

Strategy and Work Plan 2024–2027 Question 2

Do you agree with Our Proposed Strategic Drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal (see pages 7–9)?

2.6 Analysis by themes

2.6.1 Increased and More Diverse Demand for Our Standards

2. Investors and Analysts

Eumedion

“Our Proposed Strategic Drivers

... In addition, the broader focus on the role of non-financial information in capital and resource allocation decisions could prompt the need for assurance engagements on various and diverse topics.”

Eumedion response

We agree with the proposed strategic drivers. The reality is that the broader focus on non-financial information is already prompting the need for assurance engagement on various and diverse topics and may require new or revised standards.

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Increased and More Diverse Demand for Our Standards

We agree with your discussion on this topic.

4. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board (AASB)

We generally agree with the proposed strategic drivers.

On the environmental factor relating to supporting the implementation of standards, we believe that developing implementation guidance should be a priority area for the IAASB. Effective implementation and application of standards helps to improve the consistency and quality of audits. As indicated in our overall comments, the IAASB may wish to consider working with IFAC and the National Standard Setters to establish a process to identify potential implementation challenges and develop guidance at earlier stages of a project.

On the environmental factor relating to the impact of technology, we agree that the use of technology by practitioners and the impact of disruptive technologies on engagements is a key environmental factor that drives the opportunities and challenges impacting the IAASB’s ability to achieve its goals. Accordingly, we emphasize the importance for the IAASB to develop a strategy around technology.

CNCC-CNOEC - France

However, we find that technology is not sufficiently taken into consideration in the IAASB strategy and work plan.

The impact of technology is twofold.

The first aspect is the use of technology in the audit itself.

How can all range of new technologies (data analytics, algorithms and machine learning, process mining, AI, predictive analytics, robotic process automation, data extraction, blockchain, etc.) provide audit evidence and how does it fit with the traditional concepts embedded in the auditing standards, such as, analytical procedures, test of controls, test of details, substantive testing, sampling, etc.

This is needed for the auditor to be able to demonstrate not only that he/she has obtained sufficient appropriate audit evidence to support the audit opinion but also that he/she has complied with the standards even though he/she used new technologies to conduct its audit.

The second aspect is related to the digitalization of the financial statements and more widely of corporate reporting (including sustainability reporting).

To illustrate this second aspect, we can take the example of the EU ESEF regulation which requires the Financial Statements of listed entities to be tagged using XBRL. In the same vein the CSRD also requires the sustainability information to be tagged using XBRL.

Sooner or later, this will mean that the Board of Directors which approves the financial statements, and the sustainability information will also have to approve their tagging. This means that the “original” of the financial statements and the sustainability information will be an electronic file. The question then becomes how to integrate throughout the entire audit the digital dimension of the financial statements. The next question that flows from it, is how the auditor is going to sign and attach the auditor’s report to the financial statements if they are both digital files. Will the auditor’s report have to be signed electronically and attached to the financial statements with an unbreakable electronic link?

We understand that the IAASB is facing a significant challenge in adapting to the changes brought in by digitalization of corporate reporting, which has altered the nature of financial statements and annual reports, but a delay in addressing these changes would result in a growing gap between expectations and public interest, as users want to have digital financial statements that are as reliable as their traditional paper version.

For these reasons, we believe that technology should be higher on the agenda of the IAASB and that the IAASB should launch a research project on the wider implication of the digitalization of the corporate reporting on audit and assurance.

Regarding the point « Supporting the implementation of our standards”, we would like to emphasise the importance of guidance to ensure that standards are implemented and used correctly. In particular, we believe that implementation guidance will be key in the success of the implementation of the ISA for LCE, after adoption.

We agree with the Proposed Strategic Drivers.

Regarding the point related to the “Impact of technology”, we think that it would be useful to mention that the technology also impacts the preparation of financial statements -see our comment in the cover letter.

We also believe that the IAASB should continue to stay in close contact with the National Standard Setters (NSS) because the NSS are directly connected with the practice, on the field. We also believe that the EER Guidance should be harmonised with the ISSA 5000 and updated regularly to remain in line with evolving practice; on this last point the National Standard Setters (in France notably) are particularly well placed to provide this update as they are by definition closer to the practitioners.

Hong Kong Institute of Certified Public Accountants (HKICPA)

The IAASB also considers supporting the implementation of its standards as another strategic driver. In this connection, we found the first-time implementation support materials recently developed by the IAASB are of significant value and assistance to stakeholders. We therefore encourage the IAASB to continue its effort on implementation support which would be extremely important to ensure effective and consistent application of new standards, while balancing its time and resources on other standard-setting activities.

We also consider the IAASB has appropriately identified the strategic drivers (pages 7–9) based on relevant trends and developments which provide a reasonable basis for the IAASB to shape its proposed strategy and work plan. For example, one of the proposed strategic drivers acknowledges the heightened supervisory scrutiny which is the case in Hong Kong as well as around the globe.

Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

We largely agree with the description of the Proposed Strategic Drivers but have identified the following matters with which we take issue.

With respect to the issue of “Heightened supervisory scrutiny” under “Increased and More Diverse Demand for Our Standards”, we note that the assertion is made that regulators and oversight bodies are asking for more specificity of requirements in standards for increased enforceability to help drive improved performance and to keep pace with increasing complexity of the business environment, and financial and other external reporting frameworks.

