

## IAASB Strategy Review — Summary of Significant Comments on Consultation Paper and IAASB Steering Committee Recommendations dated September 2011

### Highlights and Steering Committee Recommendations

1. The January 2011 consultation paper, *Proposed IAASB Strategy and Work Program for 2012-2014* (“CP”), included lists of projects labeled as “likely” to be undertaken in the strategy period (“column B”) and “suggested” (“column C”).<sup>1</sup> It indicated that if respondents were supportive of the B projects, there would be capacity for 3 further projects from either Column C or respondents’ suggestions. The IAASB’s views on relative project priorities are sought in this context.
2. The analysis of comments in the sections that follow sets out respondents’ suggested prioritizations for the projects proposed in the CP as well as other projects or activities they believe the IAASB should undertake. It presents a high-level summary of respondents’ key arguments for or against the individual B and C projects. It also highlights a number of matters for which there is no overall sense of direction.
3. To facilitate the Board’s discussion, highlights of the responses from each section are reproduced below, alongside the Steering Committee’s recommendations. The draft Strategy and Work Program presented in **Agenda Item 7-A** explains, where appropriate, the bases for these recommendations.

#### A. Appropriateness of IAASB’s three areas of strategic focus

##### Highlights

- Broad support for the three strategic focus areas, with clear messages from respondents regarding the importance of:
  - Engaging with stakeholders on key debates, but maintaining flexibility to respond to international developments
  - Pursuing innovation to stay relevant, including addressing SME needs, but first establishing clear demand before committing to specific projects
  - Managing stakeholder expectations regarding the balance of effort amongst the three strategic focus areas given the breadth of the IAASB’s mandate
  - Emphasizing how the Board’s current work program is already addressing some of the contemporaneous policy issues being debated internationally
  - Having regard to the longer term strategy in the context of external developments (including the Monitoring Group (MG) Report) and the implications for resources and operations

<sup>1</sup> The complete list of A, B, and C projects included in the CP is reproduced in Appendix 2.

- Broad regulatory support for a continued focus on ISAs and ISA-related projects

#### **Steering Committee Recommendations**

- Demonstrate how the strategy addresses the concerns expressed through specific messaging in the draft Strategy and Work Program.
- Be actively engaged in key debates, continue broad outreach and liaison efforts, and keep a close watch on developments.
- Allow adequate time in the work program to respond to developments on a timely basis.
- Consider whether there is a need to reflect on the longer-term strategy development, perhaps as a separate activity in collaboration with IFAC and others, during the strategy period for purposes of consultation in 2014.

### **B. Appropriateness and prioritization of “B” projects**

#### **Highlights**

- Broad and clear support for B projects, but with varying views regarding prioritization.
- Greatest support across all categories of respondents for the project(s) to respond to ISA Implementation Monitoring findings (B.1) and activity focused on identifying and addressing ISA implementation challenges (B.4) as the top two priorities (regulatory backing particularly strong for B.1). Some suggestions of combining B.1 and B.4. However, a small minority of views that the development of implementation materials should be left to IFAC Member Bodies, although IAASB could act as a facilitator
- Respondents supporting B.1 and B.4 emphasized importance of:
  - Collaborating or partnering with oversight bodies, IFAC Member Bodies and national auditing standard setters (NSS)
  - Establishing a clear need before revising ISAs
  - Being clear about the IAASB’s role in developing implementation materials
  - Considering treating B.1/B.4 as a standing process of monitoring and improvement
- A revision of the agreed-upon standard, ISRS 4400,<sup>2</sup> (B.2) as the next B project having the most support amongst respondents (across the categories of IFAC Member Bodies, regulators, firms and NSS), mainly to meet the needs of users who

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<sup>2</sup> ISRS 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*

do not need an audit or a review, and for hybrid services

- Significant support for seeking feedback on the implementation of ISAE 3402<sup>3</sup> (B.5) as next on the priority list (mainly IFAC Member Bodies, firms and NSS), as outsourcing is now such a pervasive practice.
- Some support for the development of a publication explaining the benefits of adopting ISAs (B.6) (mainly from Member Bodies, firms and the IFAC SMP Committee (SMPC)), with suggestions to combine it with the development of a publication on the meaning of an audit (A.10). However, some expressions of non-support on the grounds that the objectives could be achieved through regular outreach activities and that this is a marketing activity that could be undertaken by IFAC's Communications Department or the SMPC.
- Greater weight of non-support for revising ISAE 3400<sup>4</sup> under B.3 (revision or withdrawal of ISAE 3400 (Prospective Financial Information)), mainly because of the diversity of national laws and regulations, and the need to establish clear global demand. Some views for or against whether the standard should be withdrawn.

#### **Steering Committee Recommendations**

- Set aside time in 2013 and 2014 for at least 2 new projects on auditing or quality control standards where a need for further strengthening is identified. Input to the possible specific topic areas should be based on relevant developments, including:
  - Developments at the international and national levels
  - Findings from the ISA Implementation Monitoring project
  - Developments arising from the current work program
  - Information gathered through dialogue with stakeholders
  - Academic research, including that which the International Association for Accounting Education and Research (IAAER) and the Association of Chartered Certified Accountants (ACCA) have commissioned for purposes of informing the IAASB's work
- Undertake a project to revise ISRS 4400 in 2012.
- Seek initial feedback in 2013 on the experiences of service auditors and others regarding the implementation of ISAE 3402.
- Rather than seeking to integrate B.6 with A.10, effort should be directed towards communicating what the IAASB learns from its various outreach and liaison activities with stakeholders regarding how the benefits of adoption are being experienced around the world, and how the associated challenges are being addressed. In addition, in connection with the finalization of the projects to revise the review and compilation standards, explore in 2012 whether to develop a

<sup>3</sup> ISAE 3402, *Assurance Reports on Controls at a Service Organization*

<sup>4</sup> ISAE 3400, *The Examination of Prospective Financial Information*

communication about the value and benefit of an audit conducted in accordance with the ISAs to better explain the role of the audit and more clearly contrast the various services and their related levels of assurance.

- Do not include a revision of ISAE 3400 in the 2012-2014 strategy cycle, but also do not withdraw the standard.

### **C. Support and prioritization for “C” projects**

#### **Highlights**

- Greatest support for consideration of actions to facilitate the implementation of ISQC 1<sup>5</sup> (C.8) across the categories of Member Bodies, regulators, NSS and other professional organizations (including SMPC). Some support at the IAASB CAG. Address proportionality of audit documentation with the International Forum of Independent Audit Regulators (IFIAR).
- Strong support for the revision of IAPSs 1004/1006<sup>6</sup> (C.1) (particularly amongst MG members, other regulators and Member Bodies). However, some opposition from NSS and firms mainly because of diversity of national laws and regulations and a question as to whether IAPSs are the right vehicles. Some support at the IAASB CAG for guidance on the audit of insurance contracts.
- Some support at the IAASB CAG for evaluating an ISAE on sustainability reporting (C.4). However, generally mixed support from respondents. Main argument for is that the profession should take a leading role in the field of sustainability. Arguments against include: lack of clear demand, Board expertise and best practice; diversity of national laws and regulations; and importance of finalizing and assessing implementation of revised ISAE 3000<sup>7</sup> and ISAE 3410.<sup>8</sup>
- Some support amongst Member Bodies and regulators for monitoring developments in integrated reporting (C.3), evaluating an ISAE on corporate governance statements (C.5) and evaluating whether to develop an ISAE on internal control (C.6) (for C.5 and C.6 mainly in response to the global financial crisis). Some support also for C.3, C.5 and C.6 at the IAASB CAG.
- However, significant challenges identified in relation to prioritizing them, including: lack of clear global demand; diversity of national legal and regulatory requirements; need to monitor developments; and need to await the finalization of revised ISAE 3000.

<sup>5</sup> ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

<sup>6</sup> IAPS 1004, *The Relationship between Banking Supervisors and Banks' External Auditors*, and IAPS 1006, *Audits of the Financial Statements of Banks*

<sup>7</sup> Proposed ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

<sup>8</sup> Proposed ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

- Strong public interest support for addressing preliminary announcements (C.2). However, significant non-support also for reasons that include: lack of clear evidence of demand and best practice; diversity in national legal and regulatory requirements; and narrow scope. Significant support for a broader practitioner association project.
- Greater weight of support for redrafting ISRE 2410<sup>9</sup> (C.7) mainly on the grounds that it would meet national needs. Some suggestions to revise and not just redraft ISRE 2410. However, some comments also that there is no apparent urgency as no significant issues have been raised in practice.
- Varied respondent suggestions as to other projects to prioritize; however, no significant support for any one of these.

#### **Steering Committee Recommendations**

- Commission in 2012 a staff publication that would address the proportionality of application of ISQC 1.
- Work with the Basel Committee and other stakeholders to start exploring in 2012 issues relating to the audit of banks, and the relationship between banking supervisors and banks' external auditors. Discussions on possible actions should include consideration of the nature of guidance that may be capable of being developed internationally. In addition, monitor, and as appropriate explore with stakeholders such as the International Association of Insurance Supervisors (IAIS), whether there are specific developments that may suggest the need for further consideration of standard-setting actions in relation to audits in the financial services sector.
- Establish a strategy working group in 2012 to research the issues and actively monitor relevant developments in the areas of integrated reporting, sustainability reporting, assurance on corporate governance statements, and assurance on internal control over financial reporting, for purposes of informing the need for, and nature of, IAASB action on these topics.
- Establish a working group in 2013 to explore issues relating to auditor association with preliminary announcements and make recommendations on whether and, if so, how the IAASB might address auditors' responsibilities regarding such information.
- Given the lack of urgency regarding practical issues in the implementation of ISRE 2410, do not prioritize a redrafting of the standard in the 2012-2014 cycle; instead, allocate resources to address more pressing projects or issues.

