

IAASB's Framework for Activities—Issues

Objectives of the IAASB Discussion

The objective of this agenda item is to seek the Board's agreement for adopting the IAASB's Framework for Activities as part of its internal procedures.¹

Approach to this agenda session at the Board Meeting:

The Chair and Senior Staff will briefly introduce the topic, Staff will then walk through the draft Framework for Activities (the Framework) in the order set out in this Agenda Item. Board members will be asked for their agreement to the finalization and issuance of the Framework.

Materials Presented

Agenda Item 1-A Draft of *The Framework for Activities*

Introduction

1. The Framework for Activities (the Framework) is new and describes the IAASB's processes, procedures and criteria (where appropriate) to help the IAASB select, prioritize and scope its work. The Framework does not form part of the Strategy and Work Plan as it is intended to be an internal document with a longer-term focus than the periods covered by those documents. However, the Framework is described within the IAASB [Strategy for 2020–2023](#) (Strategy) and [Work Plan for 2020–2021](#) (Work Plan) as it forms an integral part of how the IAASB undertakes its work.
2. The Framework is not required to be approved as part of the Strategy and Work Plan (which is subject to due process). However, the Framework has been developed with the input and guidance from the Planning Committee, with any relevant aspects relating to due process being included in the Framework, as appropriate (but not effecting or changing due process in any way).
3. The draft *Framework for Activities* was presented as context when finalizing the Strategy and Work Plan (see December 2019 IAASB meeting [Agenda Item 3-C](#)). This document was a work-in-progress at that time, and it was agreed that it would be further developed over the next 12 – 18 months (i.e., during 2020 and early 2021). The draft document presented was not discussed at the December 2019 IAASB meeting other than to the extent it related to something in the Strategy or Work Plan.
4. Information about the Planning Committee (which acts as the Task Force for the development of the Strategy and Work Plan, and related documents such as the Framework), and its activities to finalize the draft Framework as presented, are included in **Appendix 1**.

Framework for Activities

5. The draft Framework presented in Agenda item 1-A includes the following aspects:
 - *Information Gathering and Research Activities (Section I)*

¹ The Framework for Activities is a 'living document' and will be updated from time to time, as appropriate, and having due regard to the process to change this document.

- *Revising and Developing Standards (Section II)*
- *Narrow Scope Maintenance of Standards (Section III)*
- *Activities to Support the Implementation of the IAASB's Standards (Section IV)*

Each of these is further explained below.

6. Staff had also considered whether the IAASB should be further considering a process for “interpretations” to form part of the narrow scope maintenance of standards, but on discussion with the Planning Committee in October 2020 it was agreed to not further pursue this (see **Section III** of this paper).

I. Information Gathering and Research Activities (Section I of the Framework)

7. The information Gathering and Research Activities component has been developed to provide structure and transparency to how the IAASB adds specific topics to its current work agenda. The objective for implementing this process is to focus the IAASB's activities on scoping projects, or undertaking other actions, that effectively address the issues and challenges that have been identified.
8. Because of the limits on capacity and resources the IAASB needs to make decisions from a substantial number of possible topics as to its priorities. To assist in focusing on those topics that need to be prioritized, this component of the Framework categorizes all possible topics identified by the IAASB as relating to its standards into three categories—Category A, Category B and Category C. This categorization, along with the criteria for moving between the categories towards IAASB action, will provide more rigor and transparency as to the Board's decisions in setting its agenda. This process is intended to identify those topics on the Board's radar that may be the subject to future Board action, and sets out how these topics are progressed to projects or other Board actions.
9. All possible topics relating to the IAASB's standards will be “parked” in Category A² until they meet the criteria for more focused attention by the IAASB. Once a possible new topic is identified for further consideration (i.e., moves to Category B), it is subject to more active consideration (i.e., focused information gathering and research activities to determine whether a new project or other IAASB action is appropriate). Once there is more certainty that a topic should be added to the IAASB's current agenda, a Working Group will be set up for further analysis of the topic and determining recommendations, the project will be scoped (if applicable) and a project proposal will be presented to the IAASB. If the work in Category B results in another IAASB action that is not standard-setting (either Sections II or III of the Framework) (e.g., the development of non-authoritative materials) the topic will move to Section IV of the Framework. The Framework also contemplates that there may be topics where the Board determines at any point in the process that it need not take future action.
10. The process that has been described in the Framework is largely based on the process that the new possible projects on Fraud and Going Concern have undergone. Moving forward, more rigor around

² Category A is a spreadsheet that lists all possible issues and challenges identified, by standard, with a section about other issues where they do not relate to a specific standard. This spreadsheet is maintained by IAASB Staff, and is updated from various sources as identified in the Framework, including as matters may arise in ongoing projects and initiatives that are not dealt with by that project or initiative, from input from ongoing outreach and consultations, and through scanning the environment and monitoring global trends.

how Category A topics move to Category B will be made more transparent and may involve further Board discussions about decisions regarding which topics are next if needed.