In line with our comment letter to the previous IAASB Proposed Strategy for 2020 – 2023 and Work Plan for 2020 – 2021, we continue to believe that the IAASB will also need to develop a mechanism to address the continued pressure from regulators, audit oversight authorities, and other stakeholders towards rules-based standards to facilitate formal enforcement or address methodology issues, since we believe such rules-based standards are not necessarily conducive to high-quality audits or assurance engagements. Ultimately, rules-based standards provide greater opportunity for circumvention and for formal, rather than substantive, compliance and will not lead to standards that foster confidence in the long run. Furthermore, complex rules-based standards are becoming increasingly difficult to understand for firms without a large technical department, which endangers global application and the credibility of the IAASB. Rules-based standards are also less robust over time because they are more susceptible to disruption through changing circumstances. In particular, standards should not become so granular such that they slide down the slippery slope into dealing with methodology questions.

We also note that the issue of “Diverse demands across the spectrum of stakeholders reflecting the breadth of the global economy” addresses the fact that stakeholders are asking for new or enhanced standards with more granular requirements and application material.

We are concerned with the view that increasing complexity is a driver for more complex standards. We believe that increases in complexity ought to be a driver for more principles-based standards that stand the test of time, rather than seeking to address every eventuality in standards where such eventualities may change rapidly over time.

New Zealand Auditing and Assurance Standards Board (NZAuASB)

We urge the IAASB not to underestimate the value of implementation support to achieve consistent application of the standards. We consider implementation support to be an important element of standard setting and an integral part of the standard’s development. As such, the need for implementation support

should be built into the project plan. Providing implementation support that provides for clear and consistent application of the standards will go a long way to allaying regulator concerns around the specificity of requirements. We consider that the IAASB is best placed to develop this implementation guidance, but as a national standard setter welcome the opportunity to collaborate more closely.

Regulators and oversight bodies are increasingly asking for more specificity of requirements in standards for increased enforceability to help drive improved performance. We challenge the premise that more specificity in auditing standard requirements will improve audit quality.

Public Accountants and Auditors Board (PAAB) Zimbabwe

Consultations with Zimbabwean practitioners have indicated that regulation is required which need to be proportionate, fair and exercisable to maintain the quality and enforceability of standard thus underscoring the vitality of regulators and oversight bodies.

On disruptive transformation, stakeholders highlighted that each disruptive transformation needs to be examined on its own merits and that standard setters have to be proactive in their approach to dealing with such matters.

We agree with the proposed strategic drivers.

We are of the view that regulators and oversight bodies are key players in the external reporting ecosystem and that disruptive technologies are potentially transforming these engagements and may require new or revised standards.

We also realise the need for assurance and a growing, urgent call to develop international standards on sustainability assurance.

Royal Netherlands Institute of Chartered Accountants (NBA)

The NBA agrees with the Strategic Drivers as identified. With respect to Implementation Support, the NBA would observe that the more standards are understandable and practicable, the less need there will be for developing Implementation Support materials at global level.

5. Accounting Firms

Baker Tilly International

Baker Tilly response:

Feedback from around our network is that the conflict in Ukraine and the covid pandemic continue to drive change in how assurance practices and the entities they audit work and interact with others. This in turn continues to drive change in assurance practice.

BDO International Limited

Overall, we agree with the Proposed Strategic Drivers as the key environmental factors driving opportunities and challenges. The mix of 'Increased and More Diverse Demand for Our Standards', 'Confronting 'headwinds' to global adoption of standards' and 'Changing Demands to Our Ways of Working', together with their constituent sub-categories, appear to reflect the factors that have the potential to impact the IAASB's ability to achieve their Proposed Goal.

We are particularly supportive of the Proposed Strategic Drivers in respect of the 'Impact of technology',

‘Sustainability reporting and other evolving areas for assurance engagements’ and information gathering to drive greater global consistency by considering the ‘Impact of and reasons for jurisdictions developing their own audit and assurance standards’.

Deloitte LLP

Yes, we agree with the strategic drivers. We recognize that “heightened supervisory scrutiny” is a relevant strategic driver, with “regulators and oversight bodies . . . increasingly asking for more specificity of requirements in standards for increased enforceability.” However, we encourage the IAASB to balance the needs of all stakeholders without giving preference to any particular one, and, as noted above, continue its focus on developing clear, principles-based standards that are well understood and enable consistent application.

We believe the top priority for the Board should be to focus on completing its current projects and to provide the capacity for staff to develop implementation material and provide support for postimplementation review efforts.

Ernst & Young Global Limited

Overall, we agree that the Proposed Strategic Drivers are appropriate and are consistent with the environmental factors affecting the IAASB standards. We have the following suggestions to enhance clarity:

Regarding the Proposed Strategic Driver, Diverse demands across the spectrum of stakeholders reflecting the breadth of the global economy, we are unclear as to the meaning of the explanation for this strategic driver. The first point is stating that stakeholders are calling for more concise ‘proportionality solutions’. To contrast with this first point, we believe it may be clearer to state in the second point that stakeholders are asking for an expansion of certain standards and more prescription, which would potentially add complexity to the existing standards if that is the intended meaning.

