

International Auditing and Assurance Standards Board
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Via IAASB website at www.iaasb.org

Dear Board Members and Staff:

Grant Thornton International Ltd appreciates the opportunity to provide input on the International Auditing and Assurance Standard Board's (IAASB) Proposed Strategy and Work Plan for 2024-2027 (Proposed Strategy and Work Plan).

Focus of the IAASB

As the IAASB develops its strategy for the next three years, it is important that consideration is given to the changing landscape and the IAASB's place within that landscape. Over recent years, we have experienced the new and amended auditing standards becoming increasingly complex and difficult to implement for all audits on a scalable basis. We note the IAASB's attempt to remedy this by the development of an ISA for less complex entities, expected to be finalised shortly. However, this essentially results in auditing standards that address the two extremes of the spectrum, the complex listed or public interest entities and the less complex entities. This leaves a significant portion of entities (hereinafter referred to as "mid-sized entities") for which audits are required but which are not the focus of the auditing standards. Mid-sized entities are an essential part of any economy, and this sector of the market underpins economies across the globe. It is, therefore, essential that, if the IAASB is to be a leading standard setter for mid-sized entities along with listed or public interest entities and less complex entities, the ISAs are developed in a manner that also allows for effective operability for mid-sized entities.

Coordination with IESBA

We are pleased to see that the Proposed Strategy and Work Plan of the IAASB and IESBA now encompass the same period. We urge the IAASB and IESBA to continue to move towards closer collaboration on projects within their respective strategies and work plans to progress projects simultaneously, including that matters affecting both the IAASB's standards and the IESBA's Code of Ethics for Professional Accountants (Code of Ethics) are fully discussed and resolved before amendments are approved by either standard-setter and become effective.

Supporting audit quality

Whilst we support actions that seek to enhance trust in the profession and improve the quality of audit engagements, we would also like to highlight the burden to regulators, firms, and academia resulting from the recent number of extensive revisions to the ISAs. Securing resources to respond to IAASB consultations, implement standards, and perform post implementation activities and updates is becoming increasingly challenging, especially for smaller firms. To illustrate, the following new or

amended auditing standards are currently being either implemented or are subject to post implementation activities and updates:

Standards that have recently become effective	
Standard	Date
ISA 540 (Revised) ¹	effective for periods beginning on or after December 15, 2019
ISA 315 (Revised 2019) ²	effective for periods beginning on or after December 15, 2021
ISQM 1 ³	system of quality management to be designed and implemented by December 15, 2022
ISQM 2 ⁴	effective for periods beginning on or after December 15, 2022
ISA 220 (Revised) ⁵	effective for periods beginning on or after December 15, 2022
ISA 600 (Revised) ⁶	effective for periods beginning on or after December 15, 2023
Standards under development or revision and are expected to be finalised by June 2025.	
Standard	Date⁷
Proposed ISA for less complex entities	final standard expected December 2023, with an expected effective date of December 2025
Proposed ISA 500 (Revised) ⁸	final standard expected June 2024, with an expected effective date of December 2025
Proposed ISA 240 (Revised) ⁹	final standard expected by June 2025, with an expected effective date of December 2026
Proposed ISA 570 (Revised) ¹⁰	final standard expected by June 2025, with an expected effective date of December 2026.

In addition, there is also a narrow scope amendment project considering the implications of the IESBAs project on Listed Entity and Public Interest Entity that will likely result, at a minimum, in additional changes to the auditor's report. Final approval of the first track of the standard is expected June 2023 and the second track is expected to be approved by June 2025.

¹ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

² ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

³ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

⁴ ISQM 2, *Engagement Quality Reviews*

⁵ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

