

Meeting: IAASB Consultative Advisory Group (CAG)
Meeting Location: Virtual Zoom Meeting
Meeting Date: December 7, 2023

Agenda Item C.5

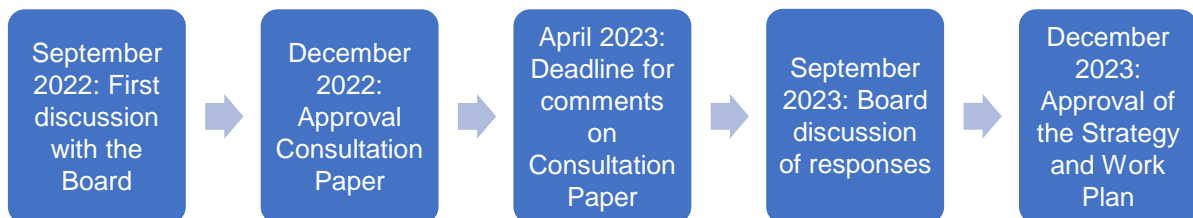
Strategy and Work Plan – Cover and Report Back

Objective

1. The objective of this Agenda Item is to report back on Representatives' comments made at the September 2023 IAASB CAG meeting.

Project Status

2. The IAASB's current Strategy runs from 2020–2023 and the current Work Plan runs from 2022–2023. Therefore, the IAASB will need to approve a new strategy and work plan¹ for the period 2024–2027 in accordance with due process² by the end of 2023.



3. At the IAASB's September 2023 meeting the Board discussed an analysis of respondents' comments to the Consultation Paper, the Planning Committee's (PC) initial recommendations for updating the Strategy and initial views to assist with programming decisions in finalizing the Work Plan.
4. The IAASB Chair also updated the Public Interest Oversight Board (PIOB) on the Strategy and Work Plan at the PIOB's October 2023 meeting.
5. The **Appendix** to this paper provides a history of previous discussions with the IAASB CAG and the IAASB on this topic, including links to the relevant IAASB CAG documentation.

Way Forward

6. Based on the comments received from the IAASB, the IAASB CAG and the PIOB, the Planning Committee has updated the Strategy and Work Plan and will present it to the IAASB for approval in the December 2023 IAASB meeting.

¹ Moving into the next strategy period it is intended that the work plan period will be changed to align with the strategy period (i.e., a four-year work plan).

² Due process requires that the IAASB consult on the development of its strategy and work plans. The [IAASB's Due Process and Working Procedures](#) outline the process to be followed to develop its Strategy and Work Programs.

Report Back

7. Extracts from the draft September 2023 IAASB CAG meeting minutes relevant to the Strategy and Work Plan, as well as an indication of how the IAASB has responded to the Representatives' comments, are included in the table below.

Report Back on the September 2023 IAASB CAG Meeting	
Representatives' Comments	IAASB Response
STRATEGY	
Mr. Hansen inquired about the methods employed to monitor trends and collect stakeholder feedback on relevant developments that may raise topics that require IAASB action.	<p>Point noted.</p> <p>Mr. Seidenstein outlined the existing approach, which relies mainly on extensive stakeholder engagement as part of the IAASB's general outreach program and project-specific outreach, details of which are reported on a quarterly basis to the Board and to the PIOB. Regular meetings with stakeholders from different constituencies include Monitoring Group members, regulators and audit oversight authorities, and jurisdictional/ national auditing standard setters. In addition, Board members actively engage with stakeholder groups in their respective regions and networks, contributing to the information gathering. Mr. Seidenstein also pointed out that the IAASB is focused more on broader trends rather than reacting to isolated issues.</p>
Ms. Wei supported the changes made by the Planning Committee (PC) and the commitment to progress and complete the projects underway in a timely manner. Ms. Wei highlighted the importance from a public interest perspective of completing the current projects such as Fraud, Going Concern, and Audit Evidence.	<p>Support noted.</p> <p>The IAASB recognizes the importance of these projects. The revised draft Work Plan includes the timeline for the completion of both the Fraud and Going Concern projects (H1 2025 and H2 2024 respectively).³ Audit Evidence (ED-500)⁴ will continue to be addressed in the upcoming 2024-2027 Work Plan as part of an integrated approach to audit evidence and risk response.</p>
Dr. Danbatta noted that Post Implementation Reviews (PIR) of standards, as well as collecting	<p>Point noted.</p> <p>PIR of new or revised standards are only</p>

