

Consideration of the Process to Develop the IAASB's Work Plan for 2017–2018

Background

1. The Public Interest Oversight Board (PIOB) agreed with the IAASB's decision to change from a three-year to a five-year period for its current Strategy, provided that during the five-year period there is a chance to re-evaluate the current Strategy (in the second or third year). The Basis for Conclusions to the current Strategy confirmed that the IAASB would undertake a mid-year period of the current Strategy, in connection with the development of its next Work Plan, to determine whether the identified objectives remain relevant or if they need to be adjusted.

The IAASB's strategic objectives for 2015–2019 are to:

- (i) Ensure that ISAs Continue to Form the Basis for High-Quality, Valuable and Relevant Audits Conducted Worldwide by Responding on a Timely Basis to Issues Noted in Practice and Emerging Developments
- (ii) Ensure the IAASB's Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders for Services Other than Audits of Financial Statements
- (iii) Strengthen Outreach and Collaboration with Key Stakeholders in the Reporting Supply Chain on Public Interest Issues Relevant to Audit, Assurance and Related Services

2. In issuing a five-year strategy with two-year work plans, the IAASB has also made a commitment to refreshing its next two-year work plan. The Chairman has indicated the next Work Plan should be finalized at the IAASB's December 2016 meeting and be in place at the start of 2017, subject to PIOB approval.
3. The current Work Plan notes plans for "limited consultation on the 2017–2018 work plan and mid-period review of whether the strategic objectives remain appropriate." It is essential that in moving forward with a plan to consult that a balance is struck between:
 - The need for transparency and public consultation, such that if there are views on the next Work Plan they are made known and taken into account;
 - Current efforts in relation to the December 2015 Invitation to Comment (ITC) and the ongoing work of the Innovation Working Group; and
 - The concern for stakeholder fatigue, in particular in light of other planned consultations in 2016.¹
4. The IAASB and the CAG will discuss the process to consult at their upcoming March 2016 meetings, and will also need to discuss feedback received as a result of any public consultation,

¹ Both the Integrated Reporting Working Group and the Agreed-Upon Procedures Working Group intend to consult in mid-2016 to inform the Board's future direction. Similar efforts may be undertaken by the Data Analytics Working Group in the future. In addition, IAASB discussions on ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, may result in the tabling of a standard-setting proposal in late 2016/early 2017 or the need for consultation in advance of doing so.

prior to finalization of the next Work Plan. The purpose of this paper is to highlight how such process could be executed and the timing of other work that will affect the IAASB's decisions on its future priorities.

Invitation to Comment and Overall Capacity

5. The comment period for the ITC closes May 16, 2016. At the request of the CAG, a more general question (G2) was posed:

To assist with the development of future work plans, are there other issues and actions (not specific to the topics of professional skepticism, quality control, and group audits) that you believe should be taken into account. If yes, what are they and how should they be prioritized?

6. The intent was for this question to serve as input to the Steering Committee's and IAASB's development of its next Work Plan. As such, the Steering Committee is of the view that such feedback needs to be taken into account before the IAASB issues any consultation on its next Work Plan.
7. Appendix 2 to this paper includes an overview of the current projects and initiatives, including some contemplated that have not yet commenced, and the Steering Committee's initial views on the expected efforts in these initiatives in 2017–2018.² A similar schedule was included in the current Work Plan, which already noted that most new projects and initiatives commencing in the 2015–2016 period will not be completed until the 2017–2018 period.
8. In September 2015, the Chairman noted to the PIOB that there was likely little room for additional efforts in 2017–2018. There are significant milestones set out in the ISA 540 project proposal, and feedback from stakeholders indicates pressure to move towards exposure drafts in relation to quality control and group audits as soon as possible after approving project proposals on these topics. **As such, the Steering Committee does not believe it is feasible to suggest that the IAASB is capable of taking on any new initiatives of substance in the period 2017–2018.**
9. The complex nature of these standard-setting projects and competing demands is likely to pose significant challenge to the Board in 2016 and beyond, in particular given its volunteer nature and limitations on members' time. The Board (in consultation with the CAG and PIOB) will need to carefully consider the prioritization of its various initiatives, including whether certain efforts may need to be delayed to make progress on the most important priorities in light of stakeholders' expectations (e.g., in relation to ISA 540).

Matters for CAG Consideration

10. The topics and initiatives on the current Work Plan were included based on a strong steer from the IAASB's stakeholders, with the support of the CAG and PIOB. Absent a significant shift in the environment, the Steering Committee is of the view that:
- The strategic objectives governing the current Work Plan continue to be appropriate and do not need to be revised, but the IAASB's stakeholders should be asked to confirm this.