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<sup>9</sup> ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

## **D. Respondents' suggestions for other projects or activities**

### **Highlights**

- Wide range of suggestions for other projects to prioritize
- Some suggestions for revisiting aspects of ISQC 1 from MG members and other regulators
- However, overall no clear direction on any particular suggested project
- IAASB CAG caution about considering development of sector-specific guidance and standards

### **Steering Committee Recommendation**

- Given the wide range of suggestions and the lack of strong support for any particular suggestion amongst respondents, these suggestions should not be prioritized onto the 2012-2014 strategy. However, continue to proactively monitor developments to assess whether there is a need for action in relation to any of these particular suggestions.

## **E. Development of guidance and partnering with others**

### **Highlights**

- Support from some Member Bodies and NSS to partner with IAASB in facilitating implementation of clarified ISAs
- Encouragement to continue outreach to, and liaison with, regulators, NSS, Member Bodies, etc
- Support for consideration of whether guidance developed by others can be “internationalized,” but a minority of opposing view that IAASB itself should not develop implementation guidance
- Varied suggestions as to the types of publications IAASB could develop to facilitate adoption and implementation, e.g., risk alerts, Questions and Answers publications (Q&As), webinars, communication materials, etc
- A number of suggestions for further implementation guidance, e.g., application of risk assessment ISAs, smaller entity audit documentation, reporting, etc, but a caution against unnecessarily adding to complexity of professional literature through additional guidance
- A reminder to fulfill our commitment to publish overviews of significant changes when revised standards issued

### **Steering Committee Recommendations**

- Facilitate efforts by NSS and others where possible, and consider partnering with

others where appropriate.

- Commission appropriate staff outputs where these are likely to be practical and helpful, rather than develop authoritative IAASB guidance.
- Publish overviews of significant changes when revised standards are issued.

## Summary of Significant Comments

### Introduction

4. The comment period on the CP closed on April 4, 2011. Comment letters<sup>10</sup> were received from 42 respondents, categorized as follows:

Respondent Group	No.	%
IFAC Member Bodies	13	31
Regulators and oversight authorities	9	22
Firms	6	14
NSS	5	12
Public sector organizations	1	2
Other professional organizations	6	14
Others	2	5
	<b>42</b>	<b>100</b>

A list of the respondents is provided in Appendix 1 to this paper.

5. Overall, respondents were broadly supportive of the strategic direction and proposals in the CP. Most respondents addressed the questions regarding which B and C projects should be prioritized.
6. Many of the respondents explained the rationale for their support or non-support for the various individual B and C projects, highlighting important considerations for the Board to bear in mind in setting priorities, or in some cases pointing out the close linkages between some of the projects.
7. Suggestions for additional projects were varied. Some respondents, as expected, recommended consideration of projects close to their areas of interest or mandates. Nevertheless, there were a few common themes amongst the various suggestions.
8. Responses to the questions posed in the CP are summarized below in the following sections:
- (a) Appropriateness of IAASB's three areas of strategic focus
  - (b) Appropriateness and prioritization of "B" projects
  - (c) Support and prioritization for "C" projects
  - (d) Suggestions for other projects or activities
  - (e) Development of guidance and partnering with others

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<sup>10</sup> All comment letters are available at: <http://www.ifac.org/Guidance/EXD-Details.php?EDID=0151>.



9. The analysis below takes the approach of first identifying areas of agreement or support amongst respondents in each section. Respondents' key arguments for or against specific proposals, or other relevant points made, are then summarized. Finally, key highlights are provided at the end of each section.

## **Significant Comments**

### **A. Appropriateness of IAASB's Three Areas of Strategic Focus**

#### *General Comments*

10. Paragraph 15(a) of the CP asked for respondents' views as to whether the IAASB's three areas of strategic focus remain appropriate, i.e.:
- (a) Developing (and revising) standards (and pronouncements); with focus on, amongst others, standards that facilitate the effective operation of the world's capital markets, those that address demand for other assurance services, and those that address the needs of small- and medium-sized entities (SMEs) and small and medium practitioners (SMPs);
  - (b) Monitoring and facilitating adoption of those standards; and
  - (c) Responding to concerns about the implementation of the standards by activities designed to improve the consistency with which they are applied in practice.
11. Of the 38 respondents<sup>11</sup> who addressed this question, the overwhelming majority (36) expressed clear support for the three areas of focus, with several emphasizing the importance of:
- Engaging with stakeholders to influence debates on key topics, and being flexible to respond to stakeholder needs and international developments, particularly audit issues arising from the global financial crisis;<sup>12</sup>
  - Retaining a focus on SMEs;<sup>13</sup>
  - Recognizing the breadth of the IAASB's mandate (i.e., audits, SMEs, other assurance services, etc) as a basis for the Board addressing a broad range of engagement types;<sup>14</sup>
  - Pursuing innovation to maintain the Board's relevance,<sup>15</sup> but ensuring demonstrably strong demand before pursuing projects in other assurance areas;<sup>16</sup>
  - Setting appropriate stakeholder expectations regarding the balance amongst the three strategic areas, taking into account the resource factor and recognizing the primacy of the Board's standard-setting role;<sup>17</sup> and

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<sup>11</sup> All respondents except JICPA, IAA, IAIS and SRA

<sup>12</sup> APB, AUASB, EYG, IAA, KPMG, NBA, PwC, WB

<sup>13</sup> Australian Profession, ICAEW, IDW, SMPC

<sup>14</sup> Mazars, PwC

<sup>15</sup> NBA

<sup>16</sup> APB

- Allowing time for the clarified ISAs to bed down to facilitate implementation.<sup>18</sup>
- 12. The remaining 2 respondents, both regulators, expressed support for a continued focus on standard setting (both ISAs and other assurance and related services),<sup>19</sup> and work that will contribute to audit quality (i.e., development/revision of ISAs, and monitoring/facilitating of ISA adoption).<sup>20</sup>
- 13. Not surprisingly, several of the regulators and oversight bodies<sup>21</sup> and other respondents<sup>22</sup> expressed support for a focus on the ISAs or ISA-related projects. One respondent,<sup>23</sup> in particular, was of the view that it is both timely and necessary to draw lessons for audit from the global financial crisis with a view to enhancing the utility of the audit as a safeguard for financial stability. In addition to supporting a focus on the extent and detail of informative audit reporting to investors and other stakeholders (re the IAASB's auditor reporting project), this respondent highlighted the following issues as warranting particular attention:
  - The early-warning function of the audit;
  - The scope of issues covered by the audit; and
  - Measures to make audit quality more transparent.

#### *Specific Concerns*

14. While supporting the proposed strategic direction, some respondents expressed a number of concerns as follows:
  - The potential for the IAASB to succumb to pressures for “higher standards” for the ISAs to meet capital market needs, resulting in the audit becoming less relevant for SMEs.<sup>24</sup>
  - The perception from the third area of strategic focus (paragraph 12(c) above) that the IAASB will be receptive to developing significant amounts of additional guidance to improve consistency of application of the ISAs, rather than focusing on getting the ISAs “right” in the first place. In this regard, a specific concern was the suggestion from the time allocation chart<sup>25</sup> in the CP that the IAASB should be spending 29% of its time on implementation of the standards. It was felt that primary responsibility for implementation should rest with IFAC Member Bodies and other professional bodies,

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<sup>17</sup> WB

<sup>18</sup> Australian Profession, ICAEW, KPMG, Mazars, NZICA

<sup>19</sup> H3C

<sup>20</sup> IOSCO

<sup>21</sup> CPAB, H3C, IOSCO, Swiss Oversight Authority

<sup>22</sup> APB

<sup>23</sup> WB

<sup>24</sup> ACCA

<sup>25</sup> The chart summarizing the views of respondents to the April 2010 strategy survey regarding how the IAASB's time could be allocated.

although it was acknowledged that the IAASB could act as a facilitator in some ways.<sup>26</sup> One respondent<sup>27</sup> suggested explicitly allocating more time to standard setting than suggested in the CP, as this is the Board's primary goal.

- The focus on consistency of application in the third strategic area but not effectiveness, particularly the application of professional skepticism.<sup>28</sup>
- The lack of clear articulation of the IAASB's objectives in terms of the outcomes it intends to achieve. In particular, it was felt that the Board needs clear targets against which it can report (e.g., a target number of jurisdictions for ISA adoption),<sup>29</sup> or qualitative performance measures.<sup>30</sup> In this regard, it was also felt important that the Board be able to measure and report on the effectiveness of outreach and implementation activities if these become an increasing part of its activities.<sup>31</sup>

15. In relation to the strategy development process, one respondent<sup>32</sup> expressed concern that the development of the future strategy is unduly long and drawn-out, with both a survey phase and a consultation phase. It also noted that the status of the current work program offers very little scope to accommodate a more fundamental analysis of strategic direction and the outcomes that would result. Accordingly, it asked that the Board reconsider its approach for the next strategy cycle with a view to providing scope for respondents to provide input on genuine strategic choices.