³ Periods for targeted final approval are indicated in half-years, for example "H2 2024" means the 2nd half of 2024 (H1 includes the period January through June, and H2 includes the period July through December of any calendar year)

⁴ Exposure Draft (ED), Proposed ISA 500 (Revised), *Audit Evidence* (ED-500)

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data from jurisdictions around standards implementation rates could provide valuable feedback for future projects.	<p>considered after a significant period of global adoption and implementation of a standard (i.e., 3–5 years). This allows sufficient time for a new or revised standard to be properly embedded in practice and for internal and external monitoring purposes, in the context of global adoption across jurisdictions.</p> <p>The revised draft 2024–2027 Work Plan includes the targeted commencement of PIR for ISA 540 (Revised)⁵ and ISA 315 (Revised 2019).⁶</p>
IMPACT OF TECHNOLOGY	
Ms. Wolf queried the role of artificial intelligence in either the development of auditing standards or its impact on the standards, for example, where management has used artificial intelligence in preparing the financial statements.	<p>Point noted.</p> <p>The IAASB recognizes that the impact of technology is multifaceted and includes the use of technology by entities, and auditors and practitioners. Entities are increasingly operating in a digital environment and use technology for their business models, information systems and reporting processes. Auditors and practitioners are using technology in undertaking audit, assurance, and related services engagements. In addition, disruptive technologies (including artificial intelligence) are potentially transforming these engagements and may require new or revised standards.</p> <p>The PC has included two technology-focused projects in the revised draft 2024–2027 Work Plan: “Integrated Approach to Audit Evidence and Risk Response, Including Focus on Technology and Internal Control” and “Modernization of Other Targeted Standards in the ISA 500⁷ Series, Including Focus on Technology”.</p>

⁵ International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

⁶ ISA 315 (Revised), *Identifying and Assessing The Risks of Material Misstatements*

⁷ ISA 500, *Audit Evidence*

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Dr. Danbatta highlighted the need for capacity-building initiatives focused on technology, digital currencies, and crypto assets for auditors.	Points noted. In addition, the IAASB currently has an ongoing Technology workstream, which includes the publishing of materials such as market scans and other non-authoritative guidance in relation to technology.
Ms. Blomme noted that technology is gaining increasing importance in the audit and assurance field, both in terms of the tools used by auditors and the types or business models of companies being audited, as well as the impact of related policy and regulatory developments. In that regards she noted the "Digital Services Act" in Europe, on the diversity of services that practitioners are requested to perform. Ms. Blomme also highlighted the need for the IAASB to continue monitoring technology developments and their implications for the IAASB's standards.	Mr. Seidenstein highlighted that the Board has considered the impact of technology in the Strategy and Work Plan and, based on the feedback from respondents, the PC has revised certain areas in the strategy section and has highlighted key points of direction for programming decisions in finalizing the work plan section. Mr. Seidenstein also noted that capacity building largely lies outside the purview of standard setters. However, standard setters should be involved in the discussions on how technology can improve audit and assurance quality. In addition to the ongoing Technology workstream above, the PC has included two technology-focused projects in the 2024-2027 Work Plan: "Integrated Approach to Audit Evidence and Risk Response, Including Focus on Technology and Internal Control" and "Modernization of Other Targeted Standards in the ISA 500 Series, Including Focus on Technology".
Mr. Thompson expressed a question around the representativeness of survey responses (in this instance and when consulting more generally) in the context of possible non-response bias, particularly from small and medium practitioners and less-developed professional accountancy organizations.	Point noted Mr. Seidenstein acknowledges the challenge but noted a growing breadth and diversity in stakeholder responses especially from those who are outside the accounting profession.
WORK PLAN	
Mr. Dalkin and Ms. Riggs emphasized the importance of PIR. Ms. Riggs cited ISA 540 (Revised) as a candidate for a new project given	Point noted.

