's new and revised Auditor Reporting standards.

Exploring issues related to audit evidence, and potential revision of the IAASB's standard dealing with audit evidence (ISA 500) (the 'Audit Evidence' project)

41. Thirty nine respondents (23 organizations (including one<sup>66</sup> MG member) and 16 individuals) responded that the IAASB considering a project related to audit evidence is Very Important, while forty two respondents (24 organizations (including one<sup>67</sup> MG member) and 18 individuals) noted it is Moderately Important.



<sup>63</sup> National Auditing Standard Setters: CAASB; Accounting Firms: PKFI, PwC; Public Sector Organizations: AGC; Member Bodies and Other Professional Organizations: CAANZ, JICPA; Individuals and Others: I-AF-LNF (2)

<sup>64</sup> Accounting Firms: PKFI; Member Bodies and Other Professional Organizations: CAANZ

<sup>65</sup> Accounting Firms: PwC; Member Bodies and Other Professional Organizations: CAANZ

<sup>66</sup> Regulators and Audit Oversight Bodies: BCBS

<sup>67</sup> Regulators and Audit Oversight Bodies: IAIS

42. One<sup>68</sup> respondent referred to uncertainty surrounding audit evidence pertaining to information produced by the entity. A number of the other respondents<sup>69</sup> pointed to three emerging trends that will necessitate some consideration for the topic:
- The impact of the ISA 540 project on ISA 500;
  - The impact of the data analytics project on ISA 500 (in addition to the impact of the data analytics project on ISA 520 and ISA 530); and
  - The impact of the professional skepticism project on ISA 500.
43. Eight<sup>70</sup> respondents noted that a project related to exploring issues related to audit evidence was Not Important, providing no additional comments explaining the reason for their response (with an additional four<sup>71</sup> respondents not commenting specifically).

Potential revision of the IAASB's standard addressing the auditor's responses to assessed risks (ISA 330)

44. Thirty eight respondents (21 organizations (including one<sup>72</sup> MG members) and 17 individuals) responded that the IAASB considering a project related to ISA 330 is very important, while forty respondents (25 organizations and 15 individuals) noted it is moderately important. The majority of those who expressed support and who provided supporting comments were of the view that a revision of ISA 330 should be a logical progression of the current project on ISA 315 (Revised). There were eleven<sup>73</sup> respondents that had the view that a project on ISA 330 was not important (none of these respondents commented as to why they were responding as not important), with a further four<sup>74</sup> respondents not specifically commenting.

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<sup>68</sup> *Accounting Firms:* KPMG

<sup>69</sup> *National Auditing Standard Setters:* AUASB, CAASB, FRC, NZAuASB; *Accounting Firms:* BDO, EYG, GTI, KPMG, PwC; *Member Bodies and Other Professional Organizations:* AICPA, CAANZ, CNCC and CSOEC, FEE, ICAEW, ICAS, IDW; *Individuals and Others:* I-AF-SMP (2), I-RB, I-IFAC MB

<sup>70</sup> *National Auditing Standard Setters:* CAASB; *Accounting Firms:* CHI, MAZ, MC; *Member Bodies and Other Professional Organizations:* FEE, SAICA; *Individuals and Others:* I-AF-LNF (2)