### *Specific Suggestions*

16. Some respondents suggested that:

- The proposed strategy should recognize more clearly that the Board is already responding to current policy debates in various jurisdictions through its current projects on disclosures, auditor reporting, and audit quality, as well as other activities.<sup>33</sup>
- Monitoring of adoption and implementation should not be resource intensive given that adoption is primarily a national or regional matter, and the fact that implementation of the ISAs is still in the early stages. Accordingly, it was felt that the bulk of resources should be devoted to technical pronouncements.<sup>34</sup>
- It would be important for the IAASB to clearly state how it intends to spend its time amongst the three strategic areas, notwithstanding the difficulty of forming a view

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<sup>26</sup> APB

<sup>27</sup> NBA

<sup>28</sup> CPAB

<sup>29</sup> CASB

<sup>30</sup> CPAB

<sup>31</sup> EYG

<sup>32</sup> WB

<sup>33</sup> PwC

<sup>34</sup> IDW

regarding resources required to respond to implementation concerns until the outcome of the ISA Implementation Monitoring project becomes known.<sup>35</sup>

- The importance and relevance of application material in the ISAs should be reinforced as anecdotal evidence suggests that practitioners do not fully consider such material.<sup>36</sup>
- The description of key stakeholders in the CP<sup>37</sup> is incomplete and should include experts such as actuaries, as experts are affected by, and affect, the audit process in many areas.<sup>38</sup>

17. One respondent<sup>39</sup> suggested identifying a more detailed hierarchy of priorities:

- Tier 1: project necessary to meet current demands
- Tier 2: Higher priority projects
- Tier 3: Projects that may be started subject to resource availability

The respondent suggested that Tiers 1 and 2 would have flexibility to expand to accommodate newly identified priority projects to respond to developments, without the Board committing to projects (particularly the “C” projects) for which there may not be sufficient resources.

18. Finally, another respondent<sup>40</sup> suggested that there should be a fourth area of strategic focus, namely long-term strategic considerations about IAASB’s operations and external developments. In this regard, two respondents<sup>41</sup> suggested that the Board conduct a critical review of the appropriateness of the key assumptions underlying the future strategy, especially in context of the MG report. Another respondent<sup>42</sup> questioned whether the Board has adequately considered its long-term strategy instead of focusing on meeting short-term stakeholder needs. A further respondent<sup>43</sup> suggested that now may be an appropriate time to consider whether to aim for convergence between IAASB and PCAOB standards as a longer-term objective.

### Highlights

- Broad support for the three strategic focus areas, with clear messages from respondents regarding the importance of:
  - Engaging with stakeholders on key debates, but maintaining flexibility to respond to

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<sup>35</sup> WB

<sup>36</sup> NYSSCPA

<sup>37</sup> Page 11 of the CP

<sup>38</sup> IAA

<sup>39</sup> PwC

<sup>40</sup> Basel Committee

<sup>41</sup> Basel Committee and PwC

<sup>42</sup> IDW

<sup>43</sup> PwC

<p>international developments</p> <ul style="list-style-type: none"><li>◦ Pursuing innovation to stay relevant, including addressing SME needs, but first establishing clear demand before committing to specific projects</li><li>◦ Managing stakeholder expectations regarding the balance of effort amongst the three strategic focus areas given the breadth of the IAASB’s mandate</li><li>◦ Emphasizing how the Board’s current work program is already addressing some of the contemporaneous policy issues being debated internationally</li><li>◦ Having regard to the longer term strategy in the context of external developments (including the MG Report) and the implications for resources and operations</li></ul> <ul style="list-style-type: none"><li>• Broad regulatory support for a continued focus on ISAs and ISA-related projects</li></ul>
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## **B. Appropriateness and Prioritization of “B” Projects**

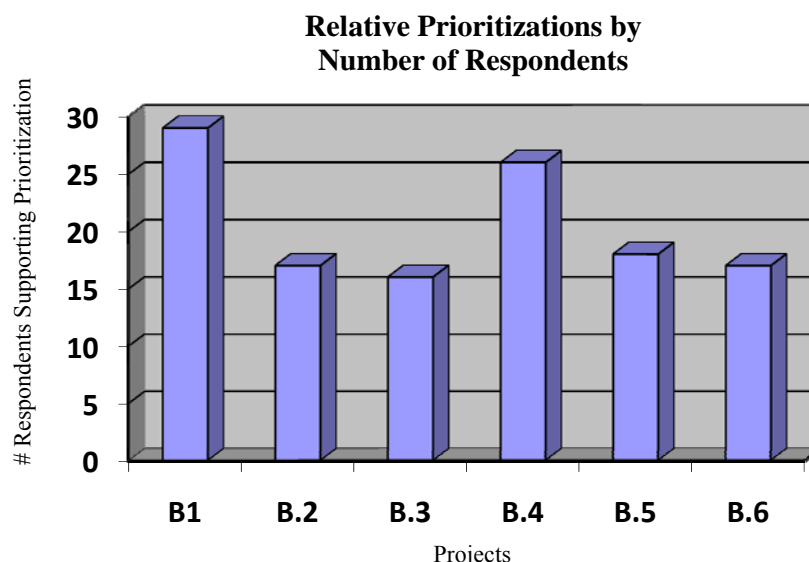
19. Paragraph 15(b) of the CP asked for respondents’ views as to whether “Column B” projects (anticipated projects likely to commence in 2012–2014) adequately address issues currently facing the accounting and auditing professions, in particular:
- (a) Whether respondents support the IAASB undertaking work in these areas and, if not, the reasons why a particular project(s) would not be supported;
  - (b) Whether respondents believe these projects are consistent with the IAASB’s three areas of strategic focus; and
  - (c) How these anticipated projects should be prioritized in light of the “A” projects.
20. The majority of the respondents (25)<sup>44</sup> expressed broad and clear support for the IAASB to undertake the B projects, although with different suggested prioritizations. No respondent was of the view that any of the B projects was inconsistent with the IAASB’s three strategic areas. However, one respondent<sup>45</sup> felt that as the ISAs are well established, the medium term strategy should focus on developing standards that address demand for other assurance services.

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<sup>44</sup> AICPA, Australian Profession, AuASB, CASB, CGA Canada, CIPFA, CPAB, DTT, EBA, FAR, GAO, HKICPA, ICAP, IDW, IIA, ISACA, KPMG, Malaysian Oversight Board, NYSSCPA, NZICA, PwC, RAC Pakistan, SAICA, SMPC, WB

<sup>45</sup> NZICA

21. In terms of prioritization of the B projects, respondents' suggestions are tabled in Appendix 3. The relative weights of support are summarized in the following chart:



22. From the responses, it is clear that B.1 (project(s) to respond to ISA Implementation Monitoring findings) has the most support as being the top priority, with 21 of the 29 respondents (72%), including 7 of the regulators, who have included it in their priority list identifying it as their number 1 priority. Only one respondent<sup>46</sup> indicated that it would not support the project as it felt that there was little evidence of implementation challenges apart from implementation issues in relation to ISA 600.<sup>47</sup>
23. In addition to the above, Paragraph 17 of the CP asked for respondents' views on which project (either from Column B, Column C or an additional action not included in either column) they would identify as the IAASB's top priority.
24. The table below summarizes the views of respondents who specifically addressed this question:

Projects	Respondents	Total
B1: Project(s) to respond to ISA Implementation Monitoring findings	ACCA, CASB, CGA Canada, CPAB, HKICPA, Malaysian Oversight Board, NZICA	7
B4: Identify and address ISA implementation challenges	IIA	1
C6: Evaluate whether to develop ISAE on internal control	ISACA	1

<sup>46</sup> CGA Canada

<sup>47</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Projects	Respondents	Total
C7: Redraft ISRE 2410	DTT	1
C8: Consider actions to facilitate implementation of ISQC 1	ICAEW, IDW, SMPC	3
Revise Audit Sampling and Materiality ISAs	NYSSCPA	1

25. Responses to this question are therefore consistent in identifying B.1 as the top priority.
26. From the responses to the question in paragraph 15(b) of the CP, B.4 (actions to identify and address ISA implementation challenges) came in as a clear second, with 13 of the 26 respondents (50%) who have included it in their priority list identifying it as their number 2 priority. Many of the respondents in fact highlighted the close relationship between B.1 and B.4, with some<sup>48</sup> suggesting combining the two. Two respondents<sup>49</sup> made clear that they do not support B.4 on the grounds that it would be more appropriate for NSS to address it at the national level. One respondent<sup>50</sup> supported only work on the identification of implementation challenges, suggesting that the development of implementation materials should be left to IFAC Member Bodies and NSS.
27. In supporting B.1 and B.4, respondents suggested:
- Working with oversight bodies as well as IFAC Member Bodies and NSS to understand how the ISAs are working in practice, to ensure consistency of implementation, and to identify areas for improvement.<sup>51</sup> The role of IFAC Member Bodies and the importance of collaborating with them were emphasized in particular as they are the ones who face the implementation challenges.<sup>52</sup>
  - Revising ISAs only where there is a clear need.<sup>53</sup>
  - The need for a cautious approach as it would be better for national bodies if the Board explains its aims clearly in new or revised standards and guidance as opposed to actively providing implementation support.<sup>54</sup>
  - The need to first clarify the IAASB's role in development of implementation materials.<sup>55</sup>
  - Considering revising the ISAs that were not revised under the Clarity project as a matter of high priority.<sup>56</sup>

<sup>48</sup> Basel Committee, WB

<sup>49</sup> FAR, NBA

<sup>50</sup> IDW

<sup>51</sup> CGA Canada, ICAEW, IOSCO

<sup>52</sup> Australian Profession, ICAEW

<sup>53</sup> FAR, GAO, KPMG

<sup>54</sup> APB

<sup>55</sup> CASB

- Considering addressing professional skepticism<sup>57</sup> as well as other conceptual aspects of ISAs such as materiality and professional judgment.<sup>58</sup>
- Distinguishing, wherever possible, consistency issues arising from poor application from those arising from a lack of clarity in the ISAs.<sup>59</sup>
- Considering treating B.1/B.4 as a standing process of monitoring and improvement for the ISAs.<sup>60</sup>

Under B.4, there was also a reminder of the Board's commitment to issue a summary of key changes in revised standards.