Regarding the Proposed Strategic Driver, Supporting the implementation of our standards, we would suggest clarifying this point to explain that it may be appropriate to rely on local standard-setters or member bodies to fulfill the first-time implementation support activities instead of the IAASB. We believe the Strategy and Work Plan could be interpreted to be implying that implementation materials should not be prioritized. Therefore, we believe the Proposed Strategic Driver should be focused on who should be developing the needed implementation materials.

Grand Thornton International Limited

Diverse demands across a spectrum of stakeholders reflecting the breadth of the global economy – the Proposed Strategy and Work Plan are focused on the opposite ends of the spectrum of the needs of stakeholders, that is the need for a standard that can be applied to less complex entities and for standards that address the needs of regulators in relation to listed or public interest entities. As previously noted, this leaves a large portion of the market that is not directly being considered, the mid-sized entities. As a standard will soon be available to address the needs of the less complex entities, in considering the way forward for the mid-sized entities and listed or public interest entities, we recommend that future amendments to standards, or new standards, be written in a manner such that they can be scaled to entities of all sizes; from the less complex through the mid-sized entities to listed or public interest entities.

We broadly agree with the strategic drivers as presented in the Proposed Strategy and Work Plan. However, we question whether the environmental factors underpinning those strategic drivers are fully

representative of the full range of environmental factors. As we have elaborated further, we are of the view that the ISAs may not effectively address the needs of the mid-sized market.

We have the following more detailed comments on the Proposed Strategic Drivers:

Increased and more diverse demands for our standards.

Heightened supervisory scrutiny – An appropriate balance needs to be found between the specificity of requirements and the maintenance of principles-based standards. To achieve quality, the auditing standards need to be understood and to be capable of consistent implementation. Accordingly, we would recommend that consideration is given by the IAASB as to how a standard may be put into operation before that standard is approved for issuance, thereby creating a common view of what a specific standard requires before it is approved. This will be critical as the IAASB Board evolves in accordance with the Monitoring Group reforms. We therefore recommend that this is explicitly incorporated into the Proposed Strategy and Work Plan thereby creating alignment with the Public Interest Framework.

Mazars

We agree with the Proposed Strategic Drivers.

More priority should be given to “Supporting the implementation of our standards”. As a matter of fact, we believe that priority should be given to specific detailed guidance on the findings of the regulator. Addressing the findings require sometimes to revise the standard either fully or through narrow scope but also sometimes the standard does not require to be changed. Instead, practitioners need more guidance and examples to implement the standard effectively.

MNP LLC

We agree with the Proposed Strategic Drivers. One of the proposed strategic drivers, Increased and More Diverse Demand for the Standards, includes a number of challenges faced by auditors. In addition to the factors listed, we would like to propose including the impact of global and virtual team members in an engagement. Engagement team members are no longer sitting in one office and supervised in-person by the engagement manager and partner. Firms are now expanding their network internationally and certain services or tasks are performed by service providers from outside the entity. We believe that this impacts how the requirements are performed in an ever more global and virtual environment.

PriceWaterhouseCoopers

Impact of technology

It is clear that technological tools are continuing to change and enhance how audits are conducted and how information/evidence is obtained and validated. At the same time, technological advancements have changed, and are changing, the way organisations operate, which in turn further affects the way the auditor needs to think about how to audit the business and think about the risks of material misstatement in that new operating environment. Increasingly, businesses are operating in a digital environment, with information only available in electronic form. To ensure that the ISAs, and audit, remain relevant, we believe the IAASB needs to be thinking about how audit evidence is viewed in that construct in a more holistic manner. Technological advancements have the potential to be harnessed to enhance audit quality, but they might also be a disruptor, fundamentally changing the whole audit proposition.

The advent of automated tools and techniques, including artificial intelligence (“AI”), can significantly change

how an audit is performed. It can both supplement the auditor's understanding of risk as well as generate audit evidence. Stakeholders likely have heightened expectations about how the auditor's approach should evolve in a technology-enabled world, including in circumstances where auditors may have the ability to analyse full transaction populations. Unless standards recognise the ability of technology, and AI in particular, to perform activities previously reserved for human auditors, we believe the ability to respond to profound changes in the quantity of data generated by companies and the changing expectations of stakeholders will be restricted.

A further result of the increased use of technology is that source information is increasingly stored and made available electronically i.e., no physical version of the information is retained. We believe that the IAASB needs to consider how the relevance and reliability of information that is obtained electronically to support risk assessments and provide substantive evidence can be evaluated. In considering how the integrity of information can be established, the implications of new technologies such as those based on Blockchain (which create immutable distributed ledgers) are clearly relevant.

The IAASB's possible new standard-setting project (Technology targeted or omnibus project(s)) should explore these significant questions to determine whether consensus with the IAASB's stakeholders can be reached in order to address some of the more pervasive modernization and technology challenges.

As the Board tackles these issues, the challenge will be to strike a balance between modernising the ISAs to be fit for purpose, acknowledging and giving appropriate recognition to how technological auditing techniques can support obtaining audit evidence, and avoiding requirements that inadvertently inhibit innovation - particularly if the audit is to retain its relevance to stakeholders.