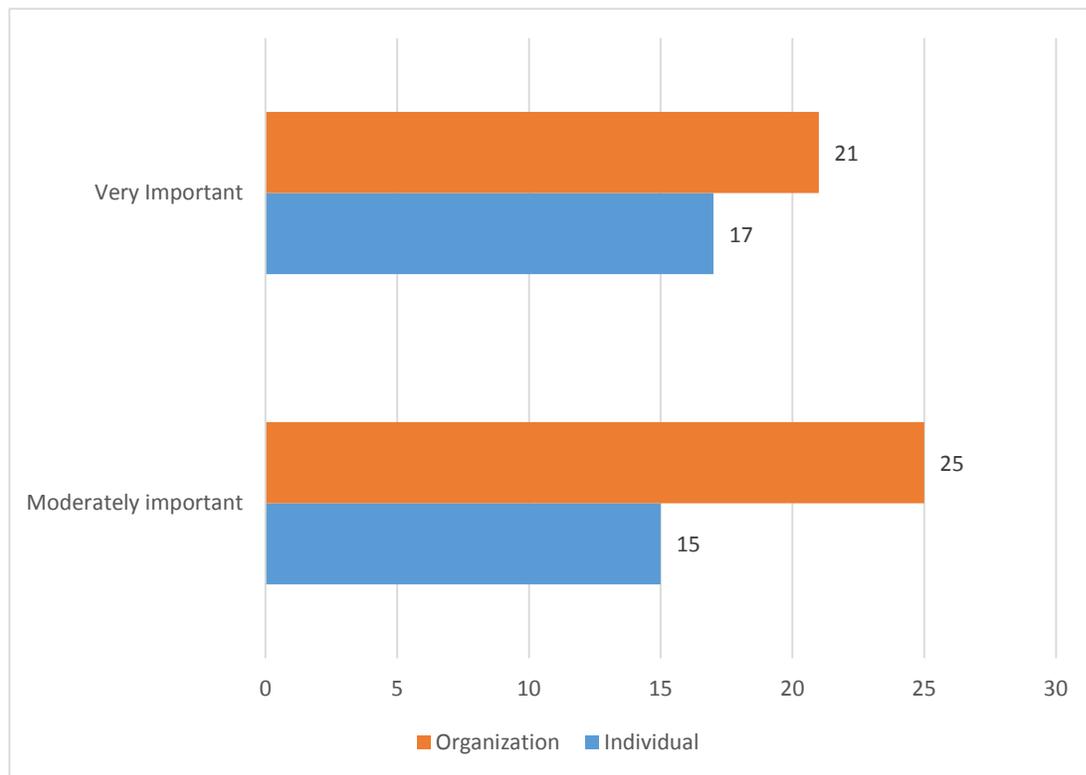
<sup>71</sup> *Regulators and Audit Oversight Bodies:* IFIAR; *Member Bodies and Other Professional Organizations:* NBA; *Individuals and Others:* I-Academia, I-AF-LNF

<sup>72</sup> *Regulators and Audit Oversight Bodies:* BCBS

<sup>73</sup> *Accounting Firms:* BTI, GTI, MAZ; *Member Bodies and Other Professional Organizations:* CPA Australia, HKICPA, ICAS; *Individuals and Others:* I-AF-LNF (2), I-AF-SMP, I-RB, I-IFAC MB

<sup>74</sup> *Regulators and Audit Oversight Bodies:* IAIS, IFIAR; *Member Bodies and Other Professional Organizations:* NBA; *Individuals and Others:* I-Academia

Diagram 9 – Responses to assessed risks: very important and moderately important responses



#### Respondent views on other projects highlighted in the survey consultation

45. Of the other topics noted in paragraph 32, that were not identified by respondents as having higher priority (i.e., not those projects noted in paragraph 33), there were some topics (namely ISA 620, analytical procedures and audit sampling) that numerous respondents considered very important and moderately important. These same topics however also received a proportionately higher number of responses that indicated that the projects were not important. In the case of analytical procedures and audit sampling, it is anticipated that the Audit Evidence project will likely address some of the concerns regarding those to topics. With respect to ISA 620, on balance the Steering Committee is of the view that this topic did not rise to the level of relative priority as those in paragraph 33.

#### Other topics that the IAASB may consider for inclusion in its work plan

46. Respondents were provided the opportunity to suggest topics not included in the IAASB's current priorities or that were not specifically listed in paragraph 32 above. Respondents variously suggested the following additional topics be considered:
- Documentation;
  - Forensic audit;
  - Auditor responsibility to financial measures inconsistent with requirements within the appropriate financial reporting framework incorporated in financial statements;
  - Principle-based standard setting;

- ISA 710;<sup>75</sup>
- Multi-scope engagements; and
- Scalability of IAASB Standards.

There were no significant trends with only a limited number of respondents making these suggestions, with some of the topics noted already being addressed by the IAASB's current projects (e.g., addressing some of the issues related to documentation in the Audit Evidence project).

#### Emerging Forms of External Reporting

47. The IAASB established a working group (the Integrated Reporting Working Group) to explore developments on assurance for integrated reporting and other forms of emerging external reporting in 2014.
48. In addition to the respondent comments noted in paragraph 22 above, additional themes arising from the views expressed regarding the EER project in the Survey Consultation included:
  - Support for the IAASB continuing to monitor emerging developments in EER, to better understand the issues arising in assurance engagements in relation to such reporting, and the likely demand for such assurance in order to determine whether there is a need for a standard-setting response and when that would be appropriate, recognizing that assurance on EER is likely a longer term project;
  - While noting that in certain jurisdictions there is significant interest in EER, and related assurance, in other jurisdictions awareness and attention on EER is far less, and the IAASB should prioritize projects that have a more immediate impact globally; and
  - There is a need for a consistent approach to assurance on EER and that this is an area where the IAASB can be seen to be a leader rather than responding to change.
49. In August 2016, this group published a Discussion Paper, *Supporting Credibility and Trust in Emerging Forms of External Reporting—Ten Key Challenges for Assurance Engagements*. The responses to this discussion paper will provide context for further action by the IAASB in this area. Once the responses to the Discussion Paper are received and analyzed, the Integrated Reporting Working Group will make recommendations for an appropriate way forward later in 2017. In considering possible actions, the working group will also consider Staff resources and Board capacity at the time, and further consideration may be given to others assisting in progressing the actions that are recommended.

