Summary of Respondents' Comments to the Consultation Paper on the IAASB's Proposed Strategy and Work Plan for 2024–2027

1.   This summary of respondents' comments is intended to support the proposed changes suggested by the Planning Committee. Therefore, this summary does not include all the matters raised by respondents. In arriving at its conclusions, however, all comments made by respondents have been considered by the Planning Committee.

2.   To navigate between the actual responses in the letters received and the summaries related to respondents' comments presented in this Agenda Item, staff prepared an Excel summary spreadsheet (see **Agenda Item 5─C.1 to 5─C.8**). The Excel summary spreadsheet is in a tabular format setting out a listing of respondents and broad themes within the responses. The Excel summary spreadsheet indicates the level of support for the relevant proposals, as well as if a respondent had made a comment within that specific (broad) theme. The Excel summary spreadsheet links back to a report generated using NVivo (by question) (see **Agenda Item 5─D.1 to 5─D.8**).

3.   Each NVivo report contains the full respondent answers to a specific question from the Strategy and Work Plan consultation. Collectively, all the comment letters received have been captured and coded within NVivo.

Question 1 – Do you agree with Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition (see pages 4–6)? (See **Agenda Items 5─C.1 and 5─D.1**.)

Monitoring Group

Our Proposed Goal

4.   A Monitoring Group member agreed with the proposed goal especially as it focuses on developing globally accepted and leading audit, assurance, and related service standards that are aimed at enabling the performance of high-quality engagements that enhance trust in markets.

5.   To enable the consistent performance of high-quality audit engagements (i.e., an element of the proposed goal), another Monitoring Group member encouraged the IAASB to consider "quick response" projects, in addition to pursuing all-encompassing projects.

•   These "quick response" projects should include changes to standards of other international standard-setting boards, such as the International Ethics Standards Board for Accountants (IESBA) and the International Accounting Standards Board (IASB).

•   Although the standards are framework neutral, the IAASB should always be actively evaluating changes by the IESBA and the IASB to consider whether complementary changes are necessary to the IAASB's auditing standards, or supplementary guidance.

Prepared by: Willie Botha, Jasper van den Hout and Jane Talatala (July 2023)

- Such "quick response" process could be inspired from the processes used for developing narrow scope amendments by the IASB to its standards.

Our Proposed Keys to Success

6. A Monitoring Group member agreed that the keys to success include fostering confidence in the quality of the IAASB's processes and the credibility of the standards. They noted that implementing the Monitoring Group reforms will be an important element of that, as well as continued efforts to enhance processes and standards in the public interest.

Other Respondents

7. More than half of the 'other' respondents provided views on the IAASB's proposed goal. Less than half of the respondents provided views on the IAASB's proposed keys to success, as well as on the IAASB's stakeholder value proposition.

Our Proposed Goal

8. Respondents agreed with the IAASB's proposed goal and suggested:

- Incorporating the concept of "quality management" into the IAASB's goal, given that the Quality Management Standards[1] are now effective.

- Adding "review" standards to include all standards issued by IAASB and replacing "assurance" with "other assurance."

- Referring to "consistent" performance of high-quality engagements, to better align with the objective of ISQM 1 (paragraph 15).

- Expanding beyond "trust in markets" to "trust in <u>organizational information and</u> markets" to include stakeholder groups that are not active participants in these markets such as small- and medium-sized entities (SMEs).

- Replacing "evolve" with an alternative. Allowing standards to only "evolve" along may impair the IAASB's ability to meet the rapidly changing needs for conducting high quality audits.

- Considering capacity or capabilities to monitor the implementation of IAASB standards, or specifying in the Strategy and Work Plan, who will be responsible for this monitoring, as well as the frequency and method of reporting.

- Explicitly reflecting the importance of consistent and proper implementation of the IAASB standards similar to the current goal.

- Clarifying how quickly the rapidly changing public interest demands can be met, if a maximum of seven projects will be commenced over the three-year strategy period.

- Defining public interest as "the common interests of all which include but exceed the partial interests of individuals or groups."

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[1] The Quality Management Standards consist of 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*

Our Proposed Keys to Success

9.   Respondents agreed with the IAASB's proposed keys to success and suggested:

- Clarifying who the IAASB will engage with, listen to, and learn in the first key to success.

- Deleting the phrase "or committed to using" in the third key to success. Success in the use of the IAASB's standards should be judged on "actual adoption" and not "contingent adoption."

- Highlighting in the third key to success the IAASB's willingness to implement changes in its due process and working procedures where necessary while adhering to ultimately high quality standards.

- Bringing all jurisdictions together to adopt and implement global standards.

- Refining keys to success to be clearly measurable.

- Including engagement with stakeholders as a key to success.

- Including the IAASB's publication of non-authoritative guidance as a key to success.

Our Proposed Stakeholder Value Proposition

Our standards

10.   Respondents agreed with the proposed stakeholder value proposition for the IAASB's standards and provided the following views:

- The IAASB standards need to be understandable and sufficiently practicable so auditors understand what is expected from them in their delivery of high quality services in the public interest.

- The IAASB standards should more explicitly address the capability to be practically applied to audits and other engagements for all entities. The words 'globally relevant' or 'scalable' are not adequate to convey these value propositions.

- The IAASB needs to develop standards with mid-sized entities in mind, with additional requirements and guidance added for listed or PIEs only where necessary.

- There is an acknowledged need for jurisdictional differences to make the standards 'fit for purpose' by taking into account the facts and circumstances of that particular jurisdiction. This needs to be explicitly recognized in the section discussing 'Our Stakeholder Value Proposition.'

- The IAASB needs to maintain framework-neutral and principled-based standards, so that the standards can be scalable for any jurisdiction and entity.

Our engagement with our stakeholders

11.   Respondents agreed with the proposed stakeholder value proposition for the IAASB's engagement with stakeholders and provided the following views:

- The IAASB should ensure sufficient time is provided to allow for quality education, consultation, outreach and engagement with stakeholders.

- There are various ways to do this outreach (e.g., the Forum of Firms, roundtables, academics, etc.).

- Need to highlight the IAASB's coordination with the International Federation of Accountants (IFAC) and its committees as a key mechanism through which the IAASB engages with stakeholders.

Our coordination with other standard setters

12.   Respondents agreed with the proposed stakeholder value proposition for the IAASB's coordination with other standard setters and provided the following views:

- Support the close coordination with the IESBA.

- Additional prominence could be placed on the interaction with the International Sustainability Standards Board (ISSB).

Our Work Plan

13.   Respondents agreed with the proposed stakeholder value proposition for the IAASB's Work Plan and provided the following views:

- There is a public good in having standards represent a stable platform over time rather than being subjected to continual fundamental change, which engenders both increased implementation costs and increases the risks of inappropriate implementation compared to when major changes are required in stages over longer periods of time.

- In this ever-changing environment, there needs to be reflection on which workstreams may better serve the public interest.

- The IAASB needs to build-in sufficient time and resources to support the development of timely implementation tools/resources on all its projects.

Our processes

14.   Respondents agreed with the proposed stakeholder value proposition for the IAASB's processes and provided the following views:

- Greater transparency about the planned release of implementation guidance and other engagement activities (e.g., through a project dashboard) to enable better planning by stakeholders.

- Include the IAASB's due process to achieving high-quality, widely accepted international standards as a stakeholder value proposition for the IAASB's processes.

- Highlight public transparency as a critical aspect of this due process.

- Change "delivery" to "timely delivery."

Question 2 – Do you agree with Our Proposed Strategic Drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal (see pages 7– 9)? (See **Agenda Items 5–C.2 and 5–D.2**.)

Monitoring Group

Changing Demands to Our Ways of Working

Attract top talent at the Board and staff levels

15. One Monitoring Group member agreed that changing demands to the IAASB's ways of working are an important strategic driver, including as a result of the need to implement the Monitoring Group reforms. They commended the work of the IAASB in diversifying the Board and staff as it addresses the changing demands to the IAASB's ways of working (i.e., having a diverse Board representing the range of participants, right skills and resources to execute the Strategy and Work Plan).

Increasingly tight timelines to meet heightened expectations

16. One Monitoring Group member provided views on Topic L. that may also be relevant to the strategic driver relating to "increasingly tight timeliness to meet heightened expectation" (i.e., concern about the sufficiency of resources and the risk that work on sustainability assurance standards could hinder progress in improving the other ISAs). For more details, see relevant paragraphs in this paper presenting the Monitoring Group views on Topic L.

Other Respondents

17. Respondents broadly agreed with the strategic drivers but questioned whether the environmental factors underpinning those strategic drivers are fully representative of the range of environmental factors.

Increased and More Diverse Demand for Our Standards

Heightened supervisory scrutiny

18. Respondents, who provided views on this strategic driver:

- Acknowledged the heightened supervisory scrutiny within their jurisdictions.

- Were concerned of the view that increasing complexity is a driver for more complex standards.

- Challenged the premise that more specificity in auditing standard requirements will improve audit quality.

- Were concerned that this focus on specificity of requirements in standards could be driving increasingly lengthy, detailed, and complex revision of ISAs.

- Suggested developing a mechanism to address the continued pressure from regulators, audit oversight authorities, and other stakeholders towards rules-based standards to facilitate formal enforcement or address methodology issues. They further noted that rules-based standards:

  o Are not necessarily conducive to high-quality audits or assurance engagements.

- o Are becoming increasingly difficult to understand for accounting firms without a large technical department, which endangers global application and the credibility of the IAASB.

- o Are also less robust over time because they are more susceptible to disruption through changing circumstances.

- Noted that greater specificity in standards will drive compliance-based, prescriptive approaches to audit that will not attract people with the inherent traits needed to be skilled auditors to the profession. The attractiveness of the profession (especially for accounting firms) has become one of the top challenges with issues concerning both recruiting and retaining staff.

- Encouraged the IAASB to balance the needs of all stakeholders without giving preference to any particular one. In addition, an appropriate balance also needs to be found between the specificity of requirements and the maintenance of principles-based standards.

- Suggested the IAASB focus on developing clear, principles-based standards that are well understood and enable consistent application.

- Suggested the IAASB adopt a consistent approach when developing standards in determining what should be included under principles-based requirements, application material or non-authoritative materials.

- Noted that if regulators have concerns about the current complexity of financial reporting due to the high degree of judgment and estimation involved, the focus should be on reforms to financial reporting standards.