28. At the September 2010 IAASB CAG meeting, INTOSAI was supportive of the development of implementation guidance, perhaps under B.4.
29. The remaining B projects appear to have relatively close weights of support in terms of numbers of respondents supporting them. However, an analysis of priority rankings in terms of numbers of respondents including the projects in their top 3 B projects and numbers of respondents against indicates where the greatest support lies:

B Project	Support as a Top-3 B Project		No. of Respondents Against
	Total No. of Respondents	Of Which No. of Regulators	
B.2 – Revise ISRS 4400 (AUPs)	13	3	4
B.3 – Revise or withdraw ISAE 3400 (Prospectives)	8	2	11
B.5 – Seek feedback on implementation of ISAE 3402	7	1	4
B.6 – Develop publication explaining benefits of adopting ISAs	4	–	4

30. Specific comments from respondents on these projects are summarized below.

*Project B.2 – Revise ISRS 4400 (Agreed-Upon Procedures)*

31. Those respondents who supported B.2 as a priority noted the following:
- It would meet the needs of users who do not need an audit or a review,<sup>61</sup> and it would help support the development of hybrid services.<sup>62</sup>

<sup>56</sup> CASB, KPMG

<sup>57</sup> HKICPA, IOSCO

<sup>58</sup> HKICPA

<sup>59</sup> ICAEW

<sup>60</sup> Basel Committee, CASB

<sup>61</sup> CASB, SMPC, WB



- The need to update ISRS 4400 given its age and to align it with the Clarity drafting conventions.<sup>63</sup>
- Australia has recently issued an exposure draft of a revised standard dealing with agreed-upon procedures, and could provide relevant input to the IAASB on B.2.<sup>64</sup>

32. Four respondents indicated clearly that they would not support B.2 as a priority.<sup>65</sup>

*Project B.3 – Revise or Withdraw ISAE 3400 (Prospective Financial Information)*

33. Many respondents<sup>66</sup> did not support a revision of ISAE 3400, with some arguing for its outright withdrawal, for a number of reasons, including the following:

- It would not be practicable to develop an international standard because of the diversity in national legal and regulatory requirements in this area.
- Clear global demand must first be established.
- It would be important to first establish the conceptual basis for reporting on prospective financial information given the limited use of standard and the expectation gap regarding the level of assurance provided.
- Revisions to the EU Prospectus Directive are anticipated in the short term.

34. A few respondents<sup>67</sup> argued that the standard should not be withdrawn as it is still in use in practice.

35. A few respondents<sup>68</sup> who expressed support for a revision of the standard acknowledged that a decision to undertake such a project would need to be subject to research into regulatory practice and international demand.

*Project B.5 – Seek Feedback on Implementation of ISAE 3402*

36. A few of the respondents<sup>69</sup> who expressed support for B.5 justified their support on the ground that outsourcing is now a pervasive practice.

37. Four respondents<sup>70</sup> clearly indicated that they do not support B.5 as a priority for the following reasons:

- There have been no specific issues raised regarding the use of ISAE 3402.
- The standard needs time to bed in first.

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<sup>62</sup> ACCA

<sup>63</sup> IDW

<sup>64</sup> Australian Profession

<sup>65</sup> APB, CIPFA, EYG, NBA

<sup>66</sup> APB, CASB, CGA Canada, CIPFA, CPAB, DTT, EYG, FEE, ICAEW, NBA, SMPC

<sup>67</sup> FEE, IDW, NZICA

<sup>68</sup> GAO, IDW

<sup>69</sup> Australian Profession, GAO, IIA

<sup>70</sup> FEE, ICAEW, ICAP, SMPC

- It has limited applicability in developing countries and for SME audits.

*Project B.6 – Develop Publication Explaining Benefits of Adopting ISAs*

38. A few of the respondents<sup>71</sup> who expressed support for B.6 were of the view that it could be combined with activity A.10, i.e., development of a publication on the meaning of an audit. One respondent<sup>72</sup> noted the importance of B.6 in the context of current debates around the relevance of the audit, and felt that B.6 should be linked with a robust promotion and lobbying campaign to maximize the benefits. Another respondent<sup>73</sup> felt that B.6 is a routine marketing activity and should not absorb significant Board or staff time.
39. Four respondents<sup>74</sup> indicated that they would not support B.6 as a priority for a number of reasons, including:
- The fact that ISAs have already been adopted locally.
  - Their perception that the objectives of this activity could be achieved through IAASB representatives' outreach activities.
  - The view that it would be more appropriate for IFAC's Communications Department and the SMPC to focus on such efforts.

**Highlights**

- Broad and clear support for B projects, but with varying views regarding prioritization
- Greatest support across all categories of respondents for B.1 and B.4 as the top two priorities (regulatory backing particularly strong for B.1). Some suggestions of combining B.1 and B.4. However, a small minority of views that the development of implementation materials should be left to IFAC Member Bodies, although IAASB could act as a facilitator
- Respondents supporting B.1 and B.4 emphasized importance of:
  - Collaborating or partnering with oversight bodies, IFAC Member Bodies and NSS
  - Establishing a clear need before revising ISAs
  - Being clear about the IAASB's role in developing implementation materials
  - Considering treating B.1/B.4 as a standing process of monitoring and improvement
- B.2 as the next B project having the most support amongst respondents (across the categories of IFAC Member Bodies, regulators, firms and NSS), mainly to meet the needs of users who do not need an audit or a review, and for hybrid services
- Significant support for B.5 as next on the priority list (mainly IFAC Member Bodies, firms

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<sup>71</sup> NBA, PwC

<sup>72</sup> ICAEW

<sup>73</sup> WB

<sup>74</sup> AUASB, DTT, EBA, FAR

and NSS), as outsourcing is now such a pervasive practice.

- Some support for B.6 (mainly from Member Bodies, firms and the SMPC), with suggestions to combine it with A.10 (development of a publication on the meaning of an audit). However, some expressions of non-support on the grounds that the objectives could be achieved through regular outreach activities and that this is a marketing activity that could be undertaken by IFAC’s Communications Department or the SMPC.
- Greater weight of non-support for revising ISAE 3400 under B.3, mainly because of the diversity of national laws and regulations, and the need to establish clear global demand. Some views for or against whether the standard should be withdrawn.

### C. Support and Prioritization for “C” Projects

40. Paragraph 15(c) of the CP asked for respondents’ views on which of the C projects, if any, should be considered for inclusion on the future work program, how should these be prioritized relative to the A and B projects, and whether any C project(s) would not be supported. In addition, paragraph 16 of the CP asked for respondents’ views as to their top three projects either from, or in addition to, the C projects that they believe would best meet the IAASB’s public interest mandate.
41. Compared with the B projects, relatively fewer respondents<sup>75</sup> expressed broad support for the C projects. Some<sup>76</sup> acknowledged that it would be unrealistic to expect the Board to undertake all the suggested C projects in the strategy period, and therefore a prioritization would be necessary.
42. In terms of prioritization of the C or additional projects, respondents’ suggestions are tabled in Appendix 4. The table below provides an overview of priority rankings of C projects in terms of numbers of respondents including them in their top 3, as well as numbers of respondents against.

C Project	Total No. of Respondents		Of Which No. of Regulators		No. of Respondents Against
	Top 3	No. 1	Top 3	No. 1	
C.1 – IAPSS 1004/1006	16	11	6	4	7
C.2 – Preliminary announcements	6	2	1	1	9
C.3 – Monitor developments in integrated reporting	14	4	1	–	3
C.4 – Evaluate an ISAE on sustainability reporting	6	–	–	–	8
C.5 – Evaluate an ISAE on corporate governance	12	1	4	–	3

<sup>75</sup> ACCA, AICPA, AUASB, CGA Canada, CPAB, EYG, FAR, IDW, IIA, RAC Pakistan, SAICA

<sup>76</sup> AUASB, CPAB, IDW

statements					
C.6 – Evaluate an ISAE on internal control	14	2	4	1	5
C.7 – Redraft ISRE 2410	11	2	2	–	3
C.8 – Consider actions to facilitate implementation of ISQC 1	14	8	2	1	–

43. Specific comments from respondents on these projects are summarized below.

*Project C.1 – Project Regarding IAPSs 1004/1006*

44. Amongst those respondents supporting C.1 as a priority, the Basel Committee noted that it plans to lead the revision of IAPS 1004 and that it would invite the IAASB to participate in this project. Another regulator<sup>77</sup> suggested also considering guidance relative to other financial institutions that may represent systemic risks. C.1 also received some support at the IAASB CAG.
45. Respondents<sup>78</sup> who indicated that they would not support, or would question the Board undertaking, C.1 on a priority basis, did so mainly on the grounds that national laws and regulations are likely too diverse to support the development of global guidance. One respondent<sup>79</sup> expressed doubt as to whether IAPSs are the right vehicles for guidance on the topics addressed in IAPSs 1004 and 1006 whereas another respondent<sup>80</sup> argued that the Basel Committee should take the lead.
46. There was some support at the IAASB CAG for the development of guidance on auditing insurance contracts, perhaps in collaboration with the IAIS.