#### Steering Committee Views

50. While responses to the Survey Consultation indicated higher relative importance for the four projects noted in paragraph 33 above, respondents were generally consistent in the view that none of these potential projects should replace the IAASB's current priority projects (as noted in paragraph 20 above).
51. The Appendix in **Agenda Item 4-B** sets out the quarterly timetable for the Board's priority projects, prioritizing the Board's actions in light of the discussions above and taking into account available

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<sup>75</sup> ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

Board capacity and resources. Accordingly, there is only limited capacity for commencing work on additional new projects in the 2017–2018 period. Taking into account work on topics that have already commenced (and in some cases currently being consulted on), and the views and needs of stakeholders, the Steering Committee recommends that the IAASB consider the commencement of work on 2 new projects in the 2017–2018 period as follows:

- (a) *AUP (Revision of ISRS 4400)*—this standard has been on the IAASB's work plan for a number of years and for various reasons has been postponed several times. A Working Group to explore the topic has been set up and initial discussions have taken place at several IAASB meetings. The IAASB agreed to explore the topic further through consultation, with a discussion paper setting out the various matters on AUP engagements to be issued at the end of November 2016.<sup>76</sup> Consulting on this topic drives the expectation that IAASB consideration for a project on this topic will be undertaken by the IAASB in a timely manner. SMPs and others continue to emphasize the importance of this type of engagement, and with a focus by the IAASB on the needs of SMPs (supported by respondents to the Consultation Survey see paragraphs 63–67 below), the Steering Committee has the view that once the comments from the Discussion Paper have been analyzed (and subject to support from stakeholders responding to the AUP consultation) a project on AUP's should commence. The scope of this project, for example to revise ISRS 4400, will be determined once the responses have been analyzed and the Board has considered the responses. To date work in this area has been supported by the Canadian national standard setter (NSS), and at the time that work commences this model for staffing the project for the standard-setting process could be explored, as appropriate, which depending on Staff resources at the time, may include involvement by other NSS who have relevant experience in standards for these types of engagements.
- (b) *Audit Evidence*—the scope of a project on Audit Evidence would need to be considered by the IAASB, as there may be many relevant areas in the ISAs affected by a project on this topic. As a minimum, this project would likely include data analytics (see paragraph 29), professional skepticism (see paragraph 28) and ISA 500. Further consideration may also be given to whether, and how, it should encompass the need for possible revisions to ISA 230, *Audit Documentation* (including the impact of further consideration of professional skepticism), ISA 520 and ISA 530. Initial work on scoping the project could commence once the responses from the consultation on data analytics have been received and analyzed. Therefore, later in 2017, initial activities by a working group for this project and discussions with the IAASB on the appropriate scoping of the project could help determine what would be included in a project proposal, with more significant standard-setting activities planned for 2018 (i.e., once ISA 540 has been completed and additional Board capacity becomes available).

Quarterly timing for these two new projects is also reflected in **Agenda Item 4-B**.

52. The IAASB will also continue to monitor the application of the new and revised Auditor Reporting standards in 2017 and 2018,<sup>77</sup> with a post-implementation review to be conducted commencing in

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<sup>76</sup> In November 2016 it is expected that the Discussion paper discussing matters relevant to AUP engagements and ISRS 4400 will be published with a comment deadline in March 2017.

<sup>77</sup> The new and revised Auditor Reporting Standards comprise ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; New ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*; ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*; ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other*

late 2017. The post-implementation review will be undertaken in a two-phase approach and will focus on the new and revised Auditor Reporting standards (excluding ISA 800,<sup>78</sup> ISA 805 (Revised)<sup>79</sup> and ISA 810<sup>80</sup>). In addition, ISA 720 (Revised),<sup>81</sup> will also likely be included in the scope of the post-implementation review.