Impact of technology

19. Respondents, who provided views on this strategic driver:

- Emphasized the importance for the IAASB to develop a strategy/ strategic objective around technology.

- Suggested the IAASB launch a research project on the wider implications of the digitalization of corporate reporting on audit and assurance.

- Suggested the IAASB consider how it can better incorporate the role of technology into standards that will form part of its work plan for the next few years.

- And in particular, the use of technology by entities,

- o Noted that businesses are increasingly operating in a digital environment, with information only available in electronic form. To ensure that the ISAs and the audit remain relevant, the IAASB needs to be thinking about how audit evidence is viewed in that construct in a more holistic manner.

- And in particular, the use of technology by auditors,

- o Noted that unless standards recognize the ability of technology (e.g., artificial intelligence) to perform activities previously reserved for human auditors, the ability to

respond to profound changes in the quantity of data generated by companies and the changing expectations of stakeholders will be restricted.

- And in particular, disruptive technologies,

    o Noted that standard setters have to be proactive in their approach to dealing with such matters.

Sustainability reporting and other evolving areas for assurance engagements

20. Respondents, who provided views on this strategic driver:

- Noted that broader focus on non-financial information is already prompting the need for assurance engagements on various and diverse topics.

- Suggested the IAASB maintain its momentum and build upon the foundation set in developing proposed ISSA 5000, which is intended to address general requirements for sustainability assurance engagements.

- Suggested the IAASB consider what actions are necessary and determine priorities so that the IAASB's sustainability assurance standards are able to gain broad recognition as the basis for high-quality assurance services over reported sustainability information.

- Cautioned that failure to respond to stakeholders' demand in a timely fashion may potentially lead to fragmentation of standards and/or best practices used for assurance of sustainability reporting.

- Urged the IAASB not to focus excessively on this area in subsequent years, to the detriment of other strategic drivers.

- Supported more focused standards for assurance on sustainability reporting, rather than one overarching standard.

Diverse demands across the spectrum of stakeholders reflecting the breadth of the global economy

21. Respondents, who provided views on this strategic driver:

- Were concerned with the view that increasing complexity is a driver for more complex standards.

- Were unclear as to the meaning of the explanation for this strategic driver. It may be clearer to state in the second point that stakeholders are asking for an expansion of certain standards and more prescription, which would potentially add complexity to the existing standards.

- Proposed including the impact of global and virtual team members in an engagement.

- Recommended that future amendments to standards, or new standards, be written in a manner such that they can be scaled to entities of all sizes.

- Increases in complexity ought to be a driver for more principles-based standards that stand the test of time.

Supporting the implementation of our standards

22.　Respondents, who provided views on this strategic driver:

- Encouraged the IAASB to continue its effort on implementation support which would be extremely important to ensure effective and consistent application of new standards, while balancing its time and resources on other standard-setting activities.

- Noted that further clarity would be helpful on the future role and commitment of the IAASB in producing, facilitating and supporting the development of relevant material in order to manage different stakeholder expectations.

- Believed that developing implementation guidance should be a priority area for the IAASB.

- Suggested prioritizing specific detailed guidance on findings of regulators.

- Suggested that the need for implementation support should be built into the project plan.

- Suggested the IAASB provide the capacity for staff to develop implementation material and provide support for post-implementation review efforts.

- Believed that stakeholders will benefit from having more implementation support beyond just first-time implementation support materials.

- Suggested the IAASB consider working with IFAC and the national standard setters (NSS) to establish a process to identify potential implementation challenges and develop guidance at earlier stages of a project.

- Observed that the more standards are understandable and practicable, the less need there will be for developing implementation support materials at the global level.

- Were concerned that regulators will quickly treat this non-authoritative guidance as requirements against which engagements are then assessed.

Confronting 'Headwinds' to Global Adoption of Standards

Value of cooperation across independent standard-setting bodies

23.　Respondents, who provided views on this strategic driver:

- Suggested better explaining what is meant by "fragmentation" by adding a statement explaining that reducing fragmentation is reducing the need for local standard-setting on the same topics that may diverge from international standards.

- Encouraged the IAASB to continue its efforts to liaise and align with other independent standard-setting boards, including international and jurisdictional standard setters for auditing, assurance, ethics, and financial, sustainability and other external reporting.

Evolving expectations around sustainability assurance

24.　Respondents, who provided views on this strategic driver:

- Noted that the onus is on the IAASB to deliver a standard which is fit for purpose to a timeframe, which makes this driver redundant.

- Suggested the IAASB prioritize the project on proposed ISSA 5000 and shorten the timeline for delivery of a final standard by 6 months, which still leaves 9 months after close of the comment period.

Impact of and reasons for jurisdictions developing their own audit and assurance standards

25.   Respondents, who provided views on this strategic driver:

- Noted that the IAASB should be vigilant about understanding the reasons where the global standard may be seen as falling short of local expectations about the objective of the audit or the objective of any particular standard, or where there is an absence of a global standard.

- Noted that without broad user support and/or regulatory endorsement for the audits of LCE standard, then fragmentation pressure on ISAs will continue.

- Encouraged the IAASB to consider more clearly at the project proposal stage which areas should/could be set at a jurisdictional level to allow for a collaborative process.

- Suggested the IAASB emphasize the symbiotic, rather than adversarial, nature of the relationship between national and international standards.

- Asked the IAASB to consider whether this is actually a "headwind" to global adoption of standards. The practice of jurisdictions developing their own standards is only a headwind if this activity results in fragmentation.

Increasingly complex to manage global engagement with new stakeholders

26.   A respondent, who provided views on this strategic driver:

- Encouraged the IAASB to leverage its partners' network and capacity to particularly support the IAASB's engagement, facilitate global outreach activity, and encourage stakeholders' participation in standard-setting consultation.

Changing Demands to Our Ways of Working

Implement the Monitoring Group reforms

27.   Respondents, who provided views on this strategic driver:

- The need for well-informed views, diversity and insights in all stages of standard setting is imperative, but with the need to maintain independence.

- Noted that both the proposed strategic drivers, "Implement the Monitoring Group reforms" and "Attract top talent at the Board and Staff levels" refer to changes imposed by the Monitoring Group reforms. A respondent recommended that the changes to both the process and the talent be explained in more detail, so stakeholders can obtain a fuller appreciation of how the changes may affect the IAASB's ability to execute on the Strategy and Work Plan.

- Noted that the Strategy and Work Plan that arises out of this consultation may be subject to change, as a result of the implementation of the Monitoring Group reforms.

Attract top talent at the Board and Staff levels

28.   Respondents, who provided views on this strategic driver:

- Suggested encouraging the NSS to continue to provide the IAASB with high-level staff.

- Were concerned that the reduction in the number of practitioner members in the composition of the IAASB could affect the future application of new and revised standards due to a potential lack of practical considerations thereof.

Increasingly tight timelines to meet heightened expectations

29. Respondents, who provided views on this strategic driver:

- Suggested the IAASB consider the potential negative impact on the public interest arising from stakeholders not being given sufficient time to implement standards and absorb changes.

- Noted that providing the time and resource to support accounting firms to implement new standards will drive towards improved audit quality.

- Highlighted the need for the IAASB to be cognizant and closely monitor the adoption status, especially with the recent changes and new standards being issued.

- Suggested the IAASB build in a "root-cause" element to its process, to better understand the causal factors that lead to any recurring points of feedback from stakeholders about lack of clarity and/or scalability in response to exposure drafts.

- Suggested the IAASB explore how it can enhance its work through undertaking more robust and rigorous impact assessments of any proposed changes as part of the initial project proposal (e.g., covering costs related to translation, consideration of any national specifics, staff training, methodology changes, etc.)

- Asked the IAASB to clarify what is meant in the last sentence that states "…as part of the due process to ensure quality.". A respondent was unclear as to whether this is referring to the quality of the international standards, or achieving quality on audit, assurance and related services engagements.

Ability to leverage technology

30. Respondents did not provide views on this strategic driver.

Question 3 – Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions (see pages 10–14)? (See **Agenda Items 5–C.3 and 5–D.3**.)

Strategic Objective 1: Support the Consistent Performance of Quality Audit Engagements by Enhancing Our Auditing Standards in Areas Where There Is the Greatest Public Interest Need

Monitoring Group

31. Two Monitoring Group members supported the IAASB's efforts to perform post-implementation reviews (PIR) for new or revised standards and one of the Monitoring Group members specifically noted that ISA 540 (Revised) is an appropriate candidate for an implementation review as it is crucial to the financial statements of insurance companies. The other Monitoring Group member suggested preparing a detailed timeline of when projects are being completed, and when the post-implementation review needs to be performed and noted that ISA 315 (Revised 2019) and ISA 540 (Revised) could be treated together in the same post implementation review.

32. Another Monitoring Group member supported the IAASB's focus on the ongoing, timely identification of new and emerging issues that may affect global standards, and timely, thorough analysis and resolution of those identified issues through the standard setting process. The Monitoring Group member noted that the Work Plan should provide flexibility to allow for the reallocation of resources to address unexpected changes. With respect to projects underway at the start of 2024, the Monitoring Group member noted the importance of timely completion of these projects and encouraged the Board to pursue other solutions for less complex entities than the ISA for LCE.

Other Respondents

33. The following themes were identified for strategic objective 1:

    (a) *Post Implementation Reviews*. Respondents were supportive of the IAASB performing post implementation reviews. In that regard, respondents suggested post-implementation reviews for ISA 315 (Revised 2019), ISA 540 (Revised) and the Quality Management Standards[2] as these standards are so critical to the overall conduct of the audit. It was also noted that a post implementation review of ISA 315 (Revised 2019) is needed before embarking on a revision to ISA 330.

    (b) *First-Time Implementation Support*. Overall, respondents were supportive of the IAASB issuing first-time implementation support materials. Respondents noted that if the IAASB issues first-time implementation support:

        (i) Such guidance should be timely. Respondents noted that timely first-time implementation support ensures effective implementation of the IAASB's standards, and that effective implementation helps to improve the consistency and quality of audits performed.

        (ii) The IAASB should collaborate with others such as NSS and IFAC to alleviate the pressure on the IAASB's limited resources.

        Respondents noted that first-time implementation support would be useful for the overarching standard for assurance on sustainability, the revised going concern and fraud standards, and the ISA for LCE.