² The activities planned for 2016 and beyond in Appendix 1 may evolve further in light of the Board and CAG's views as to priorities and expected outcomes.

- Topics already on the current Work Plan should continue, with the IAASB taking a view towards prioritization of individual initiatives once the feedback from the ITC is known and timelines for standard-setting efforts are developed.
- Input from the CAG and the PIOB about the strategic objectives and views on current priorities will be essential in informing the next Work Plan.

Process to Consult

11. The Steering Committee is of the view that a minimal, yet transparent, consultation will be needed in accordance with due process – and that the IAASB should seek to ensure that this process is not viewed as duplicative or unduly burdensome by its stakeholders.
12. The limited consultation would aimed at setting out, in a factual manner:
 - Why the IAASB (and the CAG) believe the strategic objectives remain appropriate;
 - The status of initiatives on the IAASB's current work plan, including anticipated milestones in 2016, as well as 2017–2018 (to the extent known) in a manner similar to Appendix 2 of this paper;
 - The IAASB's and CAG's views as to the focus for 2017–2018, including how feedback from the ITC has been taken into account; and
 - The resulting limitations on capacity for any efforts on new topics.

This consultation will ask targeted questions to enable the IAASB to easily assess whether there is support for continuing the current Work Plan and various topics therein, or whether environmental or other factors suggest a change in course may be necessary. A potential outline of such a consultation is set out in Appendix 1 of this paper.

13. In addition, the Steering Committee recommends that:
 - An explicit statement be made that the Board assumes its assessment is reasonable unless stakeholders give specific reasons otherwise as to why the IAASB should change its focus, or why work on specific topics should no longer be prioritized.
 - The consultation be open for no longer than 90 days (with the Steering Committee's preference for the comment period to close no later than September 30, 2016).
 - The consultation be set out using survey software to maximize the potential for input and facilitate collation of responses, while at the same time minimizing efforts needed by those stakeholders who have already voiced their views about the current Work Plan and matters described in the ITC.
14. The question, however, relates to what is the best time to do so in light of the ITC and other consultations. In light of the various milestones needed to achieve finalization at the December 2016 meeting and expected efforts in relation to the ITC, the Steering Committee is of the view that the following timetable is appropriate:

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| March 2016 | The Board and CAG asked to provide feedback on the strategic objectives, and plans to consult, as well as any feedback on priorities |
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|-------------------------|---|
| June 2016 | <ul style="list-style-type: none"> • Staff to report feedback to question G2 of the ITC (noted in paragraph 5 of this paper) to the IAASB for its consideration at its June 2016 meeting • Discussion at the PIOB meeting (June 30) |
| July 2016 | <ul style="list-style-type: none"> • A brief public consultation summarizing the Board and CAG discussions to date, and an updated Appendix 2, be issued in early July 2016 • Professional Skepticism, Group Audits, Quality Control and Enhancements Groups meet to consider responses to the ITC and develop IAASB and CAG papers |
| August 2016 | <p>Steering Committee meeting to consider:</p> <ul style="list-style-type: none"> • Feedback from the Board's June 2016 discussions (including progress made on other initiatives) • Feedback from the Enhancements Group and other Working Groups' July 2016 meetings • Priorities for discussion with CAG and IAASB |
| September 2016 | <p>IAASB and CAG asked to consider:</p> <ul style="list-style-type: none"> • Summary of responses to the ITC prepared by the individual Working Groups • Steering Committee's views on priorities in next Work Plan |
| October – November 2016 | <ul style="list-style-type: none"> • Working Groups develop project proposals / way forward for Steering Committee Consideration in relation to topics included in the ITC • Steering Committee considers feedback from public consultation on Work Plan and discussions in various outreach activities |
| December 2016 | <ul style="list-style-type: none"> • CAG teleconference held to discuss feedback from public consultation on Work Plan, draft of the next Work Plan, and standard-setting project proposals • IAASB asked to approve next Work Plan setting out priorities and milestones, as well as project proposals on quality control and group audits, and decide on the way forward on professional scepticism |
| 2017 | <ul style="list-style-type: none"> • As needed, Steering Committee, IAASB and CAG to consider how projects should be prioritized as efforts continue and feedback from other consultations is known |

15. The plans for the Board and the CAG to consider project proposals in relation to quality control and group audits at their respective September 2016 meetings is quite aggressive. In light of the various considerations needed to gauge priorities, the above timetable is based on Staff's view, in consultation with the Steering Committee that it would be more effective to first discuss the feedback and the issues to be addressed with the IAASB and the CAG at their respective September 2016 meetings, and then develop the project proposals taking into account this input.
16. Aligning all the decisions to the December 2016 meeting will, in the Steering Committee's view, enable the IAASB to more clearly communicate its priorities and anticipated milestones for 2017–2018 in its next Work Plan.