11. The diagram below illustrates the movement between categories. It is not intended to be a linear process, or with a particular timing within a specific category – that will be dependent on the nature and urgency of the topic that has been identified, and how much work is needed to proceed through each category.



12. The Framework sets out the level of activity within each Category, as well as how the activities are undertaken.

Development of the Criteria to Move from Category A to B

13. Staff analyzed the criteria various other standard-setting Boards (SSB)—including those in the IAASB's previous strategy—use for setting their priorities and found various common elements in the various criteria used. From those common elements, Staff developed the possible criteria, described in the Framework.
14. Staff contemplated whether there needed to be criteria to move from Category A to B, and then again from Category B to C, but found that these were largely the same (although for some criteria relative

importance may change). Accordingly, it was agreed that the criteria would be applied to the topics in Category A to filter those that were most important. The first criterion of “public interest” is the overriding criterion and is used to distinguish the many possible topics in Category A that could then be subject to the other criteria to move to Category B.

15. In developing the criteria, Staff also noted that it would be necessary to consider the criteria in totality, given their interconnectedness. Nevertheless, some criteria may be more heavily weighted in certain cases. However, an assessment at any stage that the topic would not have a positive impact on serving the public interest or is not within the Board's remit would ordinarily preclude further Board or staff work or activities on the topic.

Matter for IAASB Consideration

1. The IAASB is asked for views on the Information Gathering and Research Activities section.

II. Revising and Developing Standards (Section II of the Framework)

16. This section of the Framework describes the current process for the development of the IAASB's authoritative pronouncements, and incorporates the due process aspects of the Board's standard-setting activities. The Board will follow the IAASB Due Process and Working Procedures when developing any new or revised standard.

III. Narrow Scope Maintenance of Standards (Section III of the Framework)

17. The IAASB does not at present have a formal mechanism for dealing with questions, issues or concerns about specific aspects of the IAASB's standards. Staff receive infrequent questions from users of the standards from time to time about how to apply a specific standard to specific circumstances. Input from various mechanisms may also highlighted a specific aspect of a standard(s) as being problematic. Staff may respond to any specific questions (where appropriate to do so) on the basis that (a) responses are clearly marked as not being official IAASB responses (b) the response is usually limited to pointing out material in the standard(s), basis for conclusions, or other project-related documents (such as an issues paper or published meeting minutes). There is no interpretation of existing material.
18. The Planning Committee explored how to address these specific issues and challenges identified, including the use of 'interpretations.' In doing so, the Planning Committee explored the use of interpretations by other standard setters, including the International Accounting Standards Board's (IASB) International Financial Reporting Interpretations Committee (IFRIC).³ Specifically, the Planning Committee considered:
 - (a) The current approach to identifying challenges and issues that relate to the IAASB's standards,

³ IFRIC interpretations are:

- (a) Intended to address questions that arise after an International Financial Reporting Standard (IFRS) has been issued;
- (b) Issued when there is a need for narrow-scope revisions to the standard to which the question relates; and
- (c) Authoritative, as they add to the requirements in the affected standard, without directly changing the standard.

It was also noted that the last IFRIC Interpretation that was issued was in 2017. In more recent years, changes to the standards identified through IFRIC's process have instead been made through narrow scope amendments to the standards (i.e., instead of interpretations).

and whether changes are needed to identify challenges and issues (for example, through a mechanism for stakeholders to submit questions).

- (b) If interpretations were issued, whether they would be guidance, or authoritative material.
 - (c) If interpretations were issued, the process that would be followed in developing them.
 - (d) Irrespective of whether interpretations are issued, whether there are any aspects of an interpretations process that are good practice, and should be adopted by the IAASB (e.g., when IFRIC determines that no interpretation is needed on a matter, they issue an “Agenda Decision” (similar to IFRS) to explain how the standards apply, and why no interpretation is required).
19. Although interpretations may support consistent application of the standards, the Planning Committee determined that interpretations are not a mechanism that is appropriate in relation to the IAASB Standards because:
- (a) The ultimate outcome between a limited scope amendment process and an interpretations process would not be significantly different in that the intention of both is to result in authoritative amendments. Alternatively, it may be possible to adopt an interpretations process that introduces another level or type of publication in between the IAASB Standards and its non-authoritative materials, but this may obscure the distinction between what is authoritative and what is non-authoritative (for example, introducing a “comply or explain” approach).
 - (b) The additional effort to set up such a process (the IFRIC process is through the use of a separate committee which is not contemplated in the IAASB's activities) for which the outcome will be the very similar does not seem to outweigh the benefit of such a process.