        Respondents who were not supportive of the IAASB preparing first-time Implementation guidance often cited resources constraints as the reason why the IAASB should not develop such guidance as the IAASB's primary focus should be on developing standards. Respondents also noted that a need for first time implementation guidance might mean that the standards are not clear enough.

    (c) *Time to Implement Standards*. Respondents noted that more time is needed to implement standards given the recent changes to the IAASB's International Standard (e.g., ISQM 1, ISQM 2, ISA 220 (Revised), ISA 315 (Revised 2019), ISA 540 (Revised) and ISA 600 (Revised)). It was noted that stakeholders are struggling to keep up with the volume and pace of change of the IAASB's standards and that, with the growth of sustainability reporting and assurance, it is

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[2] The Quality Management Standards consist of 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*

expected that these challenges will continue and potentially be exacerbated. It was therefore suggested that the IAASB focusses on only those projects that are viewed as high priority projects. It was also noted that more time is needed for auditors to implement the standards but also for regulators, preparers and academics.

(d) *Complexity, Understandability, Scalability and Proportionality (CUSP)*. Respondents noted that the IAASB's standards are increasingly long and complex, and more rules based and less principles based. They also noted that there has been an increasing trend towards repeating requirements across standards and including multiple application material paragraphs to support a single requirement. It was therefore suggested that the IAASB should undertake a project to revise its standards based on the CUSP principles.

(e) *ISA for Less Complex Entities (LCE)*. Respondents noted that the IAASB should:

(i) Promote the adoption of the ISA for LCE. Respondents indicated that the IAASB should allocate resources that ascertain the extent of adoption of the new standard by standard setters across the globe since the success of this standard is dependent on the adoption in different jurisdictions.

(ii) Provide clarity on how the LCE Standard will be maintained, i.e., how will changes to the ISAs be reflected in the ISA for LCE.

(f) *Prioritization of Projects*. Respondents noted that the IAASB should focus on the public interest when prioritizing projects and that there is a need for contingency as new and time urgent issues may emerge.

(g) *Work Plan.* With respect to the Work Plan, respondents generally agreed with the IAASB's plan to complete the project's currently underway but suggested to develop more detailed plans about the timing and targeted outputs. Some respondents cautioned for taking on more projects given the significant changes to the ISAs in recent years and therefore suggested to rather focus on providing quality standards related to the in-progress projects. It was also noted that the IAASB's finalization of projects underway is too ambitious.

Strategic Objective 2: Establish Globally Accepted Standard(s) for Assurance on Sustainability Reporting

Monitoring Group

34. One Monitoring Group member welcomed the IAASB's work towards profession-agnostic sustainability assurance standards that build on the requirements and principles of existing standards, and that can apply on a framework-neutral basis. They also acknowledged the relevance of financial statement related audit standard setting projects with a known public interest and urged the IAASB to keep enhancing these as well as these projects might also be relevant for assurance over sustainability related information.

Other Respondents

35. Respondents supported the IAASB's objective to establish globally accepted standard(s) for assurance on sustainability reporting and acknowledged the need for a global standard to avoid fragmentation. To avoid fragmentation, it was noted that the Board should devote sufficient time and resources to conducting extensive outreach to build support for the IAASB's proposed sustainability assurance standard(s) and guidance. It was also noted that global standards for assurance of

sustainability reports will be key to enhance the quality of sustainability information provided to markets and used by investors and other stakeholders.

36.   Respondents supported the development of first-time implementation support materials for ISSA 5000.

37.   Respondents furthermore noted:

(a)   The importance of making sufficient resources available to finalize the Sustainability Assurance project as soon as possible, even if this would mean that other projects have to be slowed down or temporarily stopped.

(b)   That there is a need to create topic specific standards to complement ISSA 5000. Other respondents noted that it might be too early to decide which topics should be addressed through topic specific standards and that there should be sufficient time allowed to implement ISSA 5000 before deciding for which topics to create specific standards.

(c)   That the IAASB should develop a vision on how ISSA 5000 should work with topic specific standards.

(d)   Sustainability standards should be flexible and principle-based standards to allow preparers and assurers to get familiar with them. It was noted that developing too prescriptive assurance standards might prevent companies from producing meaningful disclosures on sustainability issues.

(e)   Sustainability standards should be scalable and proportionate taking into account the needs of small and medium practitioners.

Strategic Objective 3: Strengthen Coordination with IESBA and Other Leading Standard Setters and Regulators to Leverage Better Collective Actions in the Public Interest

Monitoring Group

38.   One Monitoring Group member supported the inclusion of coordination with the IESBA and other standard setters in the IAASB's proposed strategic objectives. This Monitoring Group member highlighted that systemic liaison between the IAASB and IESBA is essential.

Other Respondents

Coordination with IESBA

39.   Respondents generally supported the inclusion of coordination efforts with IESBA in the IAASB's strategic objective and stressed the importance of coordination and cooperation with IESBA in setting auditing and assurance standards.

40.   Respondents suggested the following:

-       Aligning projects and relating timetables as much as possible, so that one standard setter is not "leading" with a requirement or position that may result in conflicts with the standards of the other. Aligning timetables also provides an opportunity for both boards to deliberate and understand the consequences of revisions to their respective standards, before one Board issues final revisions.

- Including, in the IAASB's Strategy and Work Plan, more specifics around the planned topics for coordination with the IESBA. It was noted that coordination with respect to the following IESBA current or new projects should be proactively planned:

  - Rollout initiative of the changes to the Code arising from IESBA's definition of listed entity and public interest entity

  - Sustainability-related revisions to the Code

  - Revisions to the Code to address specific ethics and independence issues for the use of or the involvement of an expert

41. Respondents also mentioned that it is important to coordinate in the quickly developing sustainability environment, and work together with other standard setters in this area.

Coordination with other international standard setters.

42. Respondents highlighted the importance of coordination with standard-setting bodies such as the IASB and the ISSB on matters of auditability and assurability, respectively, of new and revised international financial or sustainability reporting standards

Coordination with other stakeholders

43. Respondents highlighted the importance of coordinating with the following stakeholders:

- National standard setters (NSS), International Federation of Accountants (IFAC) and Public Accountancy Organizations (PAO). Respondents noted that coordination with NSS, IFAC and PAOs on first time implementation guidance may help the IAASB to provide timely guidance that the IAASB might not be able to provide timely otherwise. It was also noted that coordination with NSS should be enhanced and formalized especially when issues driving a national standard-setting project have global relevance.

- Regulators. Respondents noted the importance of coordinating with regulators as they are key to identifying potential weaknesses or gaps in the standards.

- Small and Medium Practitioners (SMP). Respondents encouraged the IAASB to reach out to the SMP community so that SMPs are aware of consultations.

- Academics. Respondents noted that academics or others with research backgrounds can provide input in designing the methods used by the Board to conduct research, providing more validity to information gathered.

44. Respondents encouraged the IAASB to be innovative in respect of enhanced stakeholder engagement and noted that the IAASB needs to seek input from key stakeholders beyond that received through comment letter responses on proposed standards. Respondents provided various suggestions on how to do so.

Strategic Objective 4: Create more Agile, Innovative Ways of Working in Line with the Monitoring Group's Reform Vision

Monitoring Group

45. All Monitoring Group member highlighted the importance of creating more agile, innovative ways of working in line with the monitoring group's reform vision. In that regard, one Monitoring Group member encouraged the IAASB to consider 'quick response' projects to support the consistent performance of quality audit engagements, including when changes to auditing standards may be necessary in response to standard-setting activities of other international standard setting boards, such as the IESBA and the IASB.

46. Two Monitoring Group members also noted the importance of allocating sufficient resources to the important projects underway to ensure their timely completion and one Monitoring Group member added that the Work Plan should allow some flexibility for resources to be reallocated to address important new issues as they arise.

47. One Monitoring Group member commended the IAASB's dedication and efforts to implement the Monitoring Group's Recommendations in order to strengthen the independence and accountability of international audit and assurance standard setting.

Other Respondents

48. With respect to the IAASB's processes, the following themes were identified by respondents:

   (a) *More Agile and Innovative Ways of Working*. Respondents supported the IAASB's objective of creating more agile and innovative ways of working. It was noted that this could lead to an internal focus for a while. Therefore, it is important to be more transparent on how changing the board processes will contribute to achieving strategic objectives 1 and 2.

   (b) *Quick Response Mechanism*. As also noted by a Monitoring Group member, respondents (mainly regulators) encouraged the IAASB to consider 'quick response' projects to support the consistent performance of quality audit engagements, including when changes to auditing standards may be necessary in response to standard-setting activities of other international standard setting boards.

   (c) *Technology*. Respondents agreed that the IAASB should utilize technology in its standard setting process to enhance the way the IAASB works.

   (d) *Narrow Scope Amendments.* Respondents noted that the IAASB should prioritize narrow scope amendments and guidance to address specific findings of the regulators instead of re-opening standards. They noted that it takes around 4-5 years until the effective application and because there aren't any fundamental issues with the present suite of ISAs that require full standard revisions.

   (e) *Transparency.* Respondents noted that the IAASB's strategy needs to provide greater transparency about how the quality of standards will be maintained as the Board's operating model and processes evolve to implement the Monitoring Group recommendations.

49. With respect to the IAASB's resources, respondents generally supported the plans and agreed that the Monitoring Group recommendations will provide the IAASB with more capacity for strategic matters. Respondents highlighted the following matters:

(a)   The IAASB will need to allocate sufficient human resources to the important projects in progress, to ensure their timely completion.

(b)   The IAASB should take into account the considerable learning curve when onboarding new staff. It was noted that as the new resource model is implemented, staff capacity constraints should not be underestimated, especially considering recent turnover and given the enhanced role of staff.

(c)   The IAASB should focus on the need to obtain or maintain sufficient and appropriate talent, relevant skills, and knowledge to keep pace with the developments in the profession and the business environment, as well as expected technical proficiency in auditing and assurance.

Question 4 – Do you support the identified possible new standard-setting projects as set out in Table B (see pages 21–23) within the area of audits and reviews (numbered A. to K.)? Please share your views on the individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction. (See **Agenda Items 5–C.4 and 5–D.4**.)

Monitoring Group

50.   Three Monitoring Group members provided views on Topics A to K. On balance, they:

- Supported individual projects for revising ISA 505, ISA 520 or ISA 530 (i.e., Topics D to F) over a combined technology targeted or omnibus project (i.e., Topic G).