Matters for IAASB Consideration

IAASB members are asked for their views on the matters outlined in this paper, in particular whether:

- (a) The strategic objectives remain appropriate. If not, why not?
- (b) Members agree with the Steering Committee's proposal for a limited consultation, the approach outlined in Appendix 1, and the timetable for doing so.

Appendix 1

Outline of Proposed Consultation

- I. Overview of IAASB's Process, Including Views on Strategic Objectives
 - Explain basis for current strategy and the ongoing outreach efforts the IAASB undertakes, including discussions with the CAG and PIOB, to be aware of changes and influences in the external environment
 - Set out [IAASB's and CAG's] view that no significant external factors / changes exist that would render these strategic objectives irrelevant
 - Question: Whether the three strategic objectives are still appropriate and, if not, why not?

- II. Overview of Current Work Plan
 - Include Appendix 2 of this paper, including key milestones as set out in various standard-setting proposals (ISA 540, group audits, quality control) and way forward on professional skepticism
 - Set out [IAASB and CAG's] views that a focus on the current initiatives in the current work plan remains appropriate, and highlight the limitations from a capacity perspective
 - High-level summary of any feedback from the Question G2 of the ITC that the IAASB believes may warrant a shift in priorities, addition of new projects, or expansion of scope of current projects and, if so, how this has been taken into account in Appendix 2
 - Question: Whether the IAASB's priorities as stated are appropriate and, if not, why not? For example, are there environmental factors that indicate work on other topics should be prioritized ahead of current topics on the Work Plan and, if so, why? This could also consider asking stakeholders to name what they believe the IAASB's foremost priority should be.

Overview of IAASB Projects and Initiatives and Activities Planned for 2016–2018

(Subject to Periodic Update and Change by the IAASB)

| Project/ Initiative | Initial IAASB Discussion | Activities Planned for 2016 ³ | Activities Planned for 2017–2018 |
|--|--------------------------|---|--|
| Standard-Setting | | | |
| Revision of ISA 540 – Accounting Estimates – and Special Audit Considerations Relevant to Financial Institutions | In process | <ul style="list-style-type: none"> Exposure draft of ISA 540 (Revised) to be issued | <ul style="list-style-type: none"> ISA 540 (Revised) to be finalized Other guidance to be developed as necessary to address special audit considerations relevant to financial institutions⁴ |
| Group Audits – ISA 600 | In process | <ul style="list-style-type: none"> Consideration of feedback to December 2015 Invitation to Comment Project proposal Commencement of work to revise ISA 600 | <ul style="list-style-type: none"> Exposure draft of ISA 600 (Revised) to be issued; timeline for finalization to be set out in the project proposal Development of other guidance as considered necessary |
| Quality Control | In process | <ul style="list-style-type: none"> Consideration of feedback to December 2015 Invitation to Comment Project proposal Commencement of work to revise ISQC 1 and ISA 220 | <ul style="list-style-type: none"> Exposure drafts of ISQC 1 (Revised) and ISA 220 (Revised) issued; timeline for finalization to be set out in the project proposal Development of other guidance as considered necessary |
| Information-Gathering Activities to Inform Future Work | | | |
| Professional Skepticism | In process | <ul style="list-style-type: none"> Consideration of feedback to December 2015 Invitation to Comment Decision on way forward in relation to | <ul style="list-style-type: none"> Commencement of work in accordance with decision on way forward |

³ Text in this column is as presented in the final *Work Plan for 2015–2016*, with updates as necessary to reflect 2015 milestones. Projects that were completed in 2015 do not appear, unless there are ongoing monitoring or implementation support efforts associated with them.

⁴ Such non-authoritative guidance may, for example, address specific audit considerations related to financial institutions, the relationship between the financial institution's regulatory supervisor and the external auditor, or specific guidance in relation to accounting estimates in accordance with IFRS 9 or the IASB's proposed standard on insurance contracts (or similar standards under other financial reporting frameworks).