We highlight two specific drivers that we see as being critical to the success of the Board's forward strategy:

Sustainability reporting and other evolving areas for assurance engagements

We fully support the priority given to developing standards for assurance on sustainability information in the proposed Strategy and Work Plan. This is responsive to the significant growing public interest in high-quality external sustainability reporting as a key component of corporate reporting. The Board should maintain its momentum and build upon the foundation set in developing proposed ISSA 5000, which is intended to address general requirements for sustainability assurance engagements.

As the globally recognised international audit and assurance standard setter, the IAASB is uniquely positioned to lead the development of globally accepted assurance standards and related guidance in response to rapidly evolving corporate sustainability reporting standards and demand for assurance thereon. This area of work will, and should, form a significant proportion of the Board's activities over the forthcoming and subsequent work plan periods. In light of available resources, external stakeholder deadlines, jurisdictional requirements, and potentially conflicting demands from stakeholders, the Board will need to carefully consider what actions are necessary and determine priorities so that the IAASB's sustainability assurance standards are able to gain broad recognition as the basis for high-quality assurance services over reported sustainability information. That may mean making some difficult choices among competing demands for the IAASB's staff and Board resources.

RSM International Limited

We appreciate the proposal to develop non-authoritative guidance as first-time implementation support, but we are concerned that regulators will quickly treat this non-authoritative guidance as requirements against which engagements are then assessed. We would rather see more effort deployed into ensuring that new and revised standards are sufficiently clear such that limited additional guidance is required.

Yes, we agree with the Proposed Strategic Drivers and welcome the specific consideration of the impact of technology.

6. Public Sector Organizations

Office of the Auditor General of Alberta

We agree with the factors. The sustainability factor notes “the broader focus on the role of non-financial information in capital and resource allocation decisions could prompt the need for assurance engagements on various and diverse topics.” We note it may help IAASB’s development of sustainability standards for IAASB to state and operate as if assurance on sustainability reporting, especially double materiality-based sustainability reporting, is important to help preserve the ability of the planet to support complex life and diversity of life. This may also prompt the need for assurance engagements on various and diverse topics.

7. Member Bodies and Other Professional Organizations

Accountancy Europe

As noted under the strategic drivers heading, some stakeholders expect to see more granular requirements in IAASB standards, to address common inspection findings, for example. We encourage IAASB to adopt a consistent approach when developing standards when determining what should be included under principles-based requirements, application material or non-authoritative materials.

We are of the view that implementation support activities add significant value for stakeholders and should be a focus area for IAASB alongside standard setting. These activities promote consistent understanding and application of the standards. Such support is particularly important for small and medium-sized practitioners.

Implementation support activities and post-implementation reviews also help IAASB to learn and improve its standard setting process.

ASEAN Federation of Accountants (AFA)

Among the proposed strategic drivers, we would like to highlight the following:

Sustainability reporting and other evolving areas for assurance engagements and evolving expectations around sustainability assurance. The rapid development in sustainability reporting must be accompanied with development of profession agnostic sustainability assurance standards that will serve as a global baseline that promotes consistency, comparability, and transparency. Failure to respond to stakeholders’ demand in a timely fashion may potentially lead to fragmentation of standards and/or best practices used for assurance of sustainability reporting.

Diverse demands across the spectrum of stakeholders reflecting the breadth of the global economy and supporting the implementation of our standards. We value the Board’s effort to consider the increasingly complex and diverse stakeholders’ demand. The expected publication of the standard for audits of financial statements of less complex entities is particularly appreciated by our stakeholders, considering the prevalence of SMEs in ASEAN jurisdictions. For many developing economies, the pressure of keeping up with new and changing standards (including reporting, auditing and assurance, ethics, etc) is demanding. Although we understand the Board’s challenge in balancing between standard-setting and developing implementation support materials, we believe that stakeholders will benefit from having more implementation support that may go beyond the first-time implementation support materials.

Proposed Strategic Drivers

In general, we agree with the proposed strategic drivers and how they drive the opportunities and challenges impacting the Board’s ability to achieve its goal. With increasing recognition towards the importance of audit, assurance, and related services standards, stakeholders (including regulators and oversight bodies) are demanding for better accountability and transparency, more inclusive, efficient (faster), and responsive standard-setting.

Association of Chartered Certified Accountants (ACCA)

We generally agree with the proposed Strategic Drivers, however, we emphasise that in regards to supporting the implementation of the IAASB standards, we believe that the Board should not reduce the relative priority given to developing first-time implementation support materials. As we noted in our response to Q1, consistent and proper implementation should be considered part of the IAASB’s Goal as, in our view, it is an integral element of successful standard setting.

Chartered Accountants Australia and New Zealand (CA ANZ)

While we are broadly supportive of the proposed strategic drivers, we have some concerns in relation to “regulators and oversight bodies are increasingly asking for more specificity of requirements in standards” being included as a key strategic driver of standard setting. The auditing and assurance standards issued by the IAASB are, and should remain, principle-based. Financial reporting is highly complex, involving significant judgements and estimates and therefore requires auditors to be highly skilled practitioners who can exercise professional judgement and scepticism in performing their audit procedures. Greater specificity in standards will drive compliance-based, prescriptive approaches to audit that will not attract people with the inherent traits needed to be skilled auditors to the profession. We believe a shift to more prescriptive standards in the name of “increased enforceability” would ultimately be detrimental to audit quality and the public interest.