- Supported revising ISA 330 (including in relation to the impact of technology) (i.e., Topic B), ISA 320 (i.e., Topic A), and ISA 620 (i.e., Topic H).

- Had mixed views on revising ISA 720 (Revised) (i.e., Topic I). They either expressed support for, or identified it as a low priority project.

- Identified revising ISRE 2410 (i.e., Topic J) as a 'low' priority project.

- Recommended to 'suspend' developing a new standard on joint audits (i.e., Topic K).

Topic A. Materiality (Revision of ISA 320)[3]

51.   Two Monitoring Group members supported revising ISA 320 (with one of the two members identifying it as a 'high' priority project) and suggested:

- Providing better guidance in ISA 320 in determining overall and performance materiality, including qualitative and quantitative factors.

- Clarifying the fundamental concepts on materiality to foster consistent implementation amongst audit practitioners.

52.   Explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction include:

- Diversity among accounting firms regarding percentage ranges for determining the quantitative dimension of both overall materiality and performance materiality.

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[3]   ISA 320, *Materiality in Planning and Performing an Audit*

Topic B. Responding to Assessed Risks of Material Misstatement (Revision of ISA 330)[4]

53. Three Monitoring Group members emphasized priority for revising ISA 330 and supported modernizing ISA 330 as necessary, in particular in relation to technology. In revising ISA 330, they suggested:

- Better aligning the requirements in ISA 330 with changes in proposed ISA 240 (Revised) (in addition to ISA 315 (Revised 2019) and proposed ISA 500 (Revised)).

- With respect to changes in ISA 315 (Revised 2019), considering the impact of the 'spectrum of risk' and 'inherent risk factors' on the auditor's response.

- Clarifying in ISA 330 the level of internal control testing when substantive testing alone is not sufficient.

54. Explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction include:

- Need to drive more consistent appropriate responses by different auditors facing similar circumstances.

55. One Monitoring Group member did not agree with the IAASB's decision to delay, until earliest 2024, possible enhancements to ISA 330. They noted several areas of overlap between proposed ISA 500 (Revised) and ISA 330 that need to be resolved concurrently to avoid confusion and inconsistent application.

Topics C to F. Individual Projects for Certain Standards in the ISA 500-series

56. Three Monitoring Group members recommended undertaking targeted individual projects related to certain standards in the ISA 500-series to not only reflect the impact of technological advances, but also address specific matters related to each standard.

- ISA 505, *External Confirmations* – supported revising ISA 505 (with one of the three members identifying it as a 'medium' priority project) and suggested more robust requirements addressing the reliability of responses to confirmation requests (with regard to the possibility of fraud) and non-responses.

- ISA 520, *Analytical Procedures* – supported revising ISA 520 (with one of the three members identifying it as a 'high' priority project) and suggested improved guidance in ISA 520 for:
  - Establishing relationships and developing expectations that are sufficiently precise.
  - Using source data that is reliable, tested, and produced independently from the population being tested.
  - Setting thresholds, including thresholds for disaggregated components of a population.
  - Corroborating explanations for variances with sufficient appropriate audit evidence.
  - Distinction between substantive and non-substantive analytical procedures within the requirements of ISA 520.

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[4]   ISA 330, *The Auditor's Responses to Assessed Risks*

Explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction include:

- o Need for improved guidance to better align the auditor's use of substantive analytical procedures with the auditor's risk assessment.

- o Diversity in practice for testing reliability of data used, precision of expectations developed, and evaluating outliers identified.

- ISA 530, *Audit Sampling* – supported revising ISA 530 (with one of the three members identifying it as a 'high' priority project) and suggested addressing key areas, including:

    - o Determining sample sizes when combining substantive analytical procedures and tests of detail for one population and assertion.

    - o Stratification of populations when determining sample sizes across group entities or collective investment schemes that have separate financial reports.

    - o Use of reliability factors.

    - o Whether sample sizes determined for income statement testing can be reduced based on balance sheet testing results.

    - o Determining sample sizes when performing dual-purpose testing.

    Explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction include:

    - o High number of concerns and findings within annual regulatory surveys on audit sampling.

    - o Extant ISA 530 leaves the determination of sample sizes to the auditor's professional judgment with limited guidance for decision making.

    - o Diversity in practice among auditors regarding the appropriate use of audit sampling, including choosing the appropriate sampling technique to obtain a representative sample.

    - o Audit documentation does not always reflect the auditor's thought process including the approach and basis for the audit sampling work performed.

Topic G. Combined Technology Targeted or Omnibus Project(s) in the ISA 500-series and Selected Other ISAs

57.   Two Monitoring Group members broadly supported the revision of other standards in the ISA 500-series as set out in Table B to reflect the impact of technological advances.

58.   Explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction include:

- Revisions to ISA 500 alone will not address all of the concerns regarding the evaluation of the sufficiency of audit evidence.

Topic H. Using the Work of an Auditor's Expert (Revision of ISA 620)[5]

59. Two Monitoring Group members supported revising ISA 620 (with one of the two members identifying it as a 'high' priority project). There was support for appropriately aligning ISA 620 with the concepts in ISA 540 (Revised) and the amendments in proposed ISA 500 (Revised). There also was support for clarifying certain concepts in an environment where the entities' financial reporting reflects more complex business models, activities, and transactions, as is the case in the insurance industry.

60. In revising ISA 620, they suggested:

- Better guidance on determining the need for an auditor's expert where the auditor has insufficient skills, knowledge or experience to review the work of the management's expert, including where the audited entity has engaged an external expert.

- Clarifying the extent to which the auditor needs to determine the scope and extent of testing by their expert and the nature and extent of supervision and review.

61. Explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction include:

- Revision to ISA 620 is crucial for insurance companies' audits and contributes to the provision of sufficient appropriate audit evidence in the insurance sector.

Topic I. Auditor Responsibilities Relating to Other Information (Revision of ISA 720 (Revised))[6]

62. One Monitoring Group member supported revising ISA 720 (Revised) by clarifying concepts underlying the auditor's responsibilities as well as addressing implementation issues and challenges highlighted as part of the PIR of the revised audit reporting standards. In revising ISA 720 (Revised), they suggested:

- Clarifying the auditors' responsibilities over information outside of the financial statements (i.e., other information).

- Ensuring that auditors take full account of linkages that other information has with the financial statements in their audit work.

63. Explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction include:

- Increasing importance and prominence of information outside of the financial statements (e.g., relating to sustainability issues).

64. Another Monitoring Group member identified revising ISA 720 (Revised) as a 'low' priority project. Given the relative importance of other projects and the IAASB's limited resources, they did not see a significant need for a standard setting project on ISA 720 (Revised) at this time.

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5   ISA 620, *Using the Work of an Auditor's Expert*

6   ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

Topic J. Review of Interim Financial Information (Revision of ISRE 2410)[7]

65. A Monitoring Group member identified revising ISRE 2410 as a 'low' priority project. Due to the relative importance of other projects and the IAASB's limited resources, they do not see a significant need for a standard setting project on ISRE 2410 at this time.

Topic K. Joint Audits (New Standard)

66. A Monitoring Group member recommended to 'suspend' a project on joint audits as most jurisdictions do not have any regulation requiring joint audits and only a limited number of jurisdictions allow joint audits.

Other Respondents

67. 'Other' respondents, who provided views on Topics A to K:

- Broadly supported a combined technology targeted or omnibus project (i.e., Topic G) over individual projects for revising ISA 501, ISA 505, ISA 520 or ISA 530 (i.e., Topics C to F).

- Broadly supported revising ISA 330 (including in relation to the impact of technology) (i.e., Topic B), ISRE 2410 (i.e., Topic J), ISA 620 (i.e., Topic H) and ISA 720 (Revised) (i.e., Topic I).

- Had mixed views on revising ISA 320 (i.e., Topic A), but with more than half of those respondents expressing support. Views were also mixed within certain stakeholder groups, for example, national standard setters and accounting firms. Other groups were more clearly either in support of a project to revise ISA 320 (such as regulators) or were not supportive (such as member bodies and other professional organizations).

- Had mixed views on developing a new standard on joint audits (i.e., Topic K), but with more than half of those respondents not prioritizing, or totally not supporting a project on joint audits.

  o Respondents, who did not support a project on joint audits, were primarily regulators, national standard setters, accounting firms, and member bodies and other professional organizations in jurisdictions that do not mandate joint audits.

  o Respondents, who expressed support, were primarily regulators, national standard setters, accounting firms, and member bodies and other professional organizations in jurisdictions that mandate, or at least permit/allow, joint audits.

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[7] International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

Topic A. Materiality (Revision of ISA 320)

68. More than half of the respondents, who provided views on this topic, supported revising ISA 320 to address issues and challenges related to consistency in the determination and revision of materiality and performance materiality, and to clarify the application of these concepts within a risk-based audit.

69. In revising ISA 320, respondents who expressed support suggested:

- Clarifying the fundamental concepts on materiality to facilitate consistent approaches for the determination of materiality levels.

- Including more examples and specific guidance in ISA 320 to support auditors applying appropriate and consistent judgments in similar situations.

- Addressing the inconsistency between the guidance provided in ISA 320 on benchmarks often used for profit-oriented entities and what is actually seen in practice. Revenue, total assets, and net assets are often used as benchmarks for determining materiality rather than profit before tax.

- Aligning the requirements in ISA 320 with ISA 315 (Revised 2019).

- Exploring the impact of changes in ISA 600 (Revised) regarding materiality as further clarity/guidance in respect of materiality may be helpful to group auditors.

- Conducting PIRs which may help the IAASB consider whether changes are needed in ISA 320 given the current environment and practices.

70. Respondents who supported a project on ISA 320 provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- ISA 320 provides little guidance on the qualitative aspects of materiality, which are inherently difficult to determine.

- A recent study shows a number of challenges regarding materiality in practice.

- Divergence in practice in the determination of materiality, including a trend of increasing use of non-traditional metrics (e.g., percentage of assets) that was exacerbated by the pandemic.

- Range in the percentage applied to benchmarks vary significantly from one accounting firm to another and across similar types of entities.

- Revisions in ISA 315 (Revised 2019) and ISA 600 (Revised) increase the relative importance of modernizing the application of materiality concepts within a risk-based audit in ISA 320.

