Complexity, Understandability, Scalability and Proportionality (CUSP)

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CUSP Working Group Chairman and IAASB Member

April 21, 2021
Background

- December 2019 IAASB Meeting – feedback from Audits of LCEs Discussion Paper
  - Issues within ISAs have significance to all audits – not unique to audits of LCEs
- April 2020 IAASB Meeting – Board broadly supportive of two workstreams:
  - ISA Focused Workstream (now called “CUSP”)
  - Separate Standard Workstream
Respondents’ Feedback Related to CUSP

Within ISAs
- Length and Volume of ISAs
- Complex language
- Prescription v principles
- Documentation implications

Other Areas
- Complexity of accounting standards
- Regulatory pressure
Proposed Actions to Address CUSP

• Primary action to address concerns raised by respondents – develop Drafting Principles and Guidelines
• Drafting principles and Guidelines aim to:
  o Provide common understanding about how ISAs are drafted
  o Promote consistency, clarity and uniformity while drafting ISAs
  o Encourage reflective mindset while drafting with respect to CUSP
  o Enable more consistent and effective application of ISAs – focus on how ISAs are written and presented
• Scalability and proportionality of ISAs particularly challenging
Drafting Principles and Guidelines Developed Under the CUSP Workstream

• Intended users of Drafting Principles and Guidelines
  o Staff as primary drafters, also Board, Task Forces and Working Groups
  o Useful to NSS, Translators

• What was taken into account when developing Drafting Principles and Guidelines:
  o Clarity drafting conventions
  o Staff training materials and internal thinking on drafting matters
  o Enhanced presentation tools used – ISA 315 (Revised 2019)
  o Scalability and proportionality changes – recently revised ISAs
  o Information provided by NSS
Drafting Principles and Guidelines Developed Under the CUSP Workstream

- Drafting Principles and Guidelines have been distinguished:
  - Principles – drafting instructions about what to adhere to when drafting an ISA and are expected to be followed
  - Guidelines – further explanations and help clarify how to apply Principles. Examples and other guidance also provided

- Scope – Applied in context of ISAs

- Non-authoritative – Staff expected to follow Principles, discuss deviations with Senior Staff
  - Board engagement when deviations from Principles via Issues Papers
## Sections in the Drafting Principles and Guidelines

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Drafting Principles and Guidelines Developed Under the CUSP Workstream

- Outreach program will include whether Drafting Principles and Guidelines should be applied to extant ISAs
  - Staff’s initial assessment – not to be applied retrospectively
- Drafting Principles and Guidelines to be updated from time to time with revised / new content
Question 1:
The Board is asked for their high-level views if they support the proposed Drafting Principles and Guidelines presented in Agenda Item 1-A. In particular, are there any other elements relating to drafting of ISAs which should be considered? *(Please note: the Working Group is looking for overarching comments on Agenda Item 1-A. Detailed or editorial suggestions can be made offline).*
Drafting Principles and Guidelines Developed Under the CUSP Workstream

• Specific consideration sought:
  o Enhanced presentation approach in ISA 315 (Revised 2019)
    o Most incorporated into the Principles
    o Not incorporated: columnar approach to certain complex requirements (e.g. ISA 315 (Revised 2019) paragraph 21, boxes around examples (e.g. example box above ISA 315 (Revised 2019) paragraph A7)
  o Specificity of references to International Standards other than ISAs
    o Input sought on making specific references to paragraphs in the other standard
    o Specific paragraph references may be easier for users vs may mislead, maintenance burden
Drafting Principles and Guidelines Developed Under the CUSP Workstream

• Specific consideration sought:
  o Appendices
    o Drafting aid for ISA development and drafting going forward
    o Not exhaustive and not authoritative interpretations of terms or their implications
  o Documentation
    o Key matter highlighted by stakeholders – Separate focus area
    o Development of separate Drafting Principles and Guidelines to address documentation requirements in individual ISAs other than ISA 230
Drafting Principles and Guidelines Developed Under the CUSP Workstream

**Question 2:**
The Board is asked to provide views on the following matters:

a) The exclusion of formatting techniques applied in the recently revised ISA 315 (Revised 2019)

b) The references to specific paragraphs of international standards other than ISAs and if these should be retained

c) The appendices dealing with likelihood of occurrence and work effort terms

d) The principles and guidelines to address specific documentation requirements in individual standards other than ISA 230
Way Forward

• Drafting Principles and Guidelines:
  o Based on feedback during April 2021 Board meeting, CUSP Working Group will continue to develop Drafting Principles and Guidelines
  o Perform targeted outreach
  o Encourage broader views from all stakeholders

• Documentation:
  o CUSP Working Group will further consider any further actions with regards to documentation requirements in ISAs
  o Consider developing high-level non-authoritative material

• CUSP Working Group will continue coordinating with LCE Task Force and undertake further outreach with NSS
Question 3:
The Board is asked for views on the proposed way forward outlined by the CUSP Working Group in paragraphs 31-35 of the Issues Paper.

Question 4:
The Board is asked for views on any other matters that the CUSP Working Group should consider.
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