

**Meeting:** IAASB  
**Meeting Location:** New York  
**Meeting Date:** December 9–13, 2013

## Agenda Item

# 3

### IAASB Future Strategy and Work Program

#### Objective of Agenda Item

1. To approve a revised draft consultation paper (CP) addressing *The IAASB's Proposed Strategy for 2015–2019 (Strategy)* and *The IAASB's Proposed Work Program for 2015–2016 (Work Program)*.

#### Task Force

2. The IAASB Steering Committee serves as the Task Force for this project. Members include:
  - Prof. Arnold Schilder, IAASB Chairman
  - Dan Montgomery, IAASB Deputy Chair
  - Jean Blascos, IAASB Member
  - Jon Grant, IAASB Member
  - Caithlin Mc Cabe, IAASB Member
  - Tomokazu Sekiguchi, IAASB Member

Observer to the Steering Committee is Linda de Beer, Consultative Advisory Group (CAG) Chairman. Ex-officio members are Jim Sylph, International Federation of Accountants (IFAC) Executive Director, Professional Standards and External Relations and James Gunn (IAASB Technical Director).

#### Activities since Last IAASB Discussion

3. Since the September 2013 IAASB meeting, the Task Force physically met in September 2013 and held two teleconferences to progress the draft CPs.

#### Matters for IAASB Consideration

*Revised Strategy for 2015–2019 Consultation Paper (CP), "Fulfilling Our Public Interest Mandate in an Evolving World"*

4. The Task Force has considered how best to respond to the concerns expressed by the Board, CAG and others that the September draft Strategy and Work Program did not clearly articulate the IAASB's strategic vision and what it is intending to achieve. Notwithstanding that there was general support for the themes and projects, there was a view that improvements could be made to the

draft Strategy to move away from a focus on delivering projects and be more focused on key strategic messages.

5. In response, the Task Force is recommending changes focused on:
  - Enhancing the document to better articulate the impact of the influences of others in the international environment, such as the G-20, the Financial Stability Board, the International Organization of Securities Commissions (IOSCO), and the IFRS Foundation.
  - Re-characterizing the “strategic themes” as “strategic objectives” and simplifying them to focus more on expected achievements. The priorities and actions proposed in the Work Program continue to be aligned with the strategic objectives, in order to anchor both the 2015–2016 and subsequent work programs to the five-year Strategy.
  - Better articulating considerations in setting future Work Programs, highlighting the constraints of the current model, and clarifying the factors that were taken into account in identifying the initial priorities for 2015–2016 and future work programs.
  - Highlighting the objectives of the IAASB’s outreach activities, in particular as a means of identifying issues that the Board should address, and the means by which such outreach is typically conducted.
  - Committing to explore how the IAASB could better communicate about its success in implementing the five-year Strategy.
  - Revising and repositioning elements of the document to achieve a more strategic design.
6. The Task Force is of the view that it would be helpful to physically distinguish the Strategy from the Work Program, albeit bundled together as a package for purposes of consultation. Presenting the Strategy as a separate document enables the IAASB to have a final strategy that is applicable for the five years, with separate work programs as needed over this period.

**Matters for IAASB Consideration**

1. The IAASB is asked for its views on:
  - (a) The detailed content of the revised Strategy for 2015–2019, in particular whether the approach taken better articulates the IAASB’s strategic vision; and
  - (b) The proposal to separate the Strategy from the Work Program and how this has been done.

*Revised Work Program for 2015–2016 Consultation Paper (CP), “Enhancing Audit Quality and Preparing for the Future”*

7. At its September meeting, the IAASB generally affirmed the Task Force’s view that the priorities and actions set forth in the CP represent the key areas of focus that would best serve to implement the Board’s strategy. However, IAASB members expressed concerns about:
  - The Board’s ability to fulfill all the commitments put forth in the Work Program, noting the risk of setting unrealistic expectations in terms of what can be addressed, and therefore failing to deliver against plan.