Where there are principles-based standards, there will inevitably be differences in professional judgement and interpretation between auditors and regulators. These differences do not mean that the standards are flawed. If regulators have concerns about the current complexity of financial reporting due to the high degree of judgement and estimation involved, the focus should be on reforms to financial reporting standards.

CPA Australia

Supporting the implementation of our standards:

We appreciate and welcome the IAASB’s efforts in developing first-time implementation support materials for completed projects. As standards become increasingly complex and lengthy, we believe that first-time implementation support materials are key to achieving consistent application of the standards. We also support the IAASB in seeking partners from national auditing standard setters to assist in the development of timely first-time implementation support materials, or other non-authoritative guidance, targeted at clarifying the application requirements.

We are concerned with the current trend towards making wholesale changes to the standards, as seen in the recent revisions of ISA 315 and ISA 500. This is in addition to the new standards that were issued on systems of quality management and the anticipated future standards on sustainability assurance. The volume and pace of change to the standards in recent times can be overwhelming for the profession to

adopt and implement, including, critically, changes to the audit methodology and staff training.

We acknowledge the urgent need to develop a global baseline for sustainability assurance standards and are supportive of the IAASB's commitment to this project. However, given the resource commitment required for this project, which is likely to give rise to resource constraints elsewhere, we recommend that the IAASB critically evaluates the scope of its other projects. We believe focusing on narrow-scope revisions to specific audit and review standards, based on identified issues, will be most effective given current work priorities and resource constraints. This will also alleviate some of the challenges faced by the audit and assurance profession in adopting and implementing new and substantially revised standards.

Impact of Technology:

We agree that that technology is playing an ever-increasing role in audit and assurance engagements. We also agree that this may require new or revised standards, that acknowledge and incorporate the increasing role of technology in audit and assurance engagements. However, recent major revisions to standards (e.g., ISA 315, ISA 500) do not appear to sufficiently address this matter. We believe further consideration should be given by the IAASB as to how it can better incorporate the role of technology into standards that will form part of its work plan for the next few years.

Overall, we agree with the identified Strategic Drivers that drive the opportunities and challenges impacting IAASB in achieving its goal.

We acknowledge the challenges faced by the IAASB with respect to the increasing and diverse demands from a spectrum of stakeholders. We make the following observations on some of the strategic drivers identified:

Heightened supervisory scrutiny:

We appreciate regulators and oversight bodies are key players in the external reporting ecosystem. However, we are concerned that the request from regulators and oversight bodies for greater specificity of requirements in standards could shift standard-setting away from the current principles-based approach to a more rules-based approach. This approach could both contradict and undermine the requirements in the standards to exercise professional judgement and professional scepticism.

We are concerned that this focus on specificity of requirements in standards could be driving increasingly lengthy, detailed, and complex revision of ISAs, as noted in the recent revisions of ISA 315 Identifying and Assessing the Risks of Material Misstatement (ISA 315) and ISA 540 Auditing Accounting Estimates and Related Disclosures (ISA 540). There is concern that these revised standards are becoming more 'ruled-based', with the increasing length and detail reinforcing the perception of a 'checklist-based' approach to audit and assurance engagements.

Institute of Chartered Accountants in England and Wales (ICAEW)

Sustainability assurance standards are needed, and we look forward to these being released. While sustainability is a key strategic driver, and we agree that there is clear need to have an operational standard by the end of 2024, we urge IAASB not to focus excessively on this area in subsequent years, to the detriment of other strategic drivers.

The impact of technology remains very relevant to auditors. The requirement for new or revised standards to address how technology is transforming engagements is reaching a critical point as the gulf between standards and auditing practices grows. Technology is included as a key strategic driver. We suggest that it should instead be a strategic objective.

The strategic drivers were previously described as environmental drivers. The last strategy consultation in 2019 was before the pandemic, the global energy crisis and a war in Europe, among other events. We acknowledge the need for these to be updated to reflect the new environment. The proposed strategic drivers have increased in length from 1 to 3 pages, reflecting the increased complexity of the international regulatory environment.

We welcome IAASB's continued focus on collaboration with relevant NSS, particularly in developing first time implementation guidance. We believe collaboration with professional bodies as well as NSS will be crucial to delivering guidance which meets the requirements of all stakeholders regardless of size. Professional bodies have much greater access to medium and smaller sized firms for which this guidance will be most valuable.

Institute of Chartered Accountants of Scotland (ICAS)

We agree with the proposed strategic drivers as the key environmental factors. We would, however, comment as follows:

“Regulators and oversight bodies are increasingly asking for more specificity of requirements in standards for increased enforceability to help drive improved performance and to keep pace with increasing complexity of the business environment, and financial and other external reporting frameworks.”

Whilst we agree that there is increasing complexity, we question whether increased specificity is the optimum means of dealing with this. There is a risk that doing so moves the IAASB beyond principles based standards to a checklist rules-based approach, thus reducing and not improving audit quality. We appreciate that this is not an easy balance to strike but the increasing length of most of the new ISAs is not a welcome trend. We also question whether such length acts as a deterrent to entrants to the profession. It is critical that the IAASB is focused on developing principles-based standards that are well-understood and enable consistent application by practitioners.