71. Respondents that did not identify the revision of ISA 320 as a priority project, or did not support a project to revise ISA 320, provided the following reasons:

- Materiality is a matter of professional judgment and should be determined based on the facts and circumstances of each individual audit. Any issues associated with ISA 320 relate to implementation issues or differences in professional judgment, which are unlikely to be resolved by revising the standard.

- Greater consistency in the determination of materiality and performance materiality may be counter-productive, since the former represents an auditor's consideration of a user-driven concept, and the latter is a matter that depends upon the expected risks of material

misstatement and the extent to which audit work is performed on financial statement items separately (the underlying cause of aggregation risk).

- Overly prescriptive requirements in ISA 320 may not be helpful.

- Concern that any change to the well-established ISA 320 would have a significant impact on accounting firms' audit procedures.

- While ISA 320 is an area with local regulatory findings, these findings were on the application, rather than any deficiency in the principles, of the standard. If further clarity in the application of ISA 320 is needed, this may be addressed through non-authoritative guidance.

- Unclear as to why ISA 320 needs revising, or not aware that ISA 320 is causing significant issues in practice.

- A call for balancing the needs of different stakeholder groups, including those of practitioners, in any revision to ISA 320.

- A more effective use of IAASB resources would be to develop a materiality standard that is targeted at qualitative, non-financial information for the sustainability assurance suite of standards that are being developed.

- Allow for a period without a need to implement new or revised ISAs that enable quality enhancements from recent projects to embed and be evaluated.

Topic B. Responding to Assessed Risks of Material Misstatement (Revision of ISA 330)

72. Respondents, who provided views on this topic, broadly supported revising ISA 330 to better align the requirements with changes in ISA 315 (Revised 2019) and proposed ISA 500 (Revised), as well as to modernize ISA 330 as necessary, in particular in relation to technology.

73. In revising ISA 330, respondents who expressed support suggested:

- With respect to changes in ISA 315 (Revised 2019), considering the impact of the 'spectrum of risk' and 'inherent risk factors' on the auditor's response in ISA 330.

- Aligning requirements in ISA 330 with the conceptual elements in ISA 240, ISA 540 (Revised) and ISA 550, including other standards currently under development.

- Clarifying in ISA 330 the level of internal control testing when substantive testing alone is not sufficient.

- In particular in relation to technology, revising the definition of substantive audit procedures and addressing practical issues identified with using audit data analytics in ISA 330.

- Flexibility in the more prescriptive requirements/approach in extant ISA 330 to permit the broader use of ATT.

- Redefining the types of audit procedures that are required in certain situations.

74. Respondents who supported a project on ISA 330 provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- Findings in areas covered by ISA 330 remain the most frequent in regulatory inspection findings/reports and annual surveys, including challenges in testing internal controls over financial reporting.

- Need to drive more consistent and appropriate responses by different auditors facing similar circumstances.

- Not updating ISA 330 may result in confusion and inconsistencies in applying the new concepts introduced in ISA 315 (Revised 2019) and proposed ISA 500 (Revised).

- Proposed revisions to ISA 500 have not gone far enough to address the use of technology in audit.

75. Respondents, who expressed support, were of the view that a project on ISA 330 needs to be completed in conjunction with:

- The technology-targeted omnibus project so that ISA 330 can reflect changes necessary for technology and the developments in ISA 315 (Revised 2019).

- Revisions to ISA 505, ISA 520 and ISA 530 as a bundle in the same project as external confirmations, analytical procedures and audit sampling are closely related to responding to assessed risks.

76. Respondents that did not identify the revision of ISA 330 as a priority project, or altogether did not support a project to revise ISA 330, provided the following reasons:

- ISA 330 is not in dire need of revision other than in relation to the impact of technology. Hence, if technology-related issues are dealt in an omnibus project and given the conforming and consequential amendments to ISA 330 arising from ISA 315 (Revised 2019), they did not see the need for a project to revise ISA 330.

- The IAASB needs to allow for a period without a need to implement new or revised ISAs for quality enhancements from recent projects to embed and be evaluated.

Topics C to F. Individual Projects for Certain Standards in the ISA 500-series

ISA 501, *Audit Evidence—Specific Considerations for Selected Items*

77. Respondents, who provided views on this topic, broadly supported a narrow scope project that targets the "Inventory" section of the standard by modernizing ISA 501 to reflect current methods for obtaining audit evidence regarding the existence and condition of inventory.

78. In revising ISA 501, respondents who expressed support suggested:

- Modernizing ISA 501 by taking into account technological developments.

- Addressing in ISA 501 the performance of remote inventory counts.

- Aligning ISA 501 with the risk-based approach in ISA 315 (Revised 2019).

79. Respondents who supported a project on ISA 501 provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- Increasing number of entities using highly automated, continuous inventory systems, which may render the concept of observing the performance of a count at a particular point in time outdated.

- Increase in the use of remote inventory observation resulting from the pandemic-related restrictions.

80. Respondents that did not identify the revision of ISA 501 as a priority project, or altogether did not support a project to revise ISA 501, provided the following reasons:

- They believe that more complex standards require focus first as these will have the biggest impact on audit quality (e.g., ISA 520 and ISA 530).

- The current standard works well and therefore, a project on ISA 501 need not be prioritized.

ISA 505, *External Confirmations*

81. Respondents, who provided views on this topic, supported modernizing ISA 505 for the current environment, including technology-based confirmation processes, as well as revisiting the concepts of positive and negative confirmations.

82. In revising ISA 505, respondents that expressed support suggested:

- Incorporating guidance in ISA 505 when using a third-party technology solution (e.g., confirmation.com).

- Providing guidance for when it may not be appropriate to use external confirmation procedures.

- Articulating the link between the risk assessments under ISA 315 (Revised 2019) and the need for confirmations.

- Considering changes made by others in different jurisdictions (e.g., U.S. Public Company Accounting Oversight Board (PCAOB)).

83. Respondents who supported a project on ISA 505 provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- Implications of using technology-based confirmation processes with respect to the requirement in ISA 505 for the auditor to 'maintain control' over the process.

- Challenges faced in some jurisdictions to obtain reliable confirmations.

84. Respondents that did not identify the revision of ISA 505 as a priority project, or altogether did not support a project to revise ISA 505, provided the following reasons:

- They believe that more complex standards require focus first as these will have the biggest impact on audit quality (e.g., ISA 520 and ISA 530).

- The current standard works well and therefore, a project on ISA 505 need not be prioritized.

- They did not see a compelling reason to make amendments to ISA 505.

ISA 520, *Analytical Procedures*

85. Respondents, who provided views on this topic, broadly supported addressing challenges in practice and expectations that come with the use of technology by entities and automated tools and

techniques (ATT) by auditors in the context of analytical procedures used to perform both risk assessment procedures and further audit procedures.

86. In revising ISA 520, respondents who expressed support suggested:

- Addressing in ISA 520 regulatory concerns for how the auditor sets expectations and documents those expectations.

- Addressing how the guidance in ISA 520 may be applied to risk assessment analytical procedures in ISA 315 (Revised 2019).

- Clarifying if substantive analytical procedures in accordance with ISA 520 could be considered sufficient substantive procedures for material classes of transactions, account balances and disclosures for which no risk of material misstatement has been identified.

- Capturing relevant aspects of recently released non-authoritative guidance regarding the use of ATT in ISA 520.

- Flexibility in the more prescriptive requirements/approach in extant ISA 520 to permit the broader use of ATT.

- Addressing technological developments within application material of ISA 520, or in non-authoritative guidance.

- Developing robust examples of substantive analytical procedures as part of any implementation guidance for ISA 520.

87. Respondents who supported a project on ISA 520 provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- Recurring high level of findings with respect to substantive analytical procedures in annual regulatory surveys and inspection reports.

- Consistently raised as the highest priority for modernization by local audit practitioners and regulators regarding the auditor's use of technology in ISA 520.

- May need substantial revisions in ISA 520 to address issues identified in current practice and meet stakeholders' expectations.

- Technologies capable of testing 100% of a population presents new challenges in designing and performing substantive analytical procedures and test of details as the ISAs direct the auditor to interpret the results differently, depending on the classification of the procedure.

88. Respondents that did not identify the revision of ISA 520 as a priority project, or altogether did not support a project to revise ISA 520, provided the following reasons:

- The current standard works well and therefore, a project on ISA 520 need not be prioritized.

- They did not see a compelling reason to make amendments to ISA 520.

ISA 530, *Audit Sampling*

89. Respondents, who provided views on this topic, broadly supported addressing issues and challenges (in practice and expectations) related to consistency in the application of audit sampling as a means of selecting items for testing and the use of technology by entities and ATT by auditors.

90. In revising ISA 530, respondents who expressed support suggested:

- Flexibility in the more prescriptive requirements/approach in extant ISA 530 to permit the broader use of ATT.

- Investigating whether there are any other practical issues in ISA 530 other than technology.

- Better linkage on how to deal with exceptions in ISA 530.

91. Respondents who supported a project on ISA 530 provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- Recurring high level of findings on audit sampling in annual regulatory surveys and inspection reports.

- Consistently raised as the highest priority for modernization by local audit practitioners and regulators regarding the auditor's use of technology in ISA 530.

- May need substantial revisions in ISA 530 to address issues identified in current practice and meet stakeholders' expectations.

- Frequently see auditors extrapolating differences without a sufficient understanding of the reason(s) for differences, including evaluating the impact on internal controls and whether further audit procedures are necessary.

- Using a traditional audit sampling approach may pose challenges to audit efficiency and may be a barrier to further development in technology-based audit procedures.

- The role of controls testing comes into question in situations where the auditor is able to test 100% of the population.

92. Respondents that did not identify the revision of ISA 530 as a priority project, or altogether did not support a project to revise ISA 530, provided the following reasons:

- The current standard works well and therefore, a project on ISA 530 need not be prioritized.

- While not opposed to a project on ISA 530, they did not identify indicators that the standard needs urgent revision, nor a compelling reason to make amendments to ISA 530.

Topic G. Combined Technology Targeted or Omnibus Project(s) in the ISA 500-series and Selected Other ISAs

93. Respondents, who provided views on this topic, broadly supported undertaking a targeted or a broad-spectrum update of the ISAs for the impact of technology.

