

IAASB's Future Strategy and Work Program**PIOB Oversight of the Work Program of the PIACs**

1. For discussion at its June 2006 meeting, the PIOB requested IFAC: (a) to describe the current processes for developing action plans and work programs for its standard-setting PIACs; and (b) to make recommendations as to the process that the PIACs should adopt, and how the PIOB might oversee that process, in order to achieve PIOB approval of those work programs. The Appendix sets out the recommended process submitted to the PIOB in response to these requests.
2. The PIOB noted that it believes that the proposals presented appear reasonable. The PIOB's intention is to monitor the overall process so that it can remain continuously informed on the direction and progress of each PIAC's efforts. If required, the PIOB will determine when and how to intervene. The PIOB also suggested that each PIAC focus first on consultation with its respective CAG before reaching out to broader audiences. In this way, the CAG can assist in establishing the fundamental scope and structure of what will be exposed. Also, each PIAC should consider ways in which audit regulators can be consulted, as this feedback could be valuable in identifying needs related to local experience with implementation and compliance.
3. The PIOB intends to finalize its own process at its September 25-26, 2006 meeting so that the monitoring of the PIACs' progress can begin shortly thereafter.

IAASB Planning Considerations

4. In anticipation of the need to enhance the way in which the IAASB determines its future strategy and work program, the Steering Committee discussed at its May and July 2006 meetings how the IAASB's work program could be developed over the next few years, once further progress has been made on implementing the Clarity project.
5. Acknowledging that the IAASB should focus first on consultation with its CAG before reaching out to broader audiences, the Steering Committee noted the following for possible consideration:
 - Make the current process for developing a future strategy and work program more consultative in nature – for example, by way of a consultative forum or fora with key stakeholders for purposes of generating ideas on possible future projects (other than the revision of existing standards) that might make a significant contribution to the fields of auditing and assurance.
 - Obtain feedback on how the IAASB's standards are currently implemented in practice, for example, through review of highlights from inspection reports sent to the IFAC Transnational Auditors Committee to identify relevant topics for the IAASB's consideration.
 - Survey stakeholders and the public regarding future standard setting priorities.

6. To obtain input into the development of IAASB's future strategy and work program it is important that a program is put into place that ensures that input is obtained proactively and early in the process, as a basis for broader, more formal consultation.
7. The IAASB will be aware that our recent program has been largely directed at auditing standards. This program will occupy the IAASB until late 2008. One important consideration will be the focus of our activities thereafter. This would require consideration of: whether work on assurance projects is necessary (eg, prospective financial information, XBRL reporting, sustainability reporting); alternatives to the audit for smaller entities; further topics for auditing standards, or standards that require updating; other activities that fall within the remit of IAASB that could make a contribution to audit quality (eg, behavioral aspects of auditing).

Staff Recommendations

8. Assuming that the CAG is consulted on its views at its April 3-4, 2007 meeting, Staff believes, on a preliminary basis, that such further input could be obtained through the following:

Presentations to the IAASB

- Representatives from particular segments of the public not represented on CAG or IAASB-National Standard Setters (NSS) meetings, or individual IAASB members themselves, could be asked to present their views on the areas where the IAASB might focus its future strategy. It may be that for some presentations, the possible subjects are left to the discretion of the invited speaker. For other sessions, however, it might be appropriate to focus on topics known to be of interest, including those that the IAASB may not yet be convinced of the need to give priority attention¹.

The December 2006 and February and April 2007 IAASB meetings might be appropriate meetings to schedule such presentations.

Roundtables/Fora

- To ensure that stakeholders in various jurisdictions have an opportunity to provide input to the development of IAASB's future strategy, it may be appropriate to hold one-day roundtables with key stakeholders from a particular geographic region; this may include NSS that are not represented at present at the annual IAASB-NSS meeting (which would also be asked for input).

On a preliminary basis, the fora could take the form of half-day sessions to obtain input on IAASB's future strategy/work program, and half-day sessions on the issue of alternative assurance services to the SME market, a matter that is likely to be of high priority to many jurisdictions that impose statutory audit requirements on entities of all sizes.

¹ This could provide the invited speaker the opportunity to explain more fully the basis why the particular topic warrants priority consideration. However, it may also allow the IAASB the opportunity to explain to, or explore with, the representative the challenges that it sees in pursuing standards or guidance on the topic.

Further, initial discussions with the Chairman of the CAG indicate that there might be significant interest from CAG members in listening to some of the views of external stakeholders. There is a tentative plan to hold another forum on June 28, 2007 in Brussels followed by a one day CAG meeting on June 29, 2007 at which the CAG would deal with regular agenda items but also react to views raised the previous day. David Damant can provide reaction to this item which is being discussed at the CAG meeting on September 11-12.