53. Many respondents that expressed a view about projects on materiality and going concern noted that the IAASB should not commence projects related to these topics prior to the IASB taking action,<sup>82</sup> or further progressing current work, in these areas. The Steering Committee therefore recommends that further consideration be given to adding these projects to the work plan, as appropriate, at such time as the IASB has progressed its materiality project or started a project on going concern, and the IAASB has capacity to undertake projects on these significant topics. In addition, going concern will be considered as part of the IAASB's post-implementation review of the new and revised Auditor Reporting standards (see paragraph 52 above). In the interim, the work of the IASB will continue to be monitored by the IAASB's IASB Liaison Working Group. In particular, the IASB Liaison Working Group will continue to coordinate and liaise with IASB Staff on its materiality project.
54. Consistent with the view expressed by some respondents, the Steering Committee is of the view that toward the end of the 2017–2018 Work Plan period there may be capacity for the IAASB to start to consider additional projects that are not on the IAASB's current list of priority projects, or recommended to commence as explained in paragraph 51 above. At the appropriate time, the Board will discuss which project is the next priority, taking into consideration the projects in paragraph 33 and actions arising from the EER initiative (paragraphs 47-49 above), but also considering other topics that may necessitate priority attention at the time.
55. In 2018, consultation on the 2019/2020 Work Plan will need to be undertaken to determine projects for that period, at which time significant capacity is expected to be opened up as the current priority projects are targeted for completion in December 2018 and early 2019. In addition, activities for the IAASB's Consultation on its Strategy for 2020–2024 will commence in 2018.

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*Matter Paragraphs in the Independent Auditor's Report; ISA 570 (Revised), Going Concern; ISA 260 (Revised), Communication with Those Charged with Governance; and conforming amendments to other ISAs.*

<sup>78</sup> ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

<sup>79</sup> ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

<sup>80</sup> ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*

<sup>81</sup> ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

<sup>82</sup> The IASB's Work Plan includes a current project on [Materiality](#) as part of its Disclosure Initiative. At this time, however, the IASB does not have a project on Going Concern on its agenda. The IAASB will continue to assess the need for further consideration of going concern, in particular in light of its post-implementation review on the new and revised Auditor Reporting standards.

**Matter for IAASB Consideration**

3. The IAASB is asked whether it agrees with Steering Committee recommendations noted in paragraphs 51–54 above. If not, please indicate why.

*Timing of Priority and New Projects in 2017–2018*

56. The draft Work Plan for 2017–2018 in **Agenda Item 4-B** includes the planned forward time table for the 2017–2018 Work Plan on the basis of the matters noted above regarding the priority projects and the new projects recommended to start. Planned timing of these projects takes into account Board and Staff capacity, relative prioritization as explained above, as well as crossover issues and interdependencies between the projects.
57. Notwithstanding that the efforts to date (including the ITC consultation and related outreach) have provided the IAASB with comprehensive information upon which to base its standard-setting activities, and that the IAASB plans to be as efficient as possible, there is always the risk that issues may take longer to resolve and that additional time might be necessary to explore alternative approaches. Accordingly, it is possible that the timing on an individual project may need to be adjusted and then there will be a ripple effect through the other projects. Simply put, the analysis in **Agenda Item 4-B** does not include any “cushion.” The Board retains flexibility to accelerate or slow down projects if needed. In addition, resources to progress the projects may also be supplemented as needed from NSS, technical advisors etc.
58. The ‘quarterly timetable’ is included in the 2017–2018 Work Plan in **Agenda Item 4-B**. The quarterly timetable will also be published on the IAASB website and updated quarterly or as needed. This will provide transparency to the IAASB’s stakeholders as to the progression of the projects during the 2017–2018 Work Plan period.

**Matter for IAASB Consideration**

4. The IAASB is asked whether it agrees with the project timetable illustrating the quarterly progress of the projects for the 2017–2018 period as set out in **Agenda Item 4-B**?

*Consideration of Matters Related to IESBA Coordination and SMPs and Audits of SMEs*

59. The Survey Consultation also highlighted the enhanced focus on matters related to the IAASB’s coordination with the IESBA, and SMPs and audits of SMEs. Question 3 asked respondents to indicate the relative importance (Not Important, Moderately Important, and Very Important) of a focus on these two topics, with respondents also being provided the opportunity to share their views on each topic.