*Project C.2 – Consider Standard or Guidance Addressing Preliminary Announcements*

47. Respondents<sup>81</sup> who indicated that they would not support C.2 as a priority did so mainly for the following reasons:
- National legal or regulatory requirements are too diverse.
  - The scope would be too narrow as the project would be limited to listed entities.
  - There is no clear evidence of demand, there is a lack of relevant expertise on the IAASB, and there is a lack of best practice from which to draw.
  - It would be better to research the issues in, and address, a broader practitioner association project.<sup>82</sup> In this regard, in response to the question in paragraph 15(d) of the CP, several other respondents<sup>83</sup> expressed support for such a project.

<sup>77</sup> IOSCO

<sup>78</sup> APB, CASB, DTT, FEE, NBA, PwC, NZICA

<sup>79</sup> CASB

<sup>80</sup> PwC

<sup>81</sup> AICPA, APB, CASB, CGA Canada, DTT, FEE, IDW, Malaysia Oversight Board, NBA

<sup>82</sup> AICPA, CASB, FEE, IDW

*Project C.3 – Monitor Developments in Integrated Reporting*

48. Respondents supporting C.3, including those not prioritizing it as a top-3 project, noted the following:
- It is still early days and the monitoring of developments should not absorb significant Board resources.<sup>84</sup> Nevertheless, the Board should be actively involved in the relevant debates on the topic.<sup>85</sup>
  - It would be important to research the availability of suitable criteria first.<sup>86</sup>
  - Further action should be subject to demonstrable global demand.<sup>87</sup>
49. C.3 also received some support at the IAASB CAG.
50. A few respondents<sup>88</sup> suggested considering drawing together the strands in the various aspects of integrated reporting, i.e., greenhouse gases, sustainability reporting, and corporate governance, or more broadly reporting on non-financial information.
51. Respondents<sup>89</sup> who indicated that they did not support C.3 as a priority did so mainly on the grounds that national laws and regulations are likely too diverse in this area.

*Project C.4 – Evaluate Whether to Develop an ISAE on Sustainability Reporting*

52. Amongst respondents supporting C.4, including those not prioritizing it as a top-3 project, a few noted the following:
- It would be important to research the availability of suitable criteria first.<sup>90</sup>
  - It would enable the profession to establish a leading role in the field.<sup>91</sup>
53. There was also some support at the IAASB CAG for C.4.
54. As in the case of C.3, a few respondents<sup>92</sup> suggested considering integrating the various C projects dealing with non-financial information.

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<sup>83</sup> DTT, KPMG, SMPC

<sup>84</sup> ACCA, CGA Canada, CIPFA

<sup>85</sup> EYG, FEE, GAO, KPMG

<sup>86</sup> AICPA, CASB

<sup>87</sup> APB

<sup>88</sup> FAR, FEE, WB

<sup>89</sup> DTT, Malaysia Oversight Board, NBA

<sup>90</sup> AICPA

<sup>91</sup> FEE

<sup>92</sup> FEE, JICPA

55. Respondents<sup>93</sup> who indicated they would not support C.4 or would not consider it as a priority did so for a number of reasons, including the following:
- There is no clear evidence of demand, there is a lack of relevant expertise on the IAASB, and there is a lack of best practice from which to draw.
  - Progress on the finalization and implementation of ISAEs 3000 and 3410 should first be assessed.
  - National laws and regulations are likely too diverse to support a global standard.

*Project C.5 – Evaluate Whether to Develop an ISAE on Corporate Governance Statements*

56. Respondents supporting C.5, including those not prioritizing it as a top-3 project, noted the following:
- It would be important to research the availability of suitable criteria first.<sup>94</sup>
  - It would represent an appropriate response to the global financial crisis.<sup>95</sup>
  - It would be important to consider jurisdictional developments first, such as within the EU.<sup>96</sup>
  - It would be important for the IAASB to engage with the EC and PCAOB in this area and to manage expectations regarding level of assurance that can be provided.<sup>97</sup>
57. C.5 also drew some support at the IAASB CAG.
58. A few of these respondents<sup>98</sup> noted the overlap of C.5 with a number of projects, including auditor reporting, ISA 720, and reporting on prospective financial information.
59. Respondents<sup>99</sup> who indicated that they would not support C.5 as a priority did so mainly because of the lack of clear evidence of demand, the lack of relevant expertise on the IAASB, the lack of best practice from which to draw, and the variability in national laws and regulations in this area.

*Project C.6 – Evaluate Whether to Develop an ISAE on Internal Control*

60. Respondents supporting C.6, including those not prioritizing it as a top-3 project, made the following comments:
- It would be important to ensure consistency with the relevant U.S. standards and to take into account work done on the topic in the U.S.<sup>100</sup>

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<sup>93</sup> APB, CGA Canada, CIPFA, DTT, ICAEW, KPMG, Malaysia Oversight Board, NBA

<sup>94</sup> AICPA

<sup>95</sup> Basel Committee

<sup>96</sup> FEE

<sup>97</sup> ICAEW

<sup>98</sup> ICAEW, IDW

<sup>99</sup> APB, DTT, Malaysia Oversight Board

<sup>100</sup> AICPA, GAO

- It would be an appropriate response to the global financial crisis.<sup>101</sup>
  - Consideration should be given to collaborating with other organizations such as FEE and the IIA if the project were to be undertaken.<sup>102</sup>
  - It would be important to first consider the feedback on the implementation of ISAE 3402 and await the finalization of ISAE 3000.<sup>103</sup>
61. There was also some support for C.6 at the IAASB CAG.
62. One respondent<sup>104</sup> suggested considering integrating projects C.3-C.6 as they seem related.
63. Respondents<sup>105</sup> who indicated that they would not support C.6 as a priority did so for the following main reasons:
- There is no clear evidence of demand, there is a lack of relevant expertise on the IAASB, and there is a lack of best practice from which to draw.
  - National laws and regulations are too diverse for a global standard.

*Project C.7 – Redraft ISRE 2410*

64. Respondents supporting C.7, including those not prioritizing it as a top-3 project, made the following comments:
- It would meet national needs.<sup>106</sup>
  - It would be important to ensure consistency with the proposed revised ISRE 2400.<sup>107</sup>
  - It would be important to consider revising ISRE 2410, not just redrafting it.<sup>108</sup>
65. Two respondents<sup>109</sup> observed that a redraft of the standard should not be resource intensive.
66. Respondents<sup>110</sup> who indicated that they did not view C.7 as a priority did so mainly because there is no apparent urgency and it would be important to first understand how the standard is working in practice.

*Project C.8 – Consider Actions to Facilitate Implementation of ISQC 1*

67. Amongst those supporting C.8 as a priority, the main comment<sup>111</sup> was the importance of addressing the matter of proportionality with IFIAR, particularly in relation to documentation requirements.

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<sup>101</sup> Basel Committee

<sup>102</sup> FEE, IIA

<sup>103</sup> KPMG

<sup>104</sup> FEE

<sup>105</sup> APB, CASB, DTT, FAR, Malaysia Oversight Board

<sup>106</sup> AUASB

<sup>107</sup> CASB, IDW

<sup>108</sup> CPAB, Malaysian Oversight Board

<sup>109</sup> FEE, ICAEW

<sup>110</sup> APB, CGA Canada, NBA

68. There was some support at the IAASB CAG for C.8.
69. Two respondents<sup>112</sup> were of the view that ISQC 1 is capable of proportionate application and that the difficulties are more practical in nature than a matter of clarity of the standard. It was suggested that the IAASB address the concerns via outreach to NSS and IFAC Member Bodies.

*Respondents' Suggestions for Other Priority Projects*

70. Appendix 4 lists a number of suggestions from respondents for priority projects not included in the CP. The suggestions are varied and none appears to be supported as a top 3 priority by more than two respondents. A few of the topics put forward appear consistent with the mandate of those respondents that suggest them, for example, projects on insurance contracts (IAA and IAS), and anti-bribery programs (TI).

**Highlights**

- Greatest support for C.8 across the categories of Member Bodies, regulators, NSS and other professional organizations (including SMPC). Some support at the IAASB CAG. Address proportionality of audit documentation with IFIAR.
- Strong support for C.1 (particularly amongst MG members, other regulators and Member Bodies). However, some opposition from NSS and firms mainly because of diversity of national laws and regulations and a question as to whether IAPs are the right vehicles. Some support at the IAASB CAG for guidance on the audit of insurance contracts.
- Some support at the IAASB CAG for C.4. However, generally mixed support from respondents. Main argument for is that the profession should take a leading role in the field of sustainability. Arguments against include: lack of clear demand, Board expertise and best practice; diversity of national laws and regulations; and importance of finalizing and assessing implementation of revised ISAE 3000 and ISAE 3410
- Some support amongst Member Bodies and regulators for C.3, C.5 and C.6 (for C.5 and C.6 mainly in response to the global financial crisis). Some support also for C.3, C.5 and C.6 at the IAASB CAG.
- However, significant challenges identified in relation to prioritizing them, including: lack of clear global demand; diversity of national legal and regulatory requirements; need to monitor developments; and need to await the finalization of revised ISAE 3000.
- Strong public interest support for C.2. However, significant non-support also for reasons that include: lack of clear evidence of demand and best practice; diversity in national legal and regulatory requirements; and narrow scope. Significant support for a broader practitioner association project.
- Greater weight of support for C.7 mainly on the grounds that it would meet national needs. Some suggestions to revise and not just redraft ISRE 2410. However, some comments also

<sup>111</sup> FEE

<sup>112</sup> CASB, KPMG



that there is no apparent urgency as no significant issues have been raised in practice.

- Varied respondent suggestions as to other projects to prioritize; however, no significant support for any one of these.