The Planning Committee therefore agreed that both mechanisms were not needed and changes directly to the standards through a narrow scope amendment process would be more effective and efficient and therefore more appropriate.

20. The Planning Committee also considered whether more is needed in relation to how matters are identified that may need to go through the “narrow scope” process. The planning Committee agreed that the mechanisms for identifying challenges and issues that relate to the IAASB's standards form part of the “Information Gathering and Research Activities” of the Framework (Section I of the Framework), and are generally appropriate in the context of how the IAASB currently operates. The Planning Committee also determined that the “Activities to Support the Implementation of the IAASB's Standards” (Section IV of the Framework) already contemplate publications to support the consistent application of the standards and explain how the standards apply. Nevertheless, the Planning Committee acknowledged that as the Monitoring Group proposals come into effect, further consideration may be needed about whether the “Information Gathering and Research Activities” needs to evolve, and whether other mechanisms are needed to explain how the standards apply.

Matter for IAASB Consideration

- 2. The IAASB is asked for views on the sections for:
 - (a) Narrow Scope Maintenance of Standards.
 - (b) Revising and Developing Standards.

IV. **Activities to Support the implementation of the IAASB's Standards (Section IV of the Framework)**

21. The inclusion of Section IV is consistent with the Strategy and Work Plan in terms of an enhanced focus on how best to utilize non-authoritative materials to address certain topics, issues, challenges, or stakeholder needs to support the consistent implementation and application of the IAASB's standards and to facilitate understanding of the roles and responsibilities of firms and practitioners in accordance with those standards.
22. In particular, the strategic actions related to Strategic Objective I of the Strategy include, *"Support and facilitate the effective implementation of our standards, through developing or collaborating on support materials, including to assist first-time implementation of new and revised standards, and other related activities, to promote the changes in the initial period after a final new or revised standard is published."* This signaled the need for distinguishing implementation support activities into two broad categories, both of which would represent Non-Authoritative Materials as contemplated in the IAASB's Terms of Reference and the *Preface to the International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements* (the Preface):
 - First-time implementation support activities; and
 - Non-authoritative support materials.

Both of these aspects are further contemplated in the draft Framework.

23. In addition to input from the Planning Committee, Staff notes that the following has been considered in the development of the proposals:
 - The expanded focus on first-time implementation support activities and non-authoritative support materials in the Strategy and the resulting need to describe these more comprehensively. This includes formalizing the IAASB's approach for the development and issuance of non-authoritative materials alongside the IAASB's authoritative documents, with the objective of providing the Board and IAASB stakeholders with a clear frame of reference in this regard.
 - The issuance of non-authoritative materials by the IAASB is already well established, albeit not structured and formalized to the extent that it could be. In accordance with the IAASB Public Report for the period January 2014 to December 2015, the IAASB published 15 items of "guidance, implementation support and other publications", and the IAASB Public Report for the period January 2016 to June 2019 notes 40 "implementation activities, support materials, proposals and updates."
 - Agenda Item 6-B of the [March 2015 IAASB meeting](#), addressing the process for developing International Practice Notes.
 - The direction received from the Board during the development of the Strategy and Work Plan in 2019, in terms of the need for clarity around what represents non-authoritative materials, how these differ from the IAASB's authoritative documents, and what process(es) apply in

respect of the development and approval of non-authoritative materials.

- Other Board input:
 - The Board indicated a preference for a more structured and formal approach in this regard, while recognizing that flexibility will be required to ensure that non-authoritative materials can be developed and issued in a timely and efficient manner (i.e., depending on the nature and scope of the material, the process should not be overly burdensome in terms of staff, Board or external involvement).
 - General support for an approach that allowed for different 'layers' of involvement of staff, Board members and external expertise based on criteria related to the nature, scope, complexity and expected impact or interpretation of the material to be developed. In certain instances, there may already be a Task Force or Working Group that could undertake the development and there may be different ways to involve the Board, whether individual Board members or the full Board.
 - The completion of significant recent projects such as ISA 540 (Revised)⁴ and ISA 315 (Revised 2019),⁵ and the anticipated completion (at that stage) of the Quality Management projects⁶ provided further impetus for formalizing the IAASB's approach and process(es) relating to non-authoritative materials. In addition, there were learnings from the activities of the ISA 540 Implementation Working Group in developing various implementation support materials, and the work of the ISA 315 Task Force and the Quality Management project staff and Task Forces in developing plans related to first-time implementation support activities.
24. During 2020 the IAASB issued numerous non-authoritative materials (see IAASB website – [Support & Resources](#)). The development and clearance-for-issue processes involved with these items, as well as the current process for undertaking the development of the Extended External Reporting (EER) Assurance Engagements Guidance (see [project page](#)), were used to 'test' the proposals that are presented in **Agenda Item 1-A. Appendix 2** summarizes the non-authoritative materials issued in 2020 that are within the scope of Section IV of the proposed Framework and how they relate to the categories of materials as presented in Section IV.