International Federation of Accountants' Small and Medium Practices Advisory Groups (SMPAG)

The attractiveness of the profession (especially for audit firms) has become one of the top challenges with issues concerning both recruiting and retaining staff. It is likely that there is a link between the pace of change in standard-setting, the level and prescription of requirements (and corresponding level of regulatory oversight) and talent attraction that requires more consideration by the Board. The lack of explicit reference to principles-based standards and importance of professional judgment may also reinforce a perception of a 'checklist' approach/ mindset. These growing trends are increasingly unappealing for the next generation and could have significant long-term implications, for example, to the future of the audit profession.

The timely issuance of implementation support materials is very important to assist the effective and efficient application of the standards. The recent significant changes (in particular ISA 315 (2019 Revised), ISA 540 (Revised) and new quality management standards) have led to a number of implementation challenges for practitioners and a very strong demand for various, simplified, timely and multiple support initiatives. Further clarity would be helpful on the future role and commitment of the IAASB in producing, facilitating and supporting the development of relevant material in order to manage different stakeholder expectations. The current projects (for example, fraud, going concern and ISA for LCEs) are likely going to require a high-level of resources to support awareness raising and specific implementation support initiatives once the standards are approved. The SMPAG has been involved in multiple initiatives to support the global profession in this space over the years and remains committed to coordinating with the IAASB in the future. We also refer to our response to question 3 below in regard to the need to ensure the timely availability of

implementation support materials.

9. Individuals and Others

Anne Ramsay et al.

The challenge facing standard setters is the ability to keep up with the technology industry.

We agree that the impact of technology is a key driver of the opportunities and challenges impacting the ability to achieve a goal and, that it is multi-faceted. However, the absence of specific projects identified in the workplan dedicated to the technology workstream is concerning; this could mean that industry may have to wait at least 3 years before any meaningful progress is made.

New and revised standards are needed to keep pace with industry's use of technology and new products and tools that are technology based. More specifically, providing guidance to practitioners on the quality and sufficiency of audit evidence used in formulating a conclusion is key.

We agree with the statement that there is "increased and more diverse demands for our standards", as evidenced by recent comments made by U.S. lawmakers. These very public exchange of letters between U.S. lawmakers and the PCAOB underscore the heightened scrutiny over audit and assurance engagement reports specifically related to crypto and crypto servicing companies (see Appendix A). We submit that updated standards for accepting and undertaking non-audit engagements are needed to address the growing needs of digital asset companies and their clients.

Chris Barnard

I support the proposed strategic drivers. In particular, the global discussion and landscape around sustainability reporting is rapidly evolving, with a shift from voluntary to more prescriptive, mandatory reporting and subsequent fragmentation. I would support an agile response from the IAASB, developing shorter, more focused standards for assurance on sustainability reporting, rather than one overarching standard. That would better fit with stakeholder needs and allow a more pragmatic timetable for development.

2.6.2 Confronting 'Headwinds' to Global Adoption of Standards

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Regarding the subject of Impact of and reasons for jurisdictions developing their own audit and assurance standards, especially where these additions have been limited to "add-ons," we would encourage the IAASB to track these additions. While there may be legal reasons for local adaptations of standards (for example, local reporting needs), the IAASB should be vigilant about understanding the reasons where the global standard may be seen as falling short of local expectations about the objective of the audit or the objective of any particular standard, or where there is an absence of a global standard. A plethora of adaptations may indicate unmet expectations from the standard setting process globally, or a disconnect in expectations around timing between local jurisdictions and the ability of a global board to respond.

We would encourage the IAASB to consider more clearly at the project proposal stage which areas should/could be set at a jurisdictional level to allow for a collaborative process, and a quicker process that does not get bogged down in trying to achieve global consensus when one won't be possible.

Examples that we have find supportive of this collaboration are the Quality Management Standards that

recognise the need for local laws and regulations as well as the proposal of what type of entities will fall within the definition of a less complex entity.

In South Africa, we are currently revising our due process to establish a framework and compelling reason test to consider adoption of the IAASB Standards with certain jurisdictional enhancements.

4. National Auditing Standard Setters

Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

The item under the bullet point “Impact of and reasons for jurisdictions developing their own audit and assurance standards” within “Confronting ‘headwinds’ to global adoption of standards” refers to the fact that jurisdictions develop their own standards due to timeliness, political or other jurisdictional pressures or to respond to a specific jurisdictional need. We are not convinced that national standards necessarily represent “headwinds” to global adoption of IAASB standards in many instances. In many cases, national assurance and related services standards deal with local circumstances that are not of interest internationally or deal with matters that are not yet of international importance. In the latter circumstances, national standards would often form a useful basis for the future development of international standards and then thereby provide a subsequent basis for national standards to build upon existing IAASB standards. In some cases, international standards need to be augmented to deal with national circumstances: without such augmentation, international standards may not be operable in a national environment. In this sense, there is a symbiotic relationship between national and international standards. However, to the extent that a matter is of common international importance, we recognize the primacy of international standards to avoid fragmentation. In any case, the symbiotic, rather than adversarial, nature of the relationship between national and international standards should be emphasized more.