Summary of Consultation Survey Responses

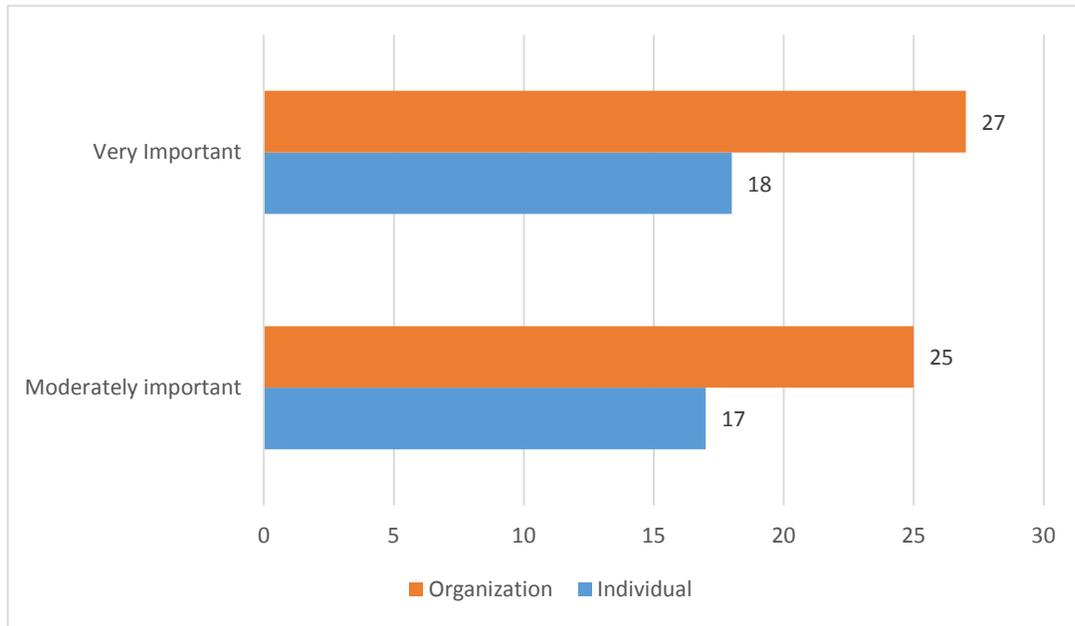
IESBA coordination

60. The majority of the respondents indicated that coordination with IESBA was Moderately Important (42 in total, 25 organizations and 17 individuals) to Very Important (45 in total, 27 organizations

(including one<sup>83</sup> MG member) and 18 individuals). These<sup>84</sup> respondents encourage proactive and ongoing coordination between the IAASB and the IESBA to ensure consistent and timely project development, commenting variously that such collaboration would likely:

- Increase efficiency of both Boards through avoiding duplication of tasks;
- Encourage consistent and coherent development of definitions and terminology, frameworks and standards; and
- Enhance the practical usability of both Boards' standards.

Diagram 10 – IESBA coordination: very important and moderately important responses



61. It was acknowledged that the overlapping of issues between the IAASB's and the IESBA's activities may be finite. However, it was noted that those aspects of projects common to both Boards should be 'effectively executed in tandem.' Further, two<sup>85</sup> respondents, including one MG member, encouraged the Board not to neglect other potential avenues of collaboration, in particular with IFAC's other Boards and Committees, IFIAR and the Committee of European Auditing Oversight Bodies (CEAOB).
62. One<sup>86</sup> respondent cautioned that collaboration with other Boards may potentially negatively impact the adoption of the IAASB's standards. This was because the standards or materials of the other Boards may not be as widely adopted as those of the IAASB, which may consequently lead to

<sup>83</sup> *Regulators and Audit Oversight Bodies: BCBS*

<sup>84</sup> Respondents that expressed the view that coordination with IESBA is Not Important (2) (neither provided comments supporting their view): *Individuals and Others: I-AF-LNF; I-AF-SP*. Respondents that did not specifically comment on the importance of coordination with IESBA (4): *Regulators and Audit Oversight Bodies: IAIS, IFIAR; Accounting Firms: HLA; Individuals and Others: I-Academia*.