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that accounting estimates play an important role in the preparation of both financial statements and sustainability information and is a recurring area of inspection findings by audit regulators.	The revised draft 2024–2027 Work Plan includes the PIR of ISA 540 (Revised). The targeted commencement date for this project is H1 2026.
Ms. Riggs noted her support for adopting the 'integrated approach' in updating the ISAs for the impact of technology (Option II presented in Agenda Item I.3), as this approach will more effectively incorporate technology as well as other changes, especially in the ISA 500 series.	Support noted.
Mr. Suzuki and Mr. Ishiwata noted their support for the development of further standards for assurance on sustainability reporting and identified two potential directions: one focused on specific sustainability topics and another focused on procedural matters like fraud detection. Mr. Ishiwata suggested a flexible approach to allocating resources and time between projects for audits and reviews, and sustainability and other assurance engagements.	<p>Support and point noted.</p> <p>Mr. Botha clarified that although there was strong support from the respondents for the development of further sustainability assurance standards (i.e., the IAASB's 'phased approach'), only a few respondents identified specific topics such as estimates and forward-looking information, materiality, the work of experts, and fraud risks.</p> <p>The IAASB recognizes that sustainability reporting and the assurance thereon are rapidly evolving and have responded to the need for a global baseline standard on sustainability assurance engagements. The revised draft 2024–2027 Work Plan accommodates a focus on both audit and reviews, and sustainability and other assurance engagements, per Strategic Objectives 1 and 2. The PC expects a majority of resources to be devoted to standard setting for audits and reviews of financial statements during the upcoming Work Plan period.</p> <p>Comprehensive outreach activities undertaken with stakeholders during the consultation period of ED-5000⁸ in 2023, revealed, amongst other key themes, the demand for the development of non-authoritative guidance. The Board allocated resources to progress the development of non-</p>

⁸ ED, Proposed ISSA 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000)

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	<p>authoritative guidance and related materials in parallel with the standard-setting activities to update ED-5000 post-public exposure, in 2024.</p> <p>Any additional standard setting is expected to be driven by the relative importance and urgency at the time for further action within the ISSA suite of standards while acknowledging the need for ISSA 5000 to first be adopted and implemented.</p>
<p>Ms. Blomme expressed her support for the Work Plan and the revision of ISA 320,⁹ ISA 620,¹⁰ and ISA 720 (Revised)¹¹ as these topics also have a link to sustainability assurance. Ms. Blomme also noted the need to update the EER guidance.¹² Ms. Blomme highlighted that a future standard on XBRL might prove valuable given the ongoing trend toward digital reporting that requires assurance, for example, in Europe. In the absence of such a standard, affected jurisdictions have developed their own guidance or rules to assure digital information.</p>	<p>Support and points noted.</p> <p>IAASB Stakeholders strongly identified a need for the IAASB to undertake actions to complement the adoption and implementation of ISSA 5000. The PC has included in the Work Plan, a project on "Implementation Support and Other Actions Related to ISSA 5000" with H1 2024 as a targeted commencement date. This project may include focusing on updating the EER Guidance, addressing the relationship between ISSA 5000 and ISAE 3410¹³ and non-authoritative guidance that address emerging issues.</p> <p>Considering the anticipated capacity to accommodate around five to seven parallel standard-setting projects at any given time during the Work Plan period, the relative priority of the topics planned to start, and the completion of projects underway at the start of 2024, certain topics (including a project on "Assurance Engagements on Digital Reporting Tagging (e.g., XBRL tagging of financial and non-financial information)" had to be put into reserve.</p>
<p>Mr. Hansen questioned whether there has been a call to develop a standard around internal control</p>	<p>Point noted.</p>

