



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organizaç o Internacional das Comiss es de Valores
Organizaci n Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

22 March 2023

Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York, NY 10017 U.S.A.

Our Ref: 2023/O/C1/IAASB/PM/113

Subject Line: Proposed Strategy and Work Plan for 2024-2027

Dear Willie:

The International Organization of Securities Commissions' (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1 or we) appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's (the IAASB or the Board) *Proposed Strategy and Work Plan for 2024-2027* (the Paper).

As an international organization of securities regulators representing the public interest, IOSCO is committed to enhancing the integrity of international markets through the promotion of high quality accounting, auditing and professional standards, and other pronouncements and statements.

Members of Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting, disclosure and auditing concerns, and pursuit of improved global financial reporting. Unless otherwise noted, the comments we have provided herein reflect a general consensus among the members of Committee 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

Overall Comments

We commend 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. We support 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. We encourage the Board to continue monitoring such new and emerging issues and to provide flexibility in its work plan to allow for the reallocation of resources to address unexpected changes, as needed.

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We welcome 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. We encourage the IAASB to continue its work to develop high-quality standards in a timely manner and in accordance with robust due process, engaging with stakeholders to help develop standards that are fit for purpose and meet the public interest need. We recognize the special importance of the Board developing an overarching standard for assurance on sustainability reporting while still acknowledging the relevance of other financial statement related audit standard setting projects with a known public interest need such as those projects we have suggested in this letter and as you may be aware, several of which were also identified in our previous two comment letters on past IAASB Proposed Strategy and Work Plans. In this regard, the Board should consider whether the concepts and outcomes pursued in these other financial statement related audit standard setting projects might also be relevant for assurance over sustainability related information such as suggested updates to the International Standard on Auditing (ISA) 500 series, ISA 620, *Using the Work of an Auditor's Expert* and Internal Controls.

Work Plan

As it relates to projects underway at the start of 2024 (Table A in the Paper), we encourage the IAASB's timely completion of high-quality standards in accordance with the Public Interest Framework. We continue to strongly encourage the Board to pursue other solutions to the actual and/or perceived challenges of auditing less complex entities (LCEs), such as developing implementation guidance on how to use existing ISAs when auditing LCEs, rather than adopting the proposed ISA for Audits of LCEs. We believe that a single set of ISAs that are scalable, clear, and concise is a much more effective approach. In contrast, multiple sets of auditing standards create complexity, consistency challenges, and the need for the IAASB to unnecessarily devote its limited resources to maintaining two separate sets of standards instead of devoting that time to other high priority projects.

Consistent with our comments in our letter dated 7 March 2023, we do not agree with the Board's decision to delay, until earliest 2024, possible enhancements to ISA 330, *The auditor's responses to assessed risk*, as we believe enhancements to ISA 330 are necessary in order to meet the Board's stated project objective for Proposed ISA 500 (Revised), *Audit Evidence*, to evaluate whether sufficient and appropriate audit evidence has been obtained. This is because we observe several areas of overlap between Proposed ISA 500 (Revised) and ISA 330 that should be resolved concurrently to avoid confusion and inconsistent application.

We recommend the Board undertake targeted individual projects related to certain standards in the ISA 500 series to not only reflect the impact of technological advances, but also address



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specific matters related to each standard. Accordingly, in the table below, we have highlighted examples of key areas which may be additive to issues identified by the Board to be addressed through targeted individual projects.

As technology continues to advance at a rapid pace, become more complex, and impact the way business and audits are conducted, we encourage the Board to continue to issue practical application material upon the identification of key emerging issues related to technology in a timely manner.

The table below outlines our views on possible new standard-setting projects that could commence in 2024-2027. We have grouped the standard-setting projects by suggested priority level in numerical order of the standards. The suggested priority assumes sufficient resources are available to start a new project.

No.	Standard-Setting Projects	Suggested priority	Examples of key areas to be addressed
Sustainability assurance engagements			
1	Further Standards for Assurance on Sustainability Reporting	High	We agree with the Board’s position of maintaining a balance in terms of the Board’s focus on both the traditional area of audits and reviews of financial statements, and the evolving area of sustainability and other assurance engagements. We also agree with the Board’s phased approach on sustainability related assurance standard setting and that there may be a need for more specific or granular requirements for assurance over specific sustainability information and we encourage further engagement with stakeholders as this area matures. This further highlights the importance of the Board remaining flexible to address new or emerging issues based on the needs of investors. In addition to setting auditing standards, we encourage the Board to continue to monitor developments globally and prioritize action on audit and sustainability topics with a known public interest need.
Audits and Reviews			
1	ISA 320, <i>Materiality in Planning and Performing an Audit</i>	High	We have observed that there is diversity among audit firms regarding percentage ranges for determining the quantitative dimension of both overall materiality and performance materiality. This may result in varying work efforts and as a result varying audit quality even in entities