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IAASB Main Agenda (March 2016)

| Project/ Initiative | Initial IAASB Discussion | Activities Planned for 2016 ³ | Activities Planned for 2017–2018 |
|---|--------------------------|---|--|
| | | standard-setting and other activities | |
| Further Understanding of ISA Implementation Monitoring Findings Related to ISA 315 (Revised) | March 2016 | <ul style="list-style-type: none"> Discussion of key issues and Staff-prepared research to further understand ISA implementation findings, implications of other IAASB initiatives, and potential actions needed Project proposal if standard-setting activities are determined to be necessary | <ul style="list-style-type: none"> To be informed by 2016 discussions whether standard-setting activities are determined to be necessary As applicable, exposure draft of ISA 315 (Revised) issued |
| Data Analytics and the Effects on the Audit | In process | <ul style="list-style-type: none"> Discussion of key issues, including review of ISAs that may be affected as a result of changes in information technology Issuance of DP or other publication | <ul style="list-style-type: none"> As applicable, review of DP responses and decision on way forward in relation to standard-setting and other activities |
| Agreed-upon Procedures – Revision of ISRS 4400 and Consideration of More Holistic Issues Involving Agreed-upon Procedures | In process | <ul style="list-style-type: none"> Discussion of key issues, including exploratory discussions on more holistic issues involving agreed-upon procedures, such as “hybrid” engagements Issuance of DP or other publication As applicable, review of DP responses | <ul style="list-style-type: none"> Decision on way forward in relation to standard-setting (e.g., revision of ISRS 4400) As applicable, exposure draft of ISRS 4400 (Revised) |
| Integrated Reporting | In process | <ul style="list-style-type: none"> Issuance of DP Review of DP responses | <ul style="list-style-type: none"> Decision on way forward in relation to standard-setting and other activities |
| Auditor Reporting Implementation Support | In process | <ul style="list-style-type: none"> Efforts to promote awareness and understanding and support implementation Planning for post-implementation review | <ul style="list-style-type: none"> Efforts to promote awareness and understanding and support implementation Planning for post-implementation review |
| Innovation Working Group Efforts | In process | <ul style="list-style-type: none"> Annual review in relation to other topics identified for monitoring | <ul style="list-style-type: none"> Annual review in relation to other topics identified for monitoring |
| Addressing Financial Statement Disclosures | In process | <ul style="list-style-type: none"> Proactively monitoring IASB developments pertaining to disclosures | <ul style="list-style-type: none"> Proactively monitoring IASB developments pertaining to disclosures Development of further guidance if determined necessary |
| Development of a Process for Post Implementation Reviews of the IAASB's Other Assurance and Related Services Standards | 2016 (or later) | <ul style="list-style-type: none"> For reviews expected to be undertaken in 2017 and beyond | |

| Project/ Initiative | Initial IAASB Discussion | Activities Planned for 2016 ³ | Activities Planned for 2017–2018 |
|---|--------------------------|--|---|
| Strategy and Work Plan Consultation | | | |
| Strategy and Work Plan | In process | <ul style="list-style-type: none"> If necessary, annual review of IAASB priorities Limited consultation on the 2017-2018 work plan and mid-period review of whether the strategic objectives remain appropriate | <ul style="list-style-type: none"> Development of the Strategy for 2020–2024 Limited consultation on the 2019 work plan |
| Other, Including Efforts of IAASB Leadership, Working Groups and Staff | | | |
| Outreach Activities | Ongoing | <ul style="list-style-type: none"> Continued liaison and further development of relationships with key stakeholders, including the CAG, the IASB, Monitoring Group Members,⁵ practitioners (through the Forum of Firms, Global Public Policy Committee and IFAC Small and Medium Practices Committee), the International Organization of Supreme Audit Institutions, NSS and users of financial statements | <ul style="list-style-type: none"> Same as 2016 |
| IASB Liaison | Ongoing | <ul style="list-style-type: none"> Annual Review Continuous monitoring of IASB pronouncements for auditability and verifiability issues Considering whether there is a need to address the auditor's efforts in relation to new or amended financial reporting pronouncements through changes to the ISAs or other outputs (in particular developments relating to materiality) Continued liaison and collaboration on topics of mutual interest | <ul style="list-style-type: none"> Same as 2016 |

⁵ Including the International Forum of Independent Audit Regulators, the International Organization of Securities Commissions, the Financial Stability Board, the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the World Bank and the European Commission

-  *Ensure that ISAs Continue to Form the Basis for High-Quality, Valuable and Relevant Audits Conducted Worldwide by Responding on a Timely Basis to Issues Noted in Practice and Emerging Developments*
-  *Ensure the IAASB's Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders for Services Other than Audits of Financial Statements*
-  *Strengthen Outreach and Collaboration with Key Stakeholders in the Reporting Supply Chain on Public Interest Issues Relevant to Audit, Assurance and Related Services*