5. Accounting Firms

Baker Tilly International

On the Fragmentation driver: “These could include timeliness of delivering a standard(s), political and other jurisdictional pressures, and responding to a specific jurisdictional need”. Our understanding is that the main cause of fragmentation in relation to auditing standards is scalability which is linked to the outcome of the Less Complex Entities (LCE) assurance project. Without broad user support and/or regulatory endorsement for the LCE outcome then fragmentation pressure on ISAs will continue. The IAASB will know better than us but our understanding is that the regulators in a number of countries have indicated they do not support the LCE project. We support the IAASB continuing efforts to collaborate with relevant national standard setters to mitigate fragmentation.

On the Sustainability Assurance driver: “Several jurisdictional and international organizations may develop sustainability assurance standards to local timelines which leads to fragmentation.” The onus is on the IAASB to deliver a standard which is fit for purpose to a timeframe which makes this driver redundant. Our understanding at the time of writing is that the IAASB intends to publish an exposure draft mid 2023 with a final standard by end 2024. There is scope for the IAASB to prioritise the ISSA 5000 project and shorten the timeline for delivery of a final standard by 6 months, which still leaves 9 months after close of the comment period.

BDO International Limited

Overall, we agree with the Proposed Strategic Drivers as the key environmental factors driving opportunities

and challenges. The mix of ‘Increased and More Diverse Demand for Our Standards’, ‘Confronting ‘headwinds’ to global adoption of standards’ and ‘Changing Demands to Our Ways of Working’, together with their constituent sub-categories, appear to reflect the factors that have the potential to impact the IAASB’s ability to achieve their Proposed Goal.

We are particularly supportive of the Proposed Strategic Drivers in respect of the ‘Impact of technology’, ‘Sustainability reporting and other evolving areas for assurance engagements’ and information gathering to drive greater global consistency by considering the ‘Impact of and reasons for jurisdictions developing their own audit and assurance standards’.

Ernst & Young Global Limited

Regarding the Proposed Strategic Driver, Impact of and reasons for jurisdictions developing their own audit and assurance standards, we ask the IAASB to consider whether this is actually a “headwind” to global adoption of standards. We believe that the practice of jurisdictions developing their own standards is only a headwind if this activity results in fragmentation. If jurisdictions are only adding what is appropriate in their context or setting standards for specific local needs (that are not global needs) then there is little risk of fragmentation.

Regarding the Proposed Strategic Driver, Value of cooperation across independent standards-setting bodies, we suggest better explaining what is meant by “fragmentation” by adding a statement explaining that reducing fragmentation is reducing the need for local standard-setting on the same topics that may diverge from international standards.

7. Member Bodies and Other Professional Organizations

ASEAN Federation of Accountants (AFA)

Increasingly complex to manage global engagement with new stakeholders. The increasingly growing network of stakeholders may pose significant challenge to the Board’s ability to engage with every group of stakeholders. We would like to encourage the Board to leverage its partners’ (including regional body such as AFA) network and capacity to particularly support the Board’s engagement, facilitate the Board’s global outreach activity, and encourage stakeholders’ participation in standard-setting consultation.

Center for Audit Quality (CAQ-US)

We believe that collaboration and alignment among international and jurisdictional standard setters around the globe is important to promoting consistency in auditing and assurance requirements. We agree with the IAASB that “standards informed by coordination have an increased likelihood of acceptance and adoption, reduce the burden on and enhance effectiveness for entities and practitioners, and reduce fragmentation.” From an audit perspective, consistency in global auditing and assurance standards minimizes unnecessary differences and incremental efforts that do not benefit audit quality. As such, we encourage the IAASB to continue its efforts to liaise and align with other independent standard-setting boards, including international and jurisdictional standard setters for auditing, assurance, ethics, and financial, sustainability and other external reporting.

European Federation of Accountants and Auditors (EFAA)

We generally agree.

We wonder, however, whether the drivers adequately capture and reflect heightened expectations from the

wider public to access relevant and reliable information on the impact of corporations on the economy, society, and the environment. The European Union’s Corporate Sustainability Reporting Directive embraces double materiality reflecting the European public’s desire to understand how companies impact society and the environment.

2.6.3 Changing Demands to Our Ways of Working

1. Monitoring Group

International Association of Insurance Supervisors (IAIS)

Having a diverse board representing the range of participants, right skills and resources to execute the strategy and workplan: The IAIS commends the work of the IAASB in diversifying the Board and Staff as it addresses the changing demands to your ways of working.

The IAIS agrees that changing demands to the IAASB’s ways of working are an important strategic driver, including as a result of the need to implement the monitoring group reforms.

International Forum of Independent Audit Regulators (IFIAR)

Whilst we acknowledge the importance of sustainability standards, we are concerned about the sufficiency of resources and the risk that work by the IAASB on sustainability standards could hinder progress in improving the ISAs. IFIAR cautions that the development of these important standards should not lead to a diversion of resources needed for the setting and revising of auditing standards, since the importance and the public interest attached for further improvement of auditing standard has not changed. IFIAR would also emphasize the importance of adhering to established timelines.

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Changing Demands to Our Ways of Working

We look forward to the transitional arrangement and the implementation of the Monitoring Group Reforms. The need for well-informed views, diversity and insights in all stages of standard setting is imperative, but with the need to maintain independence.

4. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board (AASB)

On the environmental factor relating to increasingly tight timelines to meet heightened expectations, we recognize the public interest desire for timely standards. However, the potential negative impact on the public interest arising from interested and affected parties not being given sufficient time to implement standards and absorb changes must also be considered.

CNCC-CNOEC - France

In addition, NSS can be encouraged to continue to provide the IAASB with high-level staff.

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Like the IAASB, firms are facing resourcing pressures and are struggling with the volume and pace of change. It is important for firms to be given space and time to implement new standards and to train their

staff to use those standards. Providing the time and resource to support firms to implement new standards will drive towards improved audit quality

5. Accounting Firms

BDO International Limited

We note that following the implementation of the Monitoring Group reforms will lead to a change in how standards-setting boards are composed and staffed. While we are supportive of the re-focus of IAASB work activity to a staff-led model under this new approach, we remain concerned that the reduction in the number of practitioner members in the composition of the Board could affect the future application of new and revised standards due to a potential lack of practical considerations thereof.

Ernst & Young Global Limited

Both the Proposed Strategic Drivers, Implement the Monitoring Group reforms and Attract top talent at the Board and Staff levels refer to changes imposed by the Monitoring Group reforms. We believe that these changes could have a significant effect on the Strategy and Work Plan for 2024-2027 and recommend that the changes to both the process and the talent be explained in more detail either here, or elsewhere in the document, so stakeholders can obtain a fuller appreciation of how the changes may affect the IAASB's ability to execute on the strategy and workplan. For example, we believe a transition plan will be extremely important as the IAASB transitions to using staff more exclusively. During the transition period, there may be a gap in technical knowledge needed for certain topics.

Regarding the Proposed Strategic Driver, Increasingly tight timelines to meet heightened expectations, we ask the IAASB to clarify what is meant in the last sentence that states "...as part of the due process to ensure quality.". We are unclear as to whether this is referring to the quality of the international standards, or achieving quality on audit, assurance and related services engagements.

PriceWaterhouseCoopers

We agree (subject to our comment below) with the identified strategic drivers but believe the Board could more clearly articulate the risks it sees to achieving its objectives, such that it is clearer to stakeholders how the Board's planned strategic actions and activities (the Board's "responses") are responsive to the identified risks, enabling the Board to meet its stated objectives.

While we recognise the pressure on the Board to be seen to be able to develop or revise standards more quickly, it is important to the credibility of the Board and its standards that sufficient time be taken to ensure proposed new or revised standards are understandable, scalable and have benefited from robust consideration of practical implications, following the Board's stated due process. We believe the Board ought to build in a "root-cause" element to its process, to better understand the causal factors that lead to any recurring points of feedback from stakeholders about lack of clarity and/or scalability in response to exposure drafts. This could allow enhancements to be made to ongoing and future standard-setting projects, building an element of continuous improvement into the Board's standard-setting processes.

RSM International Limited

Under the section entitled Changing Demands to our Ways of Working, we agree with the goal of attracting top talent at all levels and note the proposed changes to the IAASB's staffing model.

7. Member Bodies and Other Professional Organizations

CPA Australia

Implement the Monitoring Group reforms:

The implementation of the Monitoring Group reforms highlighted under this section will bring about an evolutionary shift in the way the IAASB operates. Whilst the proposed Strategy acknowledges the various aspects of this change, it should also be noted that the Strategy and Work Plan that arises out of this consultation may be subject to change, as a result of the implementation of the Monitoring Group reforms.

International Federation of Accountants' Small and Medium Practices Advisory Groups (SMPAG)

In general, we agree with the proposed strategic drivers. However, in the section addressing 'Confronting 'headwinds' to global adoption of standards', we believe that greater recognition could be given to the volume, pace and number of changes made to international standards, which is having an impact globally on adoption and implementation. The IFAC International Standards: 2022 Global Adoption Status Snapshot highlighted a slight fall in adoption of the latest version of the ISAs (6.7% from 2019 to 2021) and a rise in partial adoption (28.9% from 2019 to 2021). The Board needs to be cognizant and closely monitor the adoption status, especially with the recent changes and new standards being issued.

We understand the Board needs to balance the pressure to both react to changes in the marketplace and feedback from a spectrum of stakeholders, but we believe it needs to be more sensitive to the impact of changes on the accountancy profession, including on audit firms (especially SMPs), PAOs and translating bodies etc. In the section on changing demands, it states that "stakeholders are asking for sufficient time..." We consider that this is in the public interest (and essential for SMPs), and it should be a success factor for the Board to allow for sufficient time. This may require more consideration being given to longer periods before the effective date of new and revised standards, or a clearly defined period of stability where no new or revised standards become effective.

The IAASB could explore how it can enhance its work through undertaking more robust and rigorous impact assessments of any proposed changes as part of the initial project proposal (e.g., covering costs related to translation, consideration of any national specifics, staff training, methodology changes, etc.). Such a thorough cost/benefit exercise may help guide the determination on whether, and the extent of, any future revisions may be necessary. In this context, it is important that the Board remain mindful that cost increases must be perceived as adding quality, thus enhancing the value of an audit perceived by society, including respective stakeholder groups.