#### **D. Suggestions for Other Projects or Activities**

71. Paragraph 15(d) of the CP asked for respondents' views on whether there are additional actions or projects that should be addressed and, if so, how these should be prioritized relative to the B and C projects.
72. Respondents' views covered a wide range of topics, with some suggesting broad actions and others focusing on specific projects. No particular suggestion appears to have significant support amongst respondents, although there was agreement amongst a few respondents on a small number of the suggested topics, particularly:
  - A conceptual framework for assurance
  - Guidance on the audit of insurance contracts (also supported by a couple of IAASB CAG representatives at the September 2010 IAASB CAG meeting)
  - Comfort letters
  - Guidance on auditing in a shared service center environment
  - Guidance to reinforce the concept of professional skepticism
73. Suggestions from MG members and other regulators include:
  - Considering how the ISAs could be strengthened in the light of the financial crisis (Basel Committee)
  - Considering guidance relating to recent changes in financial reporting standards, e.g., loan loss provisioning and hedging (Basel Committee and EBA)
  - Revisiting ISQC 1 to strengthen the monitoring element of quality control (Basel Committee)
  - Strengthening the requirements for engagement quality control review in ISQC 1, taking into account PCAOB's AS 7 (CPAB)
  - Developing an IAPS on the audit of insurance contracts (IAIS)
  - Considering broader auditor communications with users regarding audit process and key findings (CPAB)
74. Set against the above is the comment at the September 2010 IAASB CAG meeting that the IAASB needs to be cautious in considering whether to develop sector-specific guidance and standards, and should look at whether there are any broader issues that can be addressed.
75. Several of the suggestions appear not to be within the IAASB's mandate, such as the development of standards for the public sector, or would require consideration of the IAASB's role in the development of guidance in various forms.

76. Appendix 5 summarizes respondents' suggestions.

### Highlights

- Wide range of suggestions for other projects to prioritize
- Some suggestions for revisiting aspects of ISQC 1 from MG members and other regulators
- However, overall no clear direction on any particular suggested project
- IAASB CAG caution about considering development of sector-specific guidance and standards

### E. Development of Guidance and Partnering with Others

77. Paragraph 18 of the CP asked for respondents' views regarding:

- (a) The types of publications or further implementation guidance that may be of most use to facilitate the adoption and implementation of the IAASB's pronouncements; and
- (b) Opportunities that may exist for the IAASB to partner with others to facilitate implementation of the clarified ISAs.

78. A number of Member Bodies and NSS<sup>113</sup> indicated that they would welcome opportunities to partner with the IAASB in facilitating the implementation of the clarified ISAs or in addressing implementation issues. Two regulators<sup>114</sup> encouraged the IAASB to continue to seek input from IFIAR given its members' unique insights into the application of the ISAs. Other respondents<sup>115</sup> encouraged continued liaison with Member Bodies, regulators, NSS, INTOSAI, the SMPC and others to identify opportunities to facilitate implementation of the ISAs as well as areas for improvement in the standards.

79. One respondent<sup>116</sup> suggested specific groups or organizations with which the IAASB could partner, including:

- The IIA, National Association of Corporate Directors (NACD), and the OECD on topics such as risk management, corporate governance, and internal control; and
- The U.S. Environmental Protection Agency (EPA) in the area of sustainability.

80. Other suggestions included:

- Reaching out to leading educational institutions in the field of accounting and finance, and raising the awareness of global decision making bodies such as the G20 and the IMF regarding the IAASB's work.<sup>117</sup>

<sup>113</sup> ACCA, AICPA, AUASB, NBA, SMPC

<sup>114</sup> CPAB, Malaysian Oversight Board

<sup>115</sup> CIPFA, ICAEW, KPMG

<sup>116</sup> IIA

<sup>117</sup> CGA Canada

- Leveraging and “internationalizing” implementation guidance developed by NSS and other bodies, or endorsing guidance developed by others, subject to appropriate quality, leading to new IAPs and industry-specific implementation guidance.<sup>118</sup> In this regard, however, one respondent,<sup>119</sup> highlighted Member Bodies’ costs in developing guidance materials and argued that such materials simply cannot be given away; accordingly, consideration would need to be given to licensing and intellectual property rights issues.
  - Setting up an investor advisory group.<sup>120</sup>
  - Providing a dedicated channel through which IFAC Member Bodies can consult with the IAASB on implementation and interpretation issues.<sup>121</sup>
81. One respondent<sup>122</sup> was not supportive of IAASB providing active implementation support, believing that it should IFAC that should be encouraging its member bodies to take appropriate actions to ensure effective implementation. Another respondent<sup>123</sup> expressed support for the IAASB playing a coordinating role but not to develop implementation guidance itself.
82. Amongst suggestions for the types of publications or further implementation guidance to facilitate adoption and implementation of IAASB standards were the following:
- IAPs for more complex topics<sup>124</sup>
  - Risk alert and other awareness publications, and Q&As<sup>125</sup>
  - Guidance on smaller entity audit documentation<sup>126</sup>
  - Illustrative reports and ISA video modules<sup>127</sup>
  - Focused guidance on areas where the greatest implementation difficulties lie for SMPs, e.g., in the area of internal control in applying the risk assessment ISAs<sup>128</sup> or the application of substantive analytical procedures<sup>129</sup>
  - Implementation guidance addressing:

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<sup>118</sup> CASB, EY, KPMG, ISACA

<sup>119</sup> ICAEW

<sup>120</sup> KPMG

<sup>121</sup> CGA Canada

<sup>122</sup> APB

<sup>123</sup> IDW

<sup>124</sup> AICPA, Malaysia Oversight Board

<sup>125</sup> AICPA, IIA

<sup>126</sup> APB

<sup>127</sup> AUASB

<sup>128</sup> CASB, CPAB, ICAEW, SMPC

<sup>129</sup> NYSSCPA

- The form and content of the auditor’s report for general and special purpose engagements<sup>130</sup>
  - How to apply ISAE 3000 in the context of a direct reporting engagement<sup>131</sup>
  - The revised standards, focusing on review and hybrid engagements<sup>132</sup>
  - Guidance enabling practitioners to better understand the distinction between a reasonable assurance engagement and a limited assurance engagement<sup>133</sup>
  - Communication materials facilitating an understanding of the differences between the different types of engagement and their respective merits<sup>134</sup>
  - Webinars, social media, web-based training, discussion forums<sup>135</sup>
83. One respondent<sup>136</sup> pointed out that overviews of differences between old and revised ISAs have not been made available although this was announced when the Clarity project was finalized. It suggested that such overviews would be helpful to stakeholders.
84. Another respondent<sup>137</sup> cautioned against developing guidance that adds to the perceived complexity in applying ISAs.

#### **Highlights**

- Support from some Member Bodies and NSS to partner with IAASB in facilitating implementation of clarified ISAs
- Encouragement to continue outreach to, and liaison with, regulators, NSS, Member Bodies, etc
- Support for consideration of whether guidance developed by others can be “internationalized,” but a minority of opposing view that IAASB itself should not develop implementation guidance
- Varied suggestions as to the types of publications IAASB could develop to facilitate adoption and implementation, e.g., risk alerts, Q&As, webinars, communication materials, etc
- A number of suggestions for further implementation guidance, e.g., application of risk assessment ISAs, smaller entity audit documentation, reporting, etc, but a caution against unnecessarily adding to complexity of professional literature through additional guidance

<sup>130</sup> CASB

<sup>131</sup> CASB

<sup>132</sup> ACCA

<sup>133</sup> CASB

<sup>134</sup> ACCA

<sup>135</sup> CGA Canada, IIA

<sup>136</sup> Mazars

<sup>137</sup> ICAEW

- A reminder to fulfill our commitment to publish overviews of significant changes when revised standards issued

## Appendix 1

### List of Respondents

#	Abbreviation	Name
<b>IFAC Member Bodies (13)</b>		
1.	ACCA	The Association of Chartered Certified Accountants
2.	Australian Profession	Australian Accounting Profession (CPA Australia, The Institute of Chartered Accountants in Australia, National Institute of Accountants in Australia)
3.	CGA Canada	Certified General Accountants Association of Canada
4.	CIPFA	Chartered Institute of Public Finance and Accountancy
5.	FAR	FAR, Sweden
6.	FSR	Foreningen af Statsautoriserede Revisorer
7.	HKICPA	Hong Kong Institute of Certified Public Accountants
8.	ICAEW	The Institute of Chartered Accountants in England and Wales
9.	ICAP	Institute of Chartered Accountants of Pakistan
10.	IDW	Institut der Wirtschaftsprüfer
11.	JICPA	The Japanese Institute of Certified Public Accountants
12.	NBA	Nederlandse Beroepsorganisatie van Accountants
13.	SAICA	The South African Institute of Chartered Accountants
<b>Regulators and Oversight Authorities (9)</b>		
14.	Basel Committee	Basel Committee on Banking Supervision
15.	CPAB	Canadian Public Accountability Board
16.	EBA	European Banking Authority
17.	H3C	Haut Conseil du Commissariat aux Comptes
18.	IAIS	International Association of Insurance Supervisors
19.	IOSCO	International Organisation of Securities Commissions
20.	Malaysian Oversight Board	Audit Oversight Board, Malaysia
21.	Swiss Oversight Authority	Federal Audit Oversight Authority, Switzerland