<sup>85</sup> *Regulators and Audit Oversight Bodies: BCBS, IRBA*

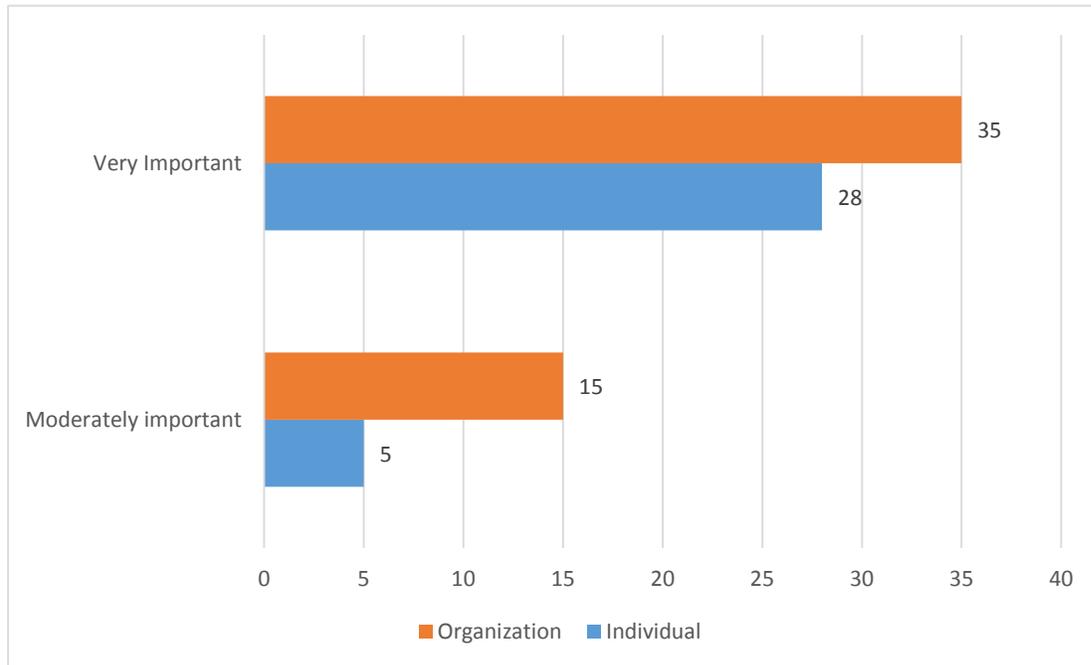
<sup>86</sup> *Member Bodies and Other Professional Organizations: FEE*

increased reluctance to adopt the IAASB's standards if for example, too much of the IESBA code is repeated in the IAASB's standards.

Consideration of matters related to SMPs and audits of SMEs

63. Respondents expressed significant support across all respondent groups and jurisdictions for consideration of matters related to SMPs and audits of SMEs. Respondents indicated that consideration of matters related to SMPs and audits of SMEs was Moderately Important (20 in total, 15 organizations (including one<sup>87</sup> MG member) and 5 individuals) to Very Important (63 in total, 35 organizations and 28 individuals). SMP respondents<sup>88</sup> (who had identified themselves as such) suggested that consideration of matters related to SMPs and audits of SMEs was Very Important. Those respondents<sup>89</sup> that were not of the view that consideration of matters related to SMPs or audits of SMEs is Very Important or Moderately Important stated that the IAASB's standards were already scalable and that the IAASB should focus its limited resources on matters related to issues that affect capital markets, with NSS and the IFAC SMP Committee best suited to provide application guidance to SMPs on the scalability of the ISAs.

Diagram 11 – SMP considerations: very important and moderately important responses



<sup>87</sup> *Regulators and Audit Oversight Bodies:* BCBS

<sup>88</sup> *Accounting Firms:* ALEI, MC; *Individuals and Others:* I-AF-SMP (8)

<sup>89</sup> Respondents that expressed the view that consideration of matters related to SMPs is Not Important (5): *Regulators and Audit Oversight Bodies:* ASIC; *Accounting Firms:* KPMG; *Individuals and Others:* I-AF-LNF (2), I-RB. Respondents that did not specifically comment on the importance of considerations of matters related to SMPs (5): *Regulators and Audit Oversight Bodies:* IAIS, IFIAR; *Accounting Firms:* HLA; *Individuals and Others:* I-Academia, I-AF-SMP.

64. One respondent<sup>90</sup> noted that the IAASB should consider more carefully what it can do better to meet the changing audit and assurance needs of smaller entities in the public interest, particularly when public interest appears to be equated only with the needs of the capital markets. Additional themes expressed by respondents who responded that consideration of matters related to SMPs is Very Important or Moderately Important included that:
- SMEs are a significant contributor to the global economy and are a large portion of the profession's clients, therefore warranting appropriate focus.
  - The current work of the IAASB has been targeted to serve the capital markets in response to the financial crisis, leading to increased cost and complexity in the practical application of the ISAs. A number<sup>91</sup> of respondents echoed the view that the ISAs are too complex, expensive and impractical to apply in practice by SMPs for audits of SMEs, resulting in increasing tension that currently exists between 'audit quality' and 'audit affordability' with respect to SMPs and audits of SMEs.
  - Scalability of the ISAs is widely supported, with one<sup>92</sup> respondent emphasizing "the benefits of principle-based standards." This respondent cautioned against increasing the number of requirements as this was a burden on practitioners, not just in the context of SMPs. In addition, it may also unnecessarily detract from audit quality, decreasing the attractiveness of the profession, and impacting the ability to attract and/or retain good talent.
  - The "considerations specific to smaller entities" sections in the ISAs are useful but do not provide the level of clarity sought. Additionally respondents encouraged the Board to consider developing implementation guidance for the ISAs.