94. In pursuing a technology targeted or omnibus project, respondents who expressed support suggested:

- Prioritizing this topic as the IAASB's next project in 2024 (ahead of an ISA 330 project), or in 2025 (after a project on ISA 330 in 2024).

- A more holistic approach on how technology affects the audit, including:

  o The use of emerging technologies by entities (e.g., robotic process automation, artificial intelligence, blockchain, cryptocurrencies, digital tokens and other digital assets).

- o The use of ATT and the consideration of new technologies by auditors (e.g., data analytics and artificial intelligence).

- Considering data and technology as an integral part in drafting the ISAs that is not limited to application material.

- Remaining technology neutral and accommodating (rather than mandating) the use of technology in the ISAs.

- Including the revision of ISA 330 in relation to technology.

- Taking into account inspection findings by regulators, including deficiencies identified through inspections.

- Leveraging the work undertaken by the Technology Consultation Group and the Frequently Asked Questions (FAQs) it has issued, as well as relevant jurisdictional initiatives.

- Issuing non-authoritative material that addresses the use of technology in the interim, which could be developed in partnership with national standard setters.

- Planning the same broad-spectrum update of ISAs for the impact of climate risk.

95. Respondents who supported a technology targeted or omnibus project provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- A technology targeted or omnibus project on the ISAs may avoid inconsistencies arising from a piecemeal approach and amendments to individual standards in short succession.

- Significant concerns over the sufficiency of work performed by auditors when identifying and responding to the risks associated with entities who rely/utilize technology extensively (e.g., fintech and crypto asset sectors).

- Increase in the use of ATT by auditors and reported concerns in regulatory assessment over the sufficiency of procedures by auditors when using these tools.

- Limited updates applied to the suite of standards addressing audit evidence over the last decade.

- Revisions to ISA 500 alone may not address audit regulators' concerns around the assessment of sufficiency of audit evidence.

Topic H. Using the Work of an Auditor's Expert (Revision of ISA 620)

96. Respondents, who provided views on this topic, broadly supported revising ISA 620 to appropriately align with concepts in recently revised standards, including ISA 540 (Revised) and ISA 220 (Revised), and the changes in proposed ISA 500 (Revised). Respondents also supported clarifying some concepts and aspects of application in an environment where entities' financial reporting reflects more complex business models, activities and transactions.

97. In revising ISA 620, respondents who expressed support suggested:

- Considering the use of experts to be a high priority topic across all assurance (i.e., not just limited to the audit of historical financial statements and ISA 620).

- With respect to changes in proposed ISA 500 (Revised), considering the relevance and reliability of information to be used as audit evidence in ISA 620, regardless of its source.

- With respect to recent revisions in ISA 220 (Revised), considering the impact on the direction, supervision, and review of the auditor's expert's work in ISA 620.

- Linking revisions in ISA 620 to sustainability assurance, for which an expert is required in some cases.

- Clarifying the concepts in ISA 620 when applying the requirements to other non-financial information assurance engagements.

- Considering whether the issues in ISA 620 can be addressed in non-authoritative guidance or through a broader revision of the standard.

- Coordinating with the current IESBA project on use of experts.

98. Respondents who supported a project on ISA 620 provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- Application of ISA 620 was identified as common pitfalls in recent local regulatory inspections.

- Increased pressure from regulators to use auditor's experts.

- Increasing use of experts in audit engagements on areas, such as valuations and accounting estimates.

- Complexity of reporting standards and disclosure requirements indicate more reliance on experts as part of the audit process in the future, especially relating to sustainability.

99. Respondents that did not identify the revision of ISA 620 as a priority project, or altogether did not support a project to revise ISA 620, provided the following reasons:

- ISA 620 is not in dire need of revision other than in relation to the impact of technology. Hence, if technology-related issues are dealt in an omnibus project and given the conforming and consequential amendments to ISA 620 arising from ISA 540 (Revised) and ISA 220 (Revised), they believe that there is no real case suggesting that ISA 620 is broken.

- Views that a project on ISA 620 would be of a lower priority and narrow scope in nature. They recommended that the IAASB consider when it may best be accommodated, given the availability of its resources, and the mix of other projects, both major and narrow scope.

- They did not see ISA 620 causing issues in practice and therefore, a project on ISA 620 need not be prioritized.

- While not opposed to a project on ISA 620, they have not identified indicators that ISA 620 requires urgent revision nor a compelling reason to make amendments to ISA 620.

Topic I. Auditor Responsibilities Relating to Other Information (Revision of ISA 720 (Revised))

100. Respondents, who provided views on this topic, broadly supported revising ISA 720 (Revised) to clarify the concepts underlying the auditor's responsibilities and to address implementation issues and challenges that have been highlighted as part of the post-implementation review (PIR) of the revised audit reporting standards.

101. Respondents, who provided views on this topic, also broadly supported a narrow scope project on ISA 720 (Revised). Only one respondent was of the view that a more fundamental revision of the standard may be warranted. They have noted that the only other standard for which a revision would be critical is ISA 720 (Revised). They believe that one of the two or three projects in 2025 needs to be reserved for a project to revise ISA 720 (Revised).

102. In revising ISA 720 (Revised), respondents who expressed support suggested:

- Leveraging feedback received during the auditor reporting PIR to update ISA 720 (Revised) to clarify specific requirements causing issues in practice.

- Clarifying the relationship between other information in financial statements audit and other information in sustainability assurance, including identifying whether there are any other potential issues in these circumstances.

- Focusing on the connectivity between the financial and non-financial information in the annual report.

- Clarifying categories of non-financial information, including sustainability information, which needs to be totally excluded from the scope of ISA 720 (Revised) assuming a dedicated standard will cover sustainability.

- Maximizing the proportion of information within an annual report that is 'subject matter information' that is independently assured, rather than remaining 'other information' on which financial statement audit reports usually contain boilerplate information.

103. Respondents, who supported a project on ISA 720 (Revised), provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- Identified a number of issues or concerns with the implementation of ISA 720 (Revised) through local auditor reporting PIR activities.

- Disclosure of sustainability information and assurance on sustainability reporting will become mandatory in several jurisdictions in the near future. If the annual report contains both the financial statements and the sustainability information, other information identified within the scope of the audit of financial statements, or the assurance of sustainability reporting may overlap.

- Need to assess how the auditor may better address any potential sustainability / environmental, social, and governance (ESG) information that is disclosed in management reports by an entity. This topic is particularly relevant for entities that will not be directly required to apply the provisions of the Corporate Sustainability Reporting Directive in Europe, but still voluntarily provide ESG information in their management report.

- As assurance moves further towards 'all-of-report' assurance (e.g., entire annual report), the profile of 'other information' under ISA 720 (Revised) may increasingly transition to 'subject matter information' under proposed ISSA 5000.

104. Respondents that did not identify the revision of ISA 720 (Revised) as a priority project, or altogether did not support a project to revise ISA 720 (Revised), provided the following reasons:

- Considers this project to be of a lower priority. They have recommended that the IAASB consider when it may best be accommodated, given the availability of its resources, and the mix of other projects, both major and narrow scope.

- While not opposed to a project on ISA 720 (Revised), they have not identified indicators that the standard requires urgent revision, nor a compelling reason to make amendments to ISA 720 (Revised).

- They did not see ISA 720 (Revised) causing difficulties in practice and therefore, did not consider that a fundamental revision of the standard is required.

Topic J. Review of Interim Financial Information (Revision of ISRE 2410)

105. Respondents, who provided views on this topic, broadly supported revising ISRE 2410 to update the standard to the clarity format, other possible changes to address issues and challenges identified (e.g., alignment with concepts and principles in other standards, such as ISA 570 (Revised), ISA 700 (Revised) and ISA 701), and to modernize the standard.

106. In revising ISRE 2410, respondents who expressed support suggested:

- Commencing a project on ISRE 2410 after completing the proposed ISSA 5000 project to take account of any enhancements identified in that project, which may clarify the concept of limited assurance and the related work effort.

- Reserving a project allocation in 2024 to revise ISRE 2410.

- Addressing questions around the auditor's responsibilities related to going concern for interim review engagements.

- Aligning ISRE 2410 with other recently issued standards, such as ISA 315 (Revised 2019), ISA 540 (Revised) and ISA 600 (Revised).

- Considering changes made by others in different jurisdictions (e.g., ISRE (UK) 2410)[8]).

107. Respondents who supported a project on ISRE 2410 provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- Long overdue 'legacy' standard (i.e., not updated since 2006 and still presented in the old 'non-clarity' format) that needs to be revised to keep ISRE 2410 fit for purpose.

- ISRE 2410 is technically inconsistent with developments in limited assurance since the issuance of ISAE 3000 (Revised)[9] and ISRE 2400 (Revised).[10]

- Conforming and consequential amendments arising from other ISAs have not been made to ISRE 2410.

- Increasing questions on matters relating to reporting, fraud and going concern in the application of ISRE 2410.

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[8]   ISRE (UK) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

[9]   International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

[10]   ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

- Mandatory interim reporting requirements for listed entities in local jurisdictions (i.e., it is a 'every day' use standard).

- Local jurisdictions have begun to update their local version of the standard (e.g., ISRE (UK) 2410).

- Interim financial information is particularly important: (a) for users, most of whom are users of interim financial information of publicly listed entities; and (b) in the current climate of significant geopolitical instability and economic uncertainty/volatility.

108. Respondents that did not identify the revision of ISRE 2410 as a priority project, or did not support a project to revise ISRE 2410, provided the following reasons:

- While not opposed to a project on ISRE 2410, in their view there is no fundamental problem in practice when applying ISRE 2410. While they understand the reasons underpinning the case for revision, they believe revising ISRE 2410 need not be prioritized ahead of other projects.

- A revision of ISRE 2410 needs to be postponed due to lack of urgency.

Topic K. Joint Audits (New Standard)

109. More than half of the respondents, who provided views on this topic, did not identify joint audits as a priority project, or did not support a project on joint audits, for the following reasons:[11]

- Given the number of other high priority projects identified by the IAASB for 2024–2027, they recommended that a project on joint audits be given the lowest priority, or they altogether did not support a project on joint audits at this time.

- Joint audits are not widely used, and it would not be in the public interest to develop a standard that will be used in a small number of jurisdictions.

- Even if many jurisdictions that do not require joint audits permit/allow them, joint audits in those jurisdictions are rare.