#	Abbreviation	Name
22.	WB	The World Bank
<b>Firms (6)</b>		
23.	DTT	Deloitte Touche Tohmatsu
24.	EYG	Ernst & Young Global
25.	KPMG	KPMG
26.	Mazars	Mazars and Guérard
27.	PwC	PricewaterhouseCoopers
28.	RAC Pakistan	Riaz Ahmad and Company, Chartered Accountants, Pakistan
<b>National Auditing Standard Setters (5)</b>		
29.	AICPA	American Institute of Certified Public Accountants' Auditing Standards Board
30.	APB	UK Auditing Practice Board
31.	AUASB	Australian Auditing and Assurance Standard Board
32.	CASB	Canadian Auditing and Assurance Standards Board
33.	NZICA	New Zealand Institute of Chartered Accountants
<b>Public Sector Organization (1)</b>		
34.	GAO	United States Government Accountability Office
<b>Other Professional Organizations (6)</b>		
35.	FEE	Fédération des Experts Comptables Européens
36.	IAA	International Actuarial Association
37.	IIA	The Institute of Internal Auditors
38.	ISACA	Information Systems Audit and Control Association
39.	NYSSCPA	New York State Society of Certified Public Accountants
40.	SMPC	IFAC SMP Committee
<b>Others (2)</b>		
41.	SRA	SRA Netherlands
42.	TI	Transparency International

## Overview of Possible Actions to Implement the Proposed Strategy<sup>138</sup>

<b>Developing and Revising Its Standards</b>		
<b>Maintaining a Commitment to the ISAs and the Audit</b>		
<b>Current Projects (Column A)</b>	<b>Anticipated Projects Likely to Commence in 2012–2014 (Column B)</b>	<b>Suggestions for Additional Projects (Column C)</b>
<p>A.1 Finalize the revision of ISA 720, <i>The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements</i>.</p> <p>A.2 Conclude on actions to be taken as a result of the research on the standard auditor's report (including ISA 700, <i>Forming an Opinion and Reporting on Financial Statements</i>). (Ref: Para. 24–25)</p> <p>A.3 Develop a new ISA or guidance on auditing financial statement disclosures. (Ref: Para. 26)</p> <p>A.4 Continue work on the audit quality initiative. (Ref: Para. 19–23)</p> <p>A.5 Provide input to the IASB on aspects of its proposed standards that may have potential verifiability or auditability issues and continue to monitor developments in financial reporting standards to determine whether these may</p>	<p>B.1 Undertake new project(s) to respond to findings of the ISA Implementation Monitoring project, in consultation with the IAASB CAG—output in the form of a revised ISA(s), new ISA, IAPS, or other form, as deemed appropriate. (Ref: Para. 54–55)</p>	<p>C.1 In consultation with banking regulators and supervisors, consider undertaking a project with regard to IAPS 1004, <i>The Relationship between Banking Supervisors and Banks' External Auditors</i>, and IAPS 1006, <i>Audits of the Financial Statements of Banks</i>, for the audit of banks. (Ref: Para. 71–72)</p> <p>C.2 Consider whether a new standard or guidance is necessary to address the auditor's responsibilities relating to preliminary announcements. (Ref: Para. 73)</p>

<sup>138</sup> Reproduced from the CP



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lead to a need for new or revised auditing standards, or further guidance. (Ref: Para. 27–28)		
<b>Enhancing Public Confidence through the Development or Revision of Assurance and Other Standards that Address Demands of Users of Financial Information</b>		
<b>Current Projects (Column A)</b>	<b>Anticipated Projects Likely to Commence in 2012–2014 (Column B)</b>	<b>Suggestions for Additional Projects (Column C)</b>
<p>A.6 Finalize the revision of ISAE 3000, <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>.</p> <p>A.7 Finalize the development of new ISAE 3410, <i>Assurance Engagements on Greenhouse Gas Statements</i>.</p> <p>A.8 Finalize the revisions of ISRE 2400, <i>Engagements to Review Historical Financial Statements</i>, and ISRS 4410, <i>Compilation Engagements</i>.</p> <p>A.9 Conclude on actions to be taken with regard to eXtensible Business Reporting Language (XBRL).</p>	<p>B.2 Revise ISRS 4400, <i>Engagements to Perform Agreed-upon Procedures Regarding Financial Information</i>. (Ref: Para. 56)</p> <p>B.3 Determine whether to revise or withdraw ISAE 3400, <i>The Examination of Prospective Financial Information</i>. (Ref: Para. 57–59)</p>	<p>C.3 Monitor the impact of developments in integrated reporting (linking financial, environmental, social and governance information) and participate, as necessary, in any audit- or assurance-related outcomes. (Ref: Para. 74–75)</p> <p>C.4 Evaluate whether to develop a new ISAE addressing assurance on sustainability reporting. (Ref: Para. 76–77)</p> <p>C.5 Evaluate whether to develop a new ISAE addressing assurance on corporate governance statements. (Ref: Para. 78–80)</p> <p>C.6 Evaluate whether to develop a new ISAE addressing assurance on internal control. (Ref: Para. 81)</p> <p>C.7 Redraft ISRE 2410, <i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>, in the Clarity format. (Ref: Para. 82)</p>

<b>Responding to Concerns about Implementation of Its Standards</b>		
<b>Current Projects (Column A)</b>	<b>Anticipated Projects Likely to Commence in 2012–2014 (Column B)<sup>139</sup></b>	<b>Suggestions for Additional Projects (Column C)</b>
	<p>B.4 Through the ISA Implementation Monitoring project and other outreach activities, take a proactive role in identifying implementation challenges and seek to develop materials aimed at addressing these challenges, working with NSS, IFAC member bodies and others. (Ref: Para. 60–63)</p> <p>B.5 Seek feedback from service organizations, service auditors, user entities, user auditors, and others on their experiences with the implementation of ISAE 3402, <i>Assurance Reports on Controls at a Service Organization</i>. (Ref: Para. 64–65)</p>	

<sup>139</sup> Depending on the proposed output of the project(s) to respond to findings of the ISA Implementation Monitoring project, the anticipated new project(s) under the “Developing and Revising Its Standards” section may be more appropriately classified as “Developing Implementation Guidance.”

<b>Ongoing Outreach and Other Communication Activities to Promote Adoption of Its Standards</b>		
<b>Current Activities (Column A)</b>	<b>Anticipated Activities Likely to Commence in 2012–2014 (Column B)</b>	<b>Suggestions for Additional Activities (Column C)</b>
<p>A.10 Develop a publication on the meaning of an audit. (Ref: Para. 45)</p> <p>A.11 Continue communication and other outreach initiatives described in Appendix 4. (Ref: Para. 39–44)</p>	<p>B.6 Develop a publication explaining the benefits of adopting the ISAs, and consider whether other publications should be developed to further promote adoption and implementation of the IAASB’s standards. (Ref: Para. 66–67)<sup>140</sup></p>	<p>C.8 In connection with interested parties, consider what further actions can be taken to assist in the implementation of International Standard on Quality Control (ISQC) 1, <i>Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i>, for smaller firms. (Ref: Para. 83)</p>

<sup>140</sup> Other proposed enhancements to the IAASB’s communications and outreach activities are described in more detail in paragraphs 46–53.

### Appendix 3

#### Respondents' Suggested Prioritizations for “B” Projects

Note: Each respondent's suggested order of prioritization is indicated in brackets. If no order is specified, a “–” is used.

Project	Member Bodies	Regulators	Firms	NSS	Public Sector	Other Prof. Orgs	Total Support
B.1: Project(s) to respond to ISA Implementation Monitoring findings	ACCA(1) Australian Profession(–) CGA Canada(1) CIPFA(1) FAR(1) NBA(–) SAICA(1)	Basel Committee(1) CPAB(1) EBA(1) H3C(1) IOSCO(1) Malaysian Oversight(1) Swiss Oversight(1)	DTT(1) EYG(1) KPMG(–) Mazars(1) PwC(1) RAC Pakistan(1)	APB(1) CASB(–) AUASB(2) NZICA(1)	GAO(1)	FEE(–) IIA(2) NYSSCPA(1) SMPC(3)	<b>29</b>
B.2: Revise ISRS 4400 (AUPs)	ACCA(3) Australian Profession(–) CGA Canada(4) FAR(2) ICAEW(3) IDW(1) SAICA(2)	Basel Committee(3) EBA(3) H3C(2)	KPMG(–) PwC(3) RAC Pakistan(2)	AUASB(1) CASB(–) NZICA(2)		SMPC(1)	<b>17</b>
B.3: Revise or withdraw ISAE 3400 (Prospectives)	Australian Profession(–) FAR(5) FSR(1) HKICPA(1) IDW(2)	EBA(4) H3C(3) Malaysian Oversight(3)	KPMG(–) Mazars(4) PwC(6) RAC Pakistan(3)	AUASB(5) NZICA(3)	GAO(2)		<b>16</b>

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Project	Member Bodies	Regulators	Firms	NSS	Public Sector	Other Prof. Orgs	Total Support
	SAICA(3)						
B.4: Identify and address ISA implementation challenges	ACCA(2) Australian Profession(–) CGA Canada(2) CIPFA(2) FAR(6) ICAEW(2) ICAP(1) SAICA(5)	Basel Committee(2) CPAB(2) Malaysian Oversight(2) Swiss Oversight(2)	DTT(2) EYG(2) KPMG(–) Mazars(2) PwC(2) RAC Pakistan(4)	AUASB(3) CASB(–) NZICA(4)	GAO(3)	FEE(–) IIA(1) NYSSCPA(2) SMPC(4)	<b>26</b>
B.5: Seek feedback on implementation of ISAE 3402	Australian Profession(–) CGA Canada(3) CIPFA(3) FAR(3) SAICA(4)	Basel Committee(4) EBA(2)	DTT(3) KPMG(–) Mazars(3) PwC(4) RAC Pakistan(5)	APB(2) AUASB(4) NZICA(5)	GAO(4)	IIA(4) NYSSCPA(5)	<b>18</b>
B.6: Develop publication explaining benefits of adopting ISAs	Australian Profession(–) CGA Canada(6) CIPFA(4) FAR(4) FSR(–) ICAEW(1) ICAP(2) NBA(–) SAICA(6)	EBA(5)	KPMG(–) PwC(5) RAC Pakistan(6)	NZICA(6)		FEE(–) IIA(3) SMPC(2)	<b>17</b>

## Appendix 4

### Respondents’ Suggested Prioritizations for “C” and Other Projects

Note: Each respondent’s suggested order of prioritization is indicated in brackets. If no order is specified, a “–” is used.