#### Steering Committee Views

65. Responses to the Survey Consultation continue to emphasize the importance of coordination with IESBA. At the June 2016 IAASB meeting, a presentation on the way forward regarding coordination between the standard setting boards (SSB's) was discussed. The IAASB supported this initiative and encouraged senior Staff to continue to coordinate as necessary. The IAASB remains committed to continued coordination with the IESBA, and Staff continue to liaise on matters of common interest to be able to elevate crossover issues as necessary.
66. The Steering Committee has the view that a continued focus on matters related to SMPs by the IAASB in the context of both audits of SMEs and other services performed is supported by stakeholders generally. Accordingly, each ongoing project and initiative the IAASB should continue to focus on understanding the issues and implementation needs of SMPs. In particular, further consideration could be given to how relevant aspects of projects to address the needs of this stakeholder group could be made more pertinent in agenda papers.
67. Furthermore, a working conference is currently being planned for the end of January 2017 to gather views from SMPs and other interested stakeholders to further inform the IAASB about the practical

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<sup>90</sup> *Member Bodies and Other Professional Organizations: ICAEW*

<sup>91</sup> *National Auditing Standard Setters: FRC; Member Bodies and Other Professional Organizations: FAR, FEE, IDW, NBA, SMPC*

<sup>92</sup> *National Auditing Standard Setters: NZAuASB*

implications of applying the IAASB's International Standards and explore how the IAASB and others might respond to the challenges and opportunities relating to SMPs.

**Matters for IAASB Consideration**

5. The IAASB is asked whether there are any other matters relevant to coordination with IESBA or the IAASB's focus on SMPs and audits of SMEs that should be taken into account in developing the Work Plan for 2017–2018.

*Further Views that May be Relevant to the IAASB as it Seeks to Finalize its Work Plan for 2017–2018*

68. The final question of the Survey Consultation asked respondents to share any further views that may be relevant to the IAASB as it seeks to finalize its Work Plan for 2017–2018.
69. Thirty-three respondents provided views that were diverse in their nature, ranging from statements of support for the IAASB's current priorities, providing information of work of the respective organization that may be of interest to the IAASB and suggestions for other focus areas for the IAASB.
70. There was no consistent theme from the various comments provided, except for the fact that a number of respondents<sup>93</sup> commented that it was important for the IAASB to retain its focus on the current priority projects and complete these projects prior to talking on new projects. Respondents expressed concerns regarding IAASB and Staff resources and the ability to respond to additional areas that had been identified in the Survey Consultation and emphasized that the IAASB should not delay high priority projects for those that are of lower priority (see related discussion in paragraph 20 above). One<sup>94</sup> respondent noted that a rapid pace of standard setting may have unintended consequences to the quality of the standards such as: 1) limiting the ability to fully carry out the Board's outreach activities; 2) hindering the Board's ability to fully validate and understand the causes of the issues; or 3) might not allow the Board sufficient time to write the standards in a manner that could be understood and effectively and efficiently applied.
71. The Steering Committee is of the view that there is nothing further from these responses that needs to be considered specifically for the development of the Work Plan for 2017–2018.

**Work Plan for 2017–2018**

72. The draft Work Plan for 2017–2018 can be found in **Agenda Item 4-B**.

**Matter for IAASB Consideration**

6. The IAASB is asked for its Views on the draft Work Plan for 2017–2018 in **Agenda Item 4-B**.

<sup>93</sup> National Auditing Standard Setters: CAASB; Accounting Firms: DTT; Member Bodies and Other Professional Organizations: CAANZ, NBA, SMPC