Matter for IAASB Consideration

3. The IAASB is asked for views on the Activities to Support Implementation of the IAASB's Standards section.
4. Are there any other matters to be considered in finalizing the Framework?

⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

⁵ ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

⁶ The Quality Management projects included the developments of the following standards that were issued on December 17, 2020: ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISQM 2, *Engagement Quality Reviews*; and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

Appendix 1

Planning Committee Members and Activities

1. The Planning Committee serves as the task force for this project. Members are:
 - Tom Seidenstein, IAASB Chair
 - Fiona Campbell, IAASB Deputy Chair (until Dec 2020)
 - Len Jui, IAASB Deputy Chair (from Jan 2020, but served on the Planning Committee in 2020)
 - Julie Corden (from January 2020)
 - Lyn Provost
 - Isabelle Tracq-Sengeissen
 - Imran Vanker
 - Jim Dalkin (CAG Chair – Observer to the Task Force)

Planning Committee Activities

2. The Planning Committee met in February, June and October 2020, and January 2021, by videoconference in the preparation of the agenda items for this discussion.

Appendix 2

Non-Authoritative Materials Issued in 2020 and How They Relate to the Categories as Presented in Section IV of the Proposed Framework

1. The items included in the Table below were all issued in 2020, except for the EER Assurance Engagements Guidance which is still in the process of being finalized for approval at the March 2021 IAASB meeting.
2. The items have been grouped per IAASB workstream or project, and related to the category (i.e., **A** – First-time implementation support activities (FISAs), or **B** – Non-authoritative support materials) and type of output per category, and the development and clearance-for-issue process that would have applied in relation to each item, as presented in Section IV of the proposed Framework (see **Agenda Item 1-A**). Note that the table below only includes materials or activities that are within the scope of categories A or B, as described in Section IV of the Proposed Framework.

Material issued	Category A or B	Type of Output	Development and clearance for issue
COVID-19 Support A series of six Staff Audit Practice Alerts on dealing with certain items in the evolving COVID-19 environment: Highlighting areas of audit focus; Going concern; Subsequent events; Auditor reporting; Accounting estimates; and Review engagements on interim financial information	B	Staff Audit Practice Alerts	Channel 2
EER Assurance Engagements Non-Authoritative Guidance on applying ISAE 3000 (Revised) to EER assurance engagements [<i>in process</i>] Illustrative examples of selected aspects of EER assurance engagements [<i>in process</i>]	B B	Non-Authoritative Guidance Document Task Force Publication	Channel 6 Channel 5
ISA 540 Implementation Illustrative examples for auditing expected credit loss accounting estimates Illustrative examples for auditing simple and complex accounting estimates	B B	Working Group Publication Working Group Publication	Channel 4 Channel 5

Material issued	Category A or B	Type of Output	Development and clearance for issue
ISRS 4400 (Revised)			
Basis for Conclusions in relation to ISRS 4400 (Revised)	A	Basis for Conclusions Document	FISA process
Fact Sheet to introduce ISRS 4400 (Revised)	A	General Fact Sheet	FISA process
Quality Management			
Basis for Conclusions in relation to ISQM 1, ISQM 2 and ISA 220 (Revised)	A	Basis for Conclusions Documents	FISA process
Fact Sheets to introduce each of the standards, above	A	General Fact Sheet	FISA process
Video introducing the new IAASB Quality Management Standards	A	Video	FISA process
Technology			
FAQs – The use of automated tools and techniques when identifying and assessing risks of material misstatement in accordance with ISA 315 (Revised 2019)	B	Working Group Publication	Channel 5
Using automated tools and techniques in performing audit procedures	B	Working Group Publication	Channel 5
Audit documentation when using automated tools and techniques	B	Working Group Publication	Channel 5
Other Items			
The consideration of climate-related risks in an audit of financial statements	B	Staff Audit Practice Alert	Channel 2