C Project/Respondents’ Suggested Projects	Member Bodies	Regulators	Firms	NSS	Public Sector	Other Prof. Organizations /Others	Total Support
C.1: IAPs 1004/1006	ACCA(3) Australian Profession(1) CGA Canada(1) FAR(1) ICAEW(2) ICAP(1)	Basel Committee(1) CPAB(2) EBA(1) IOSCO(2) Malaysian Oversight(1) WB(1)	KPMG(–) RAC Pakistan(1)	AICPA(1)		IIA(1)	<b>16</b>
C.2: Preliminary announcements	FAR(2)	IOSCO(1)	KPMG(–) Mazars(1) PwC(3)			FEE(3)	<b>6</b>
C.3: Monitor developments in integrated reporting	Australian Profession(2) CIPFA(1) ICAEW(3) JICPA(1) SAICA(3)	WB(2)	EYG(2) KPMG(–)	AUASB(1) NZICA(3)	GAO(1)	FEE(2) IIA(3) SMPC(2)	<b>14</b>
C.4: Evaluate an ISAE on sustainability reporting	CIPFA(2) JICPA(2)		KPMG(–) Mazars(3)	AUASB(2)	GAO(2)		<b>6</b>

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<b>C</b>	<b>Project/Respondents' Suggested Projects</b>	<b>Member Bodies</b>	<b>Regulators</b>	<b>Firms</b>	<b>NSS</b>	<b>Public Sector</b>	<b>Other Prof. Organizations /Others</b>	<b>Total Support</b>
	C.5: Evaluate an ISAE on corporate governance statements	ICAP(2) IDW(2) NBA(2) SAICA(1)	Basel Committee(2) EBA(2) Swiss Oversight(2) WB(3)	KPMG(–) Mazars(2) RAC Pakistan(2)			IIA(2)	<b>12</b>
	C.6: Evaluate whether to develop ISAE on internal control	Australian Profession(3) HKICPA(3) ICAP(3) NBA(3) SAICA(2)	Basel Committee(3) EBA(3) H3C(1) Swiss Oversight(3)	KPMG(–)	AICPA(2)	GAO(3)	ISACA(1) NYSSCPA(3)	<b>14</b>
	C.7: Redraft ISRE 2410	FAR(3) HKICPA(2) IDW(1) JICPA(3)	H3C(2) Malaysian Oversight(2)	DTT(1) EYG(3) KPMG(–) RAC Pakistan(3)	NZICA(2)			<b>11</b>
	C.8: Consider actions to facilitate implementation of ISQC 1	ACCA(2) CGA Canada(3) FSR(3) HKICPA(1) ICAEW(1) IDW(3)	Malaysian Oversight(3) Swiss Oversight(1)		AICPA(3) APB(1) NZICA(1)		FEE(1) SMPC(1) SRA(1)	<b>14</b>
	Work on fundamental principles of assurance	ACCA(1)						<b>1</b>
	Revision of ISA 710				CASB(1)			<b>1</b>

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<b>C Project/Respondents' Suggested Projects</b>	<b>Member Bodies</b>	<b>Regulators</b>	<b>Firms</b>	<b>NSS</b>	<b>Public Sector</b>	<b>Other Prof. Organizations /Others</b>	<b>Total Support</b>
Standard addressing derivative reports				CASB(2)			<b>1</b>
Standard addressing hybrid engagements				CASB(3)			<b>1</b>
Guidance regarding audit of insurers	CGA Canada(2)					IAA(1)	<b>2</b>
Guidance on audit of insurance contracts						IAA(2) IAIS(1)	<b>1</b>
Guidance on engagement quality control review		CPAB(1)					<b>1</b>
Auditor communications with users		CPAB(3)					<b>1</b>
Guidance on audits of shared service centers			DTT(2)				<b>1</b>
Standard or guidance addressing practitioner association	IDW(4)		DTT(3)				<b>2</b>
Comfort letters			EYG(1)				<b>1</b>
Guidance addressing professional skepticism	FSR(1)					SMPC(3)	<b>2</b>
Revision of ISA 570	FSR(2)						<b>1</b>
Standard on direct reporting on SME financial	NBA(1)						<b>1</b>



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<b>C Project/Respondents' Suggested Projects</b>	<b>Member Bodies</b>	<b>Regulators</b>	<b>Firms</b>	<b>NSS</b>	<b>Public Sector</b>	<b>Other Prof. Organizations /Others</b>	<b>Total Support</b>
information							
Revise ISA 530						NYSSCPA(1)	<b>1</b>
Revise materiality ISAs						NYSSCPA(2)	<b>1</b>
Assurance on the completeness and fairness of enhanced corporate reporting requirements			PwC(1)				<b>1</b>
Guidance on co-operation between auditors and industry regulators			PwC(2)				<b>1</b>
Assurance on narrative other information/"front half"/Management Discussion & Analysis (MD&A) and preliminary announcements			PwC(3)				<b>1</b>
Standard addressing anti-bribery programs						TI(1)	<b>1</b>

## Appendix 5

### Respondents' Suggestions for Additional Actions or Projects

The table below summarizes responses to the question in paragraph 15(d) of the CP.

#	Projects or Actions to be Considered	Respondents
1.	<ul style="list-style-type: none"> <li>Project on fundamental principles of assurance</li> <li>Revisit Assurance Framework for fitness for purpose, as users are taking assurance from agreed-upon procedures and compilation engagements</li> <li>Development of a conceptual framework for assurance</li> </ul>	<ul style="list-style-type: none"> <li>ACCA</li> <li>Australian Profession</li> <li>IDW</li> </ul>
2.	<ul style="list-style-type: none"> <li>Implementation guidance for revised ISRS 4410 and ISRE 2400 standards</li> <li>Monitor implementation of revised ISRS 4410 and ISRE 2400</li> </ul>	<ul style="list-style-type: none"> <li>AICPA</li> <li>FSR</li> </ul>
3.	Monitor implementation of other assurance standards	APB
4.	Standards for the public sector	AUASB
5.	Consider the audit committee in the ongoing discussions and consultation papers in respect to a broad range of issues that touch on the role of auditors and the interactions of auditors with audit committees	Australian Profession
6.	Sample procedures and letters for SMPs	Australian Profession
7.	Guidance and other documents in complex or emerging areas	Australian Profession
8.	Consider how ISAs could be strengthened in the light of the financial crisis	Basel Committee
9.	Guidance relating to recent changes in financial reporting standards, e.g., loan loss provisioning and hedging	Basel Committee, EBA
10.	<ul style="list-style-type: none"> <li>Revisit ISQC 1 to strengthen the monitoring element of quality control</li> <li>Strengthen requirements for EQCR, taking into account PCAOB's AS 7</li> </ul>	Basel Committee CPAB
11.	Guidance on using work of internal auditors; assurance on performance reporting pursuant to revision of ISAE 3000	CASB
12.	<ul style="list-style-type: none"> <li>Guidance for audit of insurers pursuant to IASB's finalization of IFRS on insurance contracts</li> <li>IAPS on the audit of insurance contracts, pursuant to IASB's</li> </ul>	<ul style="list-style-type: none"> <li>CGA Canada</li> <li>IAIS</li> </ul>

#	Projects or Actions to be Considered	Respondents
	<p>forthcoming finalization of its IFRS on the topic</p> <ul style="list-style-type: none"> <li>Guidance on the relationship between actuaries and valuation experts, and external auditors</li> </ul>	<ul style="list-style-type: none"> <li>ICAEW</li> </ul>
13.	Monitor developments in public sector financial reporting for auditability issues	CIPFA
14.	Consider broader auditor communications with users regarding audit process and key findings	CPAB, FAR
15.	Guidance on auditing in a shared service center environment	DTT; ICAEW; KPMG
16.	Comfort letters	EYG; HKICPA
17.	Development of a professional judgment framework	EYG
18.	Revision of ISA 520	EYG
19.	Development of an ISA addressing the effects of IT on the audit	EYG
20.	Consider greater Board involvement in audit software based on ISAs, e.g., through identifying software suppliers, training them, and identifying best practices regarding ISA-compliant audit software	FEE
21.	Reinforce concept of professional skepticism through additional guidance	FEE, SMPC
22.	Guidance on special purpose reporting engagements other than audits or reviews of financial statements	HKICPA
23.	A standard on controls over security, availability, processing integrity, confidentiality and privacy at service organizations	ISACA
24.	Guidance on the assessment of the appropriateness and reasonableness of management's judgments regarding subjective estimates	KPMG
25.	Joint audits	Mazars
26.	Direct reporting engagements for SMEs under ISAE 3000 model	NBA
27.	Monitor development of audit methodologies by third party providers, particularly how application material in ISAs has been addressed	NYSSCPA
28.	Industry specific guidance in areas such as banking, ecommerce, and insurance	NYSSCPA
29.	Guidance on the impact of assurance engagements on sustainability reports and on independence	SAICA