<sup>94</sup> Member Bodies and Other Professional Organizations: AICPA

**List of Respondents to the Survey Consultation**  
***(Categorized as Indicated by Respondent)***

**Note:** Members of the Monitoring Group are shown in bold below.

#	Abbrev.	Respondent (93)	Region
<b>Investors and Analysts (1)</b>			
1.	CFA	CFA Institute	GLOBAL
<b>Regulators and Audit Oversight Authorities (9)</b>			
2.	ASIC	Australian Securities and Investments Commission	AP
<b>3.</b>	<b>BCBS</b>	<b>Basel Committee on Banking Supervision</b>	<b>GLOBAL</b>
4.	ISA	Israel Securities Authority	EU
<b>5.</b>	<b>IAIS</b>	<b>International Association of Insurance Supervisors</b>	<b>GLOBAL</b>
<b>6.</b>	<b>IFIAR</b>	<b>International Forum of Independent Audit Regulators</b>	<b>GLOBAL</b>
7.	IRBA	Independent Regulatory Board for Auditors (South Africa)	MEA
8.	OSC	Ontario Securities Commission	NA
9.	SEC TH	Securities and Exchange Commission – Thailand	AP
10.	SCB CVM	Securities Commission of Brazil (CVM)	SA
<b>National Auditing Standard Setters (4)</b>			
11.	AUASB	Australian Auditing and Assurance Standards Board	AP
12.	CAASB	Canadian Auditing and Assurance Standards Board	NA
13.	FRC	Financial Reporting Council	UK
14.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
<b>Accounting Firms (16)</b>			
15.	ALEI	Aitken Lambert Elsworth Inc.	A
16.	BDO	BDO International Limited	GLOBAL
17.	BTI	Baker Tilly International	GLOBAL
18.	CHI	Crowe Horwath International	GLOBAL
19.	DTT	Deloitte Touche Tohmatsu Limited	GLOBAL
20.	EYG	Ernst & Young Global Limited	GLOBAL
21.	GTI	Grant Thornton International Ltd	GLOBAL
22.	HLA	Harold Levin & Associates	A
23.	KPMG	KPMG IFRG Limited (Network)	GLOBAL
24.	LMCA	Leon Margolis Chartered Accountant	A
25.	MC	Marais Crowther	A

#	Abbrev.	Respondent (93)	Region
26.	PWC	PricewaterhouseCoopers International Limited	GLOBAL
27.	PKF	PKF International	GLOBAL
28.	MAZ	Mazars	GLOBAL
29.	SFA	Santa Fe Associates	GLOBAL
30.	SMS	SMS Latino America	SA
<b>Public Sector Organizations (1)</b>			
31.	AGC	Auditor General Canada	NA
<b>Member Bodies and Other Professional Organizations (23)</b>			
32.	ACCA	Association of Chartered Certified Accountants	GLOBAL
33.	AICPA	The American Institute of Certified Public Accountants	NA
34.	CAANZ	Chartered Accountants Australia and New Zealand	AP
35.	CNCC and CSOEC	Compagnie Nationale des Commissaires aux Comptes and the Conseil Supérieur de l'Ordre des Experts-Comptables	EU
36.	CPAA	CPA Australia	AP
37.	EFAA	European Federation of Accountants and Auditors for SMEs	EU
38.	FAR	FAR	EU
39.	FEE	Fédération des Experts comptables Européens - Federation of European Accountants	EU
40.	HKICPA	Hong Kong Institute of Certified Public Accountants	AP
41.	IDW	Institut der Wirtschaftspruefer	EU
42.	IRE-IBR	Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren	EU
43.	ICAEW	Institute of Chartered Accountants in England and Wales	EU
44.	ICAS	Institute of Chartered Accountants of Scotland	EU
45.	ICPAU	Institute of Certified Public Accountants of Uganda	MEA
46.	ISCA	Institute of Singapore Chartered Accountants	AP
47.	JICPA	Japanese Institute of Certified Public Accountants	AP
48.	MICPA	The Malaysian Institute of Certified Public Accountants	AP
49.	NBA	Nederlandse Beroepsorganisatie van Accountants (Royal NBA)	EU
50.	SAICA	South African Institute of Chartered Accountants	MEA
51.	SAIPA	South African Institute of Professional Accountants	SA
52.	SMPC	IFAC Small and Medium Practices Committee	GLOBAL
53.	VACPA	Vietnam Association of Certified Public Accountants	AP
54.	WPK	The Wirtschaftsprüferkammer	EU

#	Abbrev.	Respondent (93)	Region
<b>Individuals and Others (39)</b>			
55.	CDI	Confederation of Danish Industry	EU
56-58.	I-Academia	Individual – Academia (3)	Various
59-61.	I-AF-B4	Individual – Accounting Firm: big 4 or other international (3)	Various
62-66.	I-AF-LN	Individual – Accounting Firm: large national firm (5)	Various
67-75.	I-AF-SMP	Individual – SMP (9)	Various
76-77.	I-AF-SP	Individual – Sole practitioner (2)	Various
78-84.	I-RB	Individual – Regulator or oversight body (7)	Various
85-87.	I-IFAC MB	Individual – IFAC member body or other professional organizations (3)	Various
88.	I-P	Individual – Preparer (1)	NA
89-93.	I-O	Individual – Other (5)	Various