It is proposed to hold the other fora in Sydney (April 13 or 23, 2007) and in New Delhi (December 7, 2007), ie immediately before or after the IAASB meetings in those cities.

Outreach Activities

- Similar to the idea of roundtables suggested above, only on a smaller scale, it may be appropriate to enhance IAASB's outreach program by supplementing travel for purposes of IAASB activities (e.g., Task Force meetings) to include meetings with representatives from stakeholders that do not otherwise have an opportunity to discuss issues with IAASB representatives. Input from such meeting could then be reported to the IAASB or Staff as input into the development of strategies and priorities.
- Equally, IAASB members may be able to hold discussions with regulators or the audit monitoring authorities in their own jurisdictions, for report to IAASB or staff.

Summary of Tentative Timetable for development of Strategy for 2009-11

December 2006	Consult with Board members by survey on focus and possible future related projects
March 2007	Consult NSSs during annual meeting
April 2007	Consult with CAG
	Forum and possible update to Board
June 2007	Forum and CAG discussion
April-July 2007	Consider additional consultation with other NSS and interested parties
July 2007	IAASB discusses a proposed strategic direction document
September 2007	IAASB discusses and approves a proposed strategic direction document for public exposure
October-December 2007	75-90 day public exposure of strategy for comment
December 2007	Final forum to obtain input and reaction to draft strategy
February-March 2008	Final input from CAG and PIOB with finalization of strategy by IAASB

It will be important to complete this work by 2008 Q1 because the Board will need to form task forces at that time to begin work on new projects so that the Board's agenda for 2008 Q4

(currently and optimistically bare following completion of Clarity projects in Q2 and Q3) will include initial debate on some of these new activities.

9. The IAASB is asked:

- For its views on the suggestions above;
- To suggest other groups with whom IAASB should consult; and
- To exchange ideas of other possible avenues to obtain input and ideas on the IAASB's future strategy and work program following the completion of the Clarity project.

Appendix

Recommendations for Each PIAC's Process, Including PIOB Oversight

- (a) In establishing the content, priorities and time frames of the work programs of the PIACs from a public interest perspective, it is important that each PIAC has a robust process that solicits input from a suitably broad spectrum of the public, and makes judgments in a transparent, effective and fair manner subject to the process as a whole not overburdening the resources of the PIACs. The process should ensure that changes in the environment are monitored and considered, and that the input of the PIOB is obtained in timely and effective manner.
- (b) It is proposed that each PIAC establish a two-year Strategic Plan that includes a twelve month work program that is to be approved by the PIOB at its December meeting preceding the period in which the Plan is to come into effect.
- (c) For this purpose, the following process is proposed for each PIAC:

- (i) The PIAC shall undertake bi-annually a formal survey of its key stakeholders about issues that they believe should be addressed by the PIAC in the immediate future as part of its consideration of strategic priorities. Stakeholder consulted should include, as appropriate, the Forum of Firms, regulatory and oversight organizations, the PIAC's CAG, PIAC members, national standard setters, regular respondents to PIAC exposure drafts, and others.

The PIOB shall be included in this survey to alert it to the actions underway and to obtain individual or collective views at an early stage in the process, should the PIOB wish to express views at this stage.

- (ii) A draft Strategic Plan and a twelve month work program shall be developed based on the results of the survey, and subjected to review and comment by the PIAC's CAG and Steering Committee, and by members of the PIAC itself.

The PIOB shall be informed of the meeting in which the PIAC is to consider the draft Plan should it wish to have a representative observe the deliberations.

- (iii) The PIAC shall expose the draft Strategic Plan and work program for public comment for a period no less than 30 days.

The PIOB shall be provided with copies of the exposure draft for information and comment, should they wish to do so.

- (iv) The PIAC shall consider the results of the exposure in formulating, as necessary, a revised Strategic Plan and twelve month work program.

The PIOB shall be informed of the meeting in which the PIAC is to consider the responses to the public consultation should it wish to have a representative observe the deliberations.

- (d) In the first year of the two year Strategic Plan, the PIAC shall determine, in consultation with its CAG, its subsequent twelve month work program. The PIAC shall submit this program to the PIOB for approval at its December meeting of that year.

The PIOB shall be informed of the meeting in which the PIAC and the PIAC CAG consider the draft one-year work program should it wish to have a representative observe the deliberations.

- (e) Relevant aspects of the above process would be conducted as part of the public meetings of the PIAC and, where applicable, the PIAC CAG.
- (f) On completion and formal approval by the PIAC of the work program, it shall be submitted to the PIOB for its consideration and approval of its completeness from a public interest perspective.