- The difficulty in assessing Board capacity, possible outcomes and anticipated completion dates on certain topics until specific project proposals are developed, in particular in relation to those planned to commence later in the five-year period.
  - The lack of capacity to react to unforeseen developments, other than through delaying activities on an initiative if necessary in the circumstances.
8. The Board asked the Task Force to consider a balanced approach to indicating topics to be addressed over the five-year strategy period, and determine whether the Board could clearly articulate its top priorities for 2015–2016 and the scope of these projects. It was also suggested that standard-setting may not necessarily be the outcome for some projects and care should be taken to avoid inferring this was always the case.
9. The Task Force believes a focus on fewer, top priority projects in the 2015–2016 Work Program, completed on a timely basis, has the greatest potential for improving audit quality in the near term, and is recommending work be prioritized on the following topics in the public interest:
- (i) Quality control
  - (ii) Professional skepticism
  - (iii) Special audit considerations relevant to financial institutions
10. In selecting these projects, the Task Force reflected on feedback from the ISA Implementation Monitoring project, the September 2013 IAASB and CAG discussions, and feedback from the Stakeholder Survey. Importantly, consideration was also given to the proposed “Factors Guiding the Identification of Potential Priorities and Actions in Future Work Programs” included in Appendix 2 of the Strategy.
11. The Task Force’s recommendation moves away from the initial suggestion of commencing work on a greater number of projects during the period 2015–2016 and also responds to concerns expressed by some IAASB members about making limited, “narrow scope” amendments to some standards on a priority basis and then further revising those standards. Although the IAASB’s historical approach would enable Board deliberation on a number of topics earlier in the strategy period, it results in slower overall progress on all of the topics on the Board’s agenda. As a result, the Task Force is of the view that there are distinct benefits to focusing on a smaller set of active projects, completing those projects on a timely basis, and then addressing the next priorities. The goal is to complete the development of new or revised standards and guidance on the three topics to respond to significant public interest issues by mid-2017 and have them come into effect as soon as practicable thereafter.
12. The Task Force believes that this prioritization would be the most effective approach to serve the public interest, and the manner in which it is presented is the most appropriate way of doing for purposes of soliciting feedback on where the IAASB should spend its efforts in 2015–2016. Paragraphs 5–10 of the proposed Work Program (which starts on page 20 of **Agenda Item 3-A**) explain the basis for the Task Force’s recommendation to focus on fewer initiatives. It includes a discussion of the alternative (and historical) approach to pursuing a greater amount of topics concurrently and the possibility of using limited. “narrow scope” amendments to progress discrete issues on a more timely basis, and the implications thereof.

13. The Work Program also highlights other activities that will be prioritized in 2015–2016, including ongoing liaison and dialogue with key stakeholders, efforts in relation to the adoption and implementation of the new and revised Auditor Reporting standards, and the development of a process for a post-implementation review of the IAASB's other assurance and related services standards.
14. In addition, the Work Program also signals the other topics the IAASB intends to prioritize in 2017 and beyond in support of the Strategy. Doing so provides stakeholders with a view towards other priorities and a basis on which to respond about relative prioritization of important initiatives. Further consultation in 2016 to develop the Work Program for 2017–2018 will better determine how such initiatives should be prioritized, and also to understand whether there are any new topics that should be addressed as a matter of priority. Where possible, the IAASB will seek to open a dialogue about issues related to some of these initiatives during 2015–2016, in particular those in relation to key themes identified by the ISA Implementation Monitoring Project (see paragraphs 37–40 of the Work Program in **Agenda Item 3-A**).
15. The Task Force has also further refined the thinking on the individual projects for 2015–2016, presented in Table A and the narrative in paragraphs 21–36 of the Work Program, and sought to indicate expected (where known) and other possible outputs of the projects.

**Matters for IAASB Consideration**

2. The IAASB is asked for its views on:
  - (a) The approach taken to revising the Work Program for 2015–2016;
  - (b) Whether those projects signaled to commence in 2015–2016 as the IAASB's top priorities are appropriate, including how they have been described; and
  - (c) How other projects to be included on subsequent work programs have been addressed in Appendix 1 of the Work Program.

**Materials Presented**

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|-----------------|---|
| Agenda Item 3-A | <i>Draft Revised Consultation Paper – Proposed IAASB Strategy for 2015–2019 and The IAASB's Proposed Work Program for 2015–2016 (Clean)</i> |
| Agenda Item 3-B | Draft Revised Consultation Paper (Marked from September 2013 IAASB Meeting) (For reference)   |

**Action Requested**

16. The IAASB members are asked to share their views on **Agenda Item 3-A**, and approve the proposed Strategy and Work Program for exposure. If approved, the Strategy and Work Program would be released as soon as possible, with a 90-day comment period.