- While joint audits are performed in certain jurisdictions and are not widespread, they are not aware that current practice is causing significant issues.

- Joint audits are best addressed by jurisdictional action, such as law, regulation or local standards. Jurisdictions that perform joint audits need to be encouraged to develop standards locally.

- A project on joint audits would not satisfy the stakeholder value proposition described in question 1 as globally relevant. Similarly, it does not meet the criteria for inclusion, specifically the prevalence of the issue globally, as described in the IAASB Framework for Activities.

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[11] 28 'other' respondents provided views on a possible project on joint audits, of which 18 respondents did not support it. Respondents who did not support a project on joint audits were primarily regulators and audit oversight authorities, national auditing standard setters, accounting firms, and member bodies and other professional organizations in jurisdictions that do not mandate joint audits.

110. There were respondents that supported a standard-setting project to address the consistent application of the ISAs to joint audits in jurisdictions where joint audits are undertaken or to support the introduction of joint audits in other jurisdictions.[12]

111. Respondents who supported a project on joint audits provided the following explanation(s) as to 'why' the topic may be relatively more important to their organization or within their jurisdiction:

- Concerns about audit market concentration, and any potential consequential detrimental impact on audit quality (and going forward the quality of sustainability assurance).

- Local legislators and economic agents share the view that joint audits improved transparency and quality and contributed to reducing market concentration.

- Need for a global standard on joint audits is evident for jurisdictions which allow/require joint audit engagements.

- Lack of global standard on joint audits leads to fragmentation and potentially inconsistent application across jurisdictions where joint audits are undertaken.

112. In developing a global standard on joint audits, respondents who expressed support suggested:

- Using a similar framework as ISA 600 (Revised), which acts as an overlay to the other ISAs in addressing special considerations in performing a joint audit, although it would likely include reporting considerations.

- Clarifying whether the engagement partner on a joint audit would have overall responsibility, jointly and severally, as the engagement partner for the audit as a whole (i.e., their responsibility would not be limited to only the audit work performed by their respective accounting firms).

- Providing auditors with clarity around firm-to-firm protocols and responsibilities.

- Providing guidance to TCWG and management of audited entities, who have joint auditors or are planning joint audits.

- In the short-term, considering whether narrow scope amendments to ISA 220 (Revised) and ISA 600 (Revised) would be helpful to clarify the role and responsibilities of each joint engagement partner.

- In the medium term, issuing non-authoritative guidance with a focus on practical considerations when performing joint audits, including, for example:

  o Acceptance and continuance considerations.

  o Overall audit strategy and audit plan, including principles for how to appropriately assign work between the joint auditors, communication between, and involvement in the work of, other auditors.

  o Audit documentation of each joint auditor to fulfil the requirements of ISA 230.[13]

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12 28 'other' respondents provided views on a possible project on joint audits, of which 10 respondents supported it. Respondents who expressed support were primarily regulators and audit oversight authorities, national auditing standard setters, accounting firms, and member bodies and other professional organizations in jurisdictions that mandate, or at least permit/allow, joint audits.

13 ISA 230, *Audit Documentation*, paragraph 8

o   Guidance addressing procedures and reporting considerations when there is a (potential) difference of opinion between the joint auditors.

Question 5 – Do you support the identified possible new standard-setting projects as set out in Table B (see pages 21–23) within the area of sustainability and other assurance engagements (numbered L. and M.)? Topic L., Further Standards for Assurance on Sustainability Reporting, would involve addressing multiple topics (as part of possible multiple projects). Please provide your views about likely candidate topics for further standards. (See **Agenda Items 5–C.5 and 5–D.5**.)

Monitoring Group

Topic L. Further Standards for Assurance on Sustainability Reporting (New Standards)

113.   Three Monitoring Group members provided views on this topic (with one of the three members identifying it as a 'high' priority project). Specific matters addressed, included:

- Support for a phased approach to address the needs for assurance standards on sustainability reporting comprising,

    o   Immediate action to develop an overarching standard for sustainability assurance engagements; and

    o   Future plan to develop further standards as part of a bespoke suite of standards on sustainability assurance. However, members did not provide likely candidate topics for further standards.

- Suggestions to align proposed ISSA 5000 with relevant concepts in other IAASB standards (e.g., ISA 500-series and ISA 620).

- Encouraging the IAASB to further engage with stakeholders as this area matures.

- The importance of monitoring developments globally and remaining flexible to address new or emerging issues based on the needs of investors.

- While acknowledging the importance of sustainability standards, concerns about the sufficiency of resources and a caution that the focus on sustainability standards should not lead to a diversion of resources needed for the setting and revising of auditing standards (i.e., the risk that the IAASB's work on sustainability assurance could hinder progress in improving the ISAs, which is not in the public interest).

- Recognition for the IAASB's work towards profession-agnostic sustainability assurance standards that build on the requirements and principles of existing standards and guidance, and that can apply on a framework-neutral basis.

- Views that the sustainability standards can be implemented on a stand-alone basis and should be implementable by all assurance practitioners.

Topic M. Assurance on XBRL (New Standard)

114.   One Monitoring group member supported a 'medium' priority project for an assurance standard on XBRL. They suggested:

- A separate standard-setting project be undertaken to support consistent and comparable assurance engagements, as certain jurisdictions already require assurance on XBRL.

- That the IAASB continue to monitor the pervasiveness of assurance requirements and the public interest need related to digital reporting.

Other Respondents

Topic L. Further Standards for Assurance on Sustainability Reporting (New Standards)

Developing bespoke suite of standards on sustainability assurance

115. More than half of respondents, who provided views on Topic L:

- Supported a phased approach to address the needs for assurance standards on sustainability reporting comprising,

  o Immediate action to develop an overarching standard for sustainability assurance engagements; and

  o Future plan to develop further standards as part of a bespoke suite of standards on sustainability assurance.

116. However, respondents with views on Topic L, in most cases, did not provide likely candidate topics for further standards. In instances where they have done so, suggested topics include:

- Specific or granular requirements on individual elements of the engagement such as materiality, use of experts, assurance reporting (including integrated reporting and key sustainability assurance matters), estimates (including forward-looking information), fraud (including greenwashing), special considerations for group sustainability assurance, and specialized areas (similar to the ISA 800 series).

- Individual elements of an entity's sustainability reporting such as climate-related disclosures, greenhouse gas statements, green bonds/green finance commitments, and assurance on reports in accordance with a specific reporting framework or regulation.

Aligning proposed ISSA 5000 with other IAASB standards

117. Respondents, who provided views on Topic L, suggested aligning proposed ISSA 5000 with other IAASB standards, particularly ISAE 3000 (Revised), ISAE 3400,[14] ISAE 3410,[15] and the Extended External Reporting (EER) Assurance Non-authoritative Guidance.

118. Respondents highlighted that it is imperative to address how ISAE 3000 (Revised), ISAE 3400, ISAE 3410, and the EER Guidance would fit with proposed ISSA 5000 to avoid confusion among practitioners who are using all of these standards and guidance to perform varying, yet similar, engagements. Addressing this matter may include:

- Communicating externally that these standards and guidance remain fit for purpose without any changes at the current time; or

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[14]   ISAE 3400, *The Examination of Prospective Financial Information*

[15]   ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

- Concluding that a new project is needed to incorporate within these standards and guidance a subset of the changes made in developing proposed ISSA 5000.

Continuing outreach and engagement with stakeholders

119. Respondents, who provided views on Topic L, suggested that the IAASB undertakes outreach activities to proactively engage with stakeholders (such as preparers, assurance providers, regulators, and other standard-setters) to:

- Better understand the needs and challenges related to assurance on sustainability reporting.

- Serve as basis for the development of future sustainability assurance standards that will address emerging issues.

120. Respondents suggested targeted outreach activities with sustainability reporting standard-setters, for example, the ISSB and Global Reporting Initiative (GRI).

Monitoring developments of sustainability reporting and assurance

121. Respondents, who provided views on Topic L, suggested monitoring the global development of sustainability reporting and assurance thereon, for example:

- IFRS Sustainability Disclosure Standards developed by the ISSB.

  o IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.

  o IFRS S2 Climate-related Disclosures.

- Corporate Sustainability Reporting Directive (CSRD) by the European Commission.

- European Sustainability Reporting Standards (ESRS) promulgated by the European Financial Reporting Advisory Group (EFRAG).

- Recommendations of the Task Force on Climate-related Financial Disclosures (TFCD).

- GRI Standards on sustainability.

Assessing the IAASB's need for resources

122. With respect to Topic L, respondents' specific views on resources included:

- Significant concerns about the sufficiency of resources available to address the public interest needs for both standards for assurance on sustainability reporting and the ISAs.

- Need to carefully assess and prioritize between suite of follow-on sustainability assurance standards and other projects.

- Need to acquire new skillsets relating to sustainability reporting in a competitive market for talent.

Developing framework-neutral and profession-agnostic sustainability assurance standards

123. Respondents supported developing a framework-neutral and profession-agnostic sustainability assurance standards. However, a respondent noted:

- Need for clarity on how the IAASB may focus on the comprehensive quality of sustainability assurance engagements given the shift to develop profession-agnostic standards that can be applied by other professions that may not have the comprehensive approach to quality like the accountancy profession and may not view their responsibilities to the public interest in the same way.

- Concerns over how this approach may impact:

  o The clarity of responsibilities, including the quality of the work performed and the durability of the related code of ethics.

  o The ability to regulate practitioners and non-practitioners and hold them accountable to their responsibilities (i.e., regulatory oversight of the accountancy profession and other providers of sustainability assurance).

  o The pipeline of global talent (i.e., talented students may seek to become nonpractitioners applying the same assurance standards as practitioners).

Other specific views on Topic L

124. Other specific views on Topic L included:

- The importance of timely development of standards for assurance on sustainability reporting.

- Developing limited assurance standards (by the end of 2024) and reasonable assurance standards (at a later point) on sustainability reporting.

- Scalability, including proportionality of the standards that addresses the needs of small and medium sized enterprises (SMEs) as well the needs of complex, listed entities.

- Developing implementation guidance for proposed ISSA 5000, including report examples.

- Undertaking a post-implementation review for proposed ISSA 5000.

125. Respondents that did not identify Topic L as a priority project, or altogether did not support Topic L (or parts of Topic L), provided the following reasons:

- Even as practice matures in this area, they do not believe it is necessary nor the most appropriate approach, to develop entirely new standards in respect of individual underlying subject matters. They believe that:

  o Proposed ISSA 5000 needs to be capable of operating not just as a foundational standard, but with sufficient specificity such that it can be applied on engagements across a wide range of underlying subject matters within the sustainability area.

  o If the IAASB pursues separate standards in respect of underlying subject matters that form part of a broader sustainability assurance engagement, standards are developed to address only incremental requirements and related application material in respect of the subject matter and do not duplicate material from proposed ISSA 5000 as a foundational standard (i.e., standards need not be standalone, but supplement proposed ISSA 5000).

- The IAASB needs to allow reasonable time for implementation and post-implementation review of proposed ISSA 5000 to determine whether additional standards, if any, may be needed.

- Additional work on sustainability, alongside the proposed work plan, would be too ambitious, leaving inadequate time and focus.

Topic M. Assurance on XBRL (New Standard)

126. More than half of the respondents, who provided views on Topic M, noted their support for exploring the development of an assurance standard on XBRL given the increased focus and use of digital financial reporting (for financial and non-financial information).

127. Respondents, who expressed support, suggested:

- Monitoring jurisdictional developments to determine if, and when, there is sufficient demand for global standard-setting activity.

- Leveraging standards and guidelines adopted by regulators and national standard setters as basis for a global standard.

- Developing a principles-based standard (i.e., not based on a technology that may become outdated).

- Making it a research project, or accelerating information gathering and research activities with respect to this project.

- Working towards a set of standards that can be used across various subject matters (e.g., financial, non-financial, sustainability) presented together in the same report.

- Including new requirements in ISAE 3000 (Revised) that support the application of XBRL-based financial reporting.

- Publishing a staff paper/non-authoritative guidance in the interim before the development of a standard.

128. Respondents that did not identify an assurance standard on XBRL as a priority project, or altogether did not support the development of an assurance standard on XBRL, cited the following reasons:

- XBRL reporting is not mandated within their jurisdictions.

- XBRL reporting does not have a wide application across the globe.

- The IAASB needs to prioritize its resources on projects with a broader international scope, or towards developing further standards for assurance on sustainability reporting.

- It is difficult to develop a 'framework-neutral' and 'jurisdiction-neutral' standard. The nature and extent of the assurance work depend largely upon how local legislation designs the requirements for both the technology that reporting entities are to apply and the nature of the assurance conclusion to be given by practitioners.

- Data that is reported through XBRL is subject to existing standards (i.e., ISAE 3000 (Revised)).

- It may not be necessary to develop an entirely new standard. ISAE 3000 (Revised) may be updated such that it can be applied on engagements across a wide range of subject matters, including an XBRL assurance engagement.

Question 6 – Are there other topics that we should consider as new standard-setting projects? If so, please indicate whether any such topics are more important than the topics identified in Table B (see pages 21–23), and the needs and interests that would be served by undertaking work on such topic(s). (See **Agenda Items 5–C.6 and 5–D.6**.)

Monitoring Group

129. One Monitoring Group member noted that ISA 540 (Revised)[16] and ISA 402[17] should be revised. The Monitoring Group member noted that in the revision of ISA 540 certain key matters were not addressed, and the standard should be revised to address these matters. The Monitoring Group member suggested to revise ISA 402 given the evolution of business practices such as increased use of cloud-based organizations and outsourcing of key operational functions. This development led to a need for new guidance on whether the work of the service organization's auditor provides sufficient appropriate audit evidence to support the auditor's assessed risks of material misstatement.

130. The Monitoring Group member also suggested a project on internal controls. It was noted that this is as an area where audit quality could be improved.

131. The two other Monitoring Group members did not identify other topics for consideration of new standard-setting projects.

Other Respondents

132. Respondents identified several International Standards that should be revised, including ISAE 3000 (Revised), ISAE 3400 and ISAE 3410. None of the projects identified, were supported by more than two respondents. Respondents also noted several areas where the IAASB could potentially develop new standards, including in relation to internal controls, but none of the areas identified gained significant support except the topic identified related to technology.

133. Respondents noted several technology related matters that could be addressed in the IAASB's standards such as Assurance on XBRL, artificial intelligence, digital assets, blockchain, cyber risk and cyber security. They also noted the IAASB should take a more holistic approach to technology in the ISAs as the impact of technology, including disruptive technologies, has not been properly addressed on a holistic basis in the ISAs.

134. Other topics identified by a few respondents, included:

- A standard on agreed-upon *assurance* procedures engagements (which is different to agreed-upon procedures engagements under ISRS 4400 (Revised) [18]).

- Related services engagements beyond agreed-upon procedures engagements and compilation engagements.

- Education campaign to build understanding around the ISA for LCE.

- Assisting the IFAC Small and Medium Practices Advisory Group (SMPAG) in the development of an implementation guide around quality management for SMPs.

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[16] ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

[17] ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*

[18] ISRS 4400 (Revised), *Agreed-Upon Procedures Engagements*

Question 7 – Our proposed Strategy and Work Plan emphasizes the importance of close coordination with our sister-Board, IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for joint or complementary actions that would better serve the public interest? Suggestions could entail standard-setting work, engagement with stakeholder groups, and improved ways of working, among others. (See **Agenda Items 5–C.7 and 5–D.7**.)

Monitoring Group

135. Two Monitoring Group members provided views about how coordination could be enhanced between the IAASB and the IESBA, including:

    • *Standard-setting work.* A member suggested aligning definitions as closely as possible.

    • *Engagement with stakeholder groups.* A member suggested close collaboration with other international standard setters, such as the IASB and the ISSB. They also raised questions whether the future establishment of a joint Stakeholder Advisory Council (SAC) will further enhance stakeholder engagement associated with the separate IAASB and IESBA Consultative Advisory Groups (CAGs). They cautioned that moving away from technical membership and longer tenures could lead to changes in the nature and utility of the input and feedback that the CAGs provided.

    • *Improved ways of working.* A member suggested systemic liaison between the two boards in the setting of auditing, assurance and ethical standards.

Other Respondents

136. More than half of the respondents provided views about how coordination with the IESBA could be enhanced. Respondents primarily highlighted opportunities for joint or complementary actions through standard-setting work, and to a lesser extent, through engagement with stakeholder groups, or improved ways of working.

Standard-Setting Work

137. Respondents, who provided views on joint or complementary actions through standard-setting work, suggested:

    • Aligning work programs and effective dates for related projects (if possible).

        o Consideration could be given to developing joint agenda items for discussion at both boards and a joint decision on the appropriate way forward.

        o Consideration could be given to the number of open consultations and the timing of comment periods. It is important that stakeholders have sufficient time to review and collate feedback in order to provide high-quality and useful input. This can be compromised when there are multiple overlapping consultations for both boards.

        o It may be useful for stakeholders to have a combined calendar of activities for both boards.

    • Close coordination on relevant IAASB projects (e.g., sustainability assurance, audits of LCEs, listed entity and public interest entity (PIE), and technology) or IESBA projects (e.g.,

sustainability, PIE-rollout and IAASB coordination, use of experts, and technology) from project inception to completion.

- o There is an opportunity for close coordination potentially through direct engagement or membership (i.e., as correspondent member) in task forces of the two boards.

- o More joint working parties may be created when new or revised standards are being drafted.

- o Close coordination may enable potential ethical and independence considerations by task forces throughout each project.

- o Close coordination may avoid conflicts or unintended consequences if changes are not made concurrently to the IAASB standards or the IESBA Code.

- o There was caution not to create bias by introducing the most prescriptive IESBA rules into the ISAs.

- Aligning (as close as possible) the definition of terms used in both audit and ethics.

- o There was a call for joint definitions for critical terms including a joint assessment of changes to such definitions.

- o Greater cooperation is needed in circumstances when one board addresses definitions that are set forth in the requirements of the other board.

- o There were concerns that the IESBA's recent definition of PIE is not in the public interest.

Engagement with Stakeholder Groups

138. Respondents, who provided views on joint or complementary actions through engagement with stakeholder groups, suggested:

- Leveraging joint outreach activities, including assisting each other in engaging with 'hard-to-reach' stakeholder groups (e.g., non-practitioners).

- Continuing with the joint IAASB-IESBA NSS and CAG sessions.

- Continuing to embrace technology and utilizing both virtual and in person roundtables for consultations, which enable a wider range of stakeholders to interact with the boards' work.

Improved Ways of Working

139. Respondents, who provided views on joint or complementary actions through improved ways of working, suggested:

- A systematic and organized review process for related projects to be established as soon as possible.

- o Draft project proposals from each board should be made available to the other prior to approval so that the other board can ascertain whether the remit of the project proposal aligns with the remit of the respective boards.

- Issuing a single joint exposure draft on a relevant project that sets out the proposed revisions to both the affected IAASB standard(s) and the IESBA Code.

- Incorporating questions that are of relevance to each of the boards' open consultations, which enable both boards to obtain views without issuing additional consultation papers.

- Consulting via survey or other less formal means to determine the best approaches.

- Continuing to issue joint guidance useful to practitioners.

Question 8 – Are There Any Other Matters That We Should Consider in Finalizing Our Strategy and Work Plan? (See **Agenda Items 5–C.8 and 5–D.8**.)

Monitoring Group

140. One Monitoring Group member noted that the IAASB should develop more detailed plans about the targeted output and should provide more information about the priorities set on the various identified future projects. It was noted that clarity on the objectives of the various projects is essential to ensure that actual delivery does not fall behind the expectations.

Other Respondents

141. In analyzing respondents' comments, the Planning Committee identified the following themes:

- *Principle-based standards*. Respondents noted that in an effort to make the standards more enforceable, the standards are getting longer and less principle-based. In that regard, it was questioned whether this trend enhances audit quality, and it was noted that principle-based standards can keep the standards future proof.

- *Timing and planning of projects*. As one Monitoring Group member noted, other respondents (mainly regulators and audit oversight authorities) also noted that the IAASB should develop more detailed plans about the timing and targeted outputs of projects and should provide more information about resources affected for the various candidate topics in the Strategy and Work Plan. In that regard it was noted that clarity on the objectives of the various projects is essential to ensure that actual delivery does not lag behind the expectations. It was also noted that the Strategy and Work Plan should include timelines.

142. Respondents noted various other matters, but these matters were considered one-off matters.