⁹ ISA 320, *Materiality in Planning and Performing an Audit*

¹⁰ ISA 620, *Using the Work of an Auditor's Expert*

¹¹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

¹² Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements

¹³ International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*

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over financial reporting and whether ED-5000 covered internal control over sustainability reporting.	Mr. Botha clarified that there has not been any specific call to develop a standard for assuring the operating effectiveness of internal controls and that ISAE 3000 (Revised) ¹⁴ is currently the standard that would be used for an assurance report on internal control over financial reporting. Mr. Botha also clarified that ISSA 5000 does accommodate circumstances where sustainability information on processes, systems and controls is subject to the assurance engagement (i.e., the description, design or operating effectiveness of the entity's processes, systems or controls).
Mr. Thompson expressed his disappointment that Joint Audits was not considered as a candidate for future projects.	Point noted. Mr. Seidenstein acknowledged that global prevalence is a key factor in prioritizing topics, irrespective of their individual importance.
OTHER MATTERS	
Mr. Thompson highlighted that not all started projects necessarily need to be completed, especially if they no longer align with strategic objectives or if their continued pursuit would incur significant costs in terms of effort and resources. Mr. Thompson suggested that future consultations could explicitly ask respondents if there are any ongoing projects that should be discontinued, for example, in order to better allocate resources.	Point noted. Mr. Botha acknowledged the value of this proposition. Mr. Botha also highlighted that the current projects that will continue into the next work plan period were driven by the IAASB's strategic objectives in the current strategy and work plan and are supported by approved project proposals, including certain proposals that have leveraged the Public Interest Framework in line with the Board having started to implement the Monitoring Group reforms.
Ms. Landell-Mills emphasized the disconnect between audit processes and investors' understanding of the value of this process and highlighted the importance of communication for more substantive engagement with this key stakeholder group.	Point noted. Mr. Botha acknowledged Ms. Landell-Mills' view and highlighted the IAASB's ongoing efforts in this regard, citing targeted outreach activities and simplified surveys as examples.

¹⁴ International Standard on Assurance Engagement (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

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	<p>The PC notes the importance of interaction with different stakeholders, including investors and investor or user representative groups, and highlights the IAASB's ongoing efforts in this regard, including, for example, targeted outreach activities and simplified surveys to encourage participation in public consultations.</p>
<p>Ms. McGeachy highlighted the resource constraints faced by the accounting profession and emphasized the challenges faced by the profession with the volume of changes and revisions made to the standards.</p>	<p>Point noted.</p> <p>Mr. Botha acknowledged Ms. McGeachy's point and noted that the IAASB is taking these challenges into consideration when making programming decisions.</p> <p>The PC acknowledged the concerns raised by respondents about maintaining an appropriate balance in taking on new projects to revise or develop standards with an awareness of the possible cumulative effect of successive fundamental changes to standards and considered these challenges in making programming decisions.</p>

Appendix

Project Details and History

Task Force Members

1. The Planning Committee serves as the task force for this project. Members are:
 - Tom Seidenstein, IAASB Chair
 - Josephine Jackson, IAASB Vice Chair
 - Julie Corden
 - Kai Morten Hagen
 - Sachiko Kai
 - Isabelle Tracq-Sengeissen.

Summary

	IAASB CAG Meeting	IAASB Meeting
Development of Consultation Paper on the 2024–2027 Strategy and Work Plan.	September 2022 March 2023	September 2022 December 2022
Development of final 2024–2027 Strategy and Work Plan.	September 2023	September 2023

IAASB CAG Discussions: Detailed References

Development of Consultation Paper on the 2024–2027 Strategy and Work Plan.	<u>September 2022</u> See IAASB CAG meeting material (Agenda Item E). <u>March 2023</u> See IAASB CAG meeting material (Agenda Item I).
Development of final 2024–2027 Strategy and Work Plan.	<u>September 2023</u> See IAASB CAG meeting material (Agenda Item I).