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			of similar size and risk profiles. We believe the Board should include a project to address materiality considerations that provide better guidance to auditors in determining overall and performance materiality, including qualitative as well as quantitative factors.
2	ISA 520, <i>Analytical Procedures</i>	High	<p>Improved guidance is necessary to better align the auditor's use of substantive analytical procedures with the auditor's risk assessment. In addition, due to increased use of technology in performing analytical procedures, including whole population analyses, there is diversity in practice in regards to testing reliability of data used, precision of expectations developed, and evaluating outliers identified as a result of the procedures performed. As such, key areas for improved guidance include:</p> <ul style="list-style-type: none"> • Establishing relationships and developing expectations that are sufficiently precise; • Source data used to be reliable, tested, and produced independently from the population being tested; • Setting thresholds, including thresholds for disaggregated components of a population; and • Corroborating explanations for variances with sufficient appropriate audit evidence. • Distinction between substantive and non-substantive analytical procedures in the requirements of the standard.
3	ISA 530, <i>Audit Sampling</i>	High	<p>Extant ISA 530 leaves the determination of sample sizes to the professional judgment of the auditor with limited guidance for decision making. Members have observed diversity in practice among auditors regarding the appropriate use of audit sampling, including choosing the appropriate sampling technique to obtain a representative sample. In addition, the audit documentation does not always reflect the auditor's thought process including the approach and basis for the audit sampling work performed.</p> <p>Other key areas include: (i) determining sample sizes when combining substantive analytical procedures and tests of detail for one population and assertion; (ii) stratification of</p>



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			populations when determining sample sizes across group entities or collective investment schemes that have separate financial reports; (iii) use of reliability factors; (iv) whether sample sizes determined for income statement testing can be reduced based on balance sheet testing results; and (v) determining sample sizes when performing dual-purpose testing.
4	ISA 540 (Revised), <i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i>	High	Key matters not addressed in the revised standard, including sampling, setting of thresholds for valuation differences, using the work of management's experts, and specific guidance for valuation of financial instruments (refer IOSCO CI comments on exposure draft for further information).
5	ISA 620, <i>Using the Work of an Auditor's Expert</i>	High	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. The extent to which the auditor should determine the scope and extent of testing by their expert, and the nature and extent of supervision and review.
6	ISA 402, <i>Audit Considerations Relating to an Entity Using a Service Organisation</i>	Medium	Evolution of business practices such as increased use of cloud-based organizations and outsourcing of key operational functions has resulted in extensive use of service organizations by an entity and, therefore, increased use of service auditor's report by the auditor of an entity. Improved guidance is needed when the auditor considers the scope of work performed by the service organization auditor and whether the nature, timing and extent of such tests provide sufficient appropriate audit evidence about the operating effectiveness of the internal control to support the auditor's assessed risks of material misstatement.
7	ISA 505, <i>External Confirmations</i>	Medium	There should be guidance for auditors on how to assess the reliability of external confirmations received, with regard to the possibility of fraud. There should also be more complete requirements on how auditors should respond where there is no response to a confirmation request.

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8	Internal Controls	Medium	We believe better guidance, or potential standard setting, is needed to support high-quality audits as it relates to internal controls. Specific areas where we believe audit quality could be improved include: identification of relevant controls the auditor intends to rely to address a risk of material misstatement; designing and performing appropriate audit procedures to test the operating effectiveness of relevant controls, specifically those related to information technology (IT) general controls and the control environment; assessing the effectiveness of entity level controls (e.g. business performance review controls) in addressing risks of material misstatement related to a specific account assertions; and applying system rotation plans.
9	ISA 720 (Revised), <i>Auditor Responsibilities Relating to Other Information</i>	Low	Due to the relative importance of other projects as noted in this letter and the Board's limited resources, we do not see a significant need for a standard setting project related to the auditor's responsibilities relating to other information at this time.
10	ISRE 2410, <i>Review of Interim Financial Information</i>	Low	Due to the relative importance of other projects as noted in this letter and the Board's limited resources, we do not see a significant need for a standard setting project related to the review of interim financial information at this time.
11	Joint Audits	Suspend	At this time, we do not see a significant need for a standard setting project related to joint audits as the vast majority of jurisdictions do not have any regulation in place requiring joint audits and only a limited number of jurisdictions allow joint audits. We recommend the Board suspend this project.
Other assurance engagements			
1	Assurance on XBRL	Medium	We suggest the Board continues to monitor the pervasiveness of assurance requirements and the public interest need related to digital reporting. As certain jurisdictions already require assurance on XBRL, we suggest a separate standard-setting project is undertaken to support consistent and comparable assurance engagements.

Subject to high priority projects continuing to be adequately resourced and progressed, the work plan should allow some flexibility for resources to be reallocated to address important new issues as they arise.



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Thank you for the opportunity to comment on the Paper. If you have any questions or would like to discuss these matters further, please contact Nigel James at phone number: +1 (202) 551- 5394 or email address: JamesN@sec.gov) or myself. In case of any written correspondence, please mark a copy to me.

Sincerely,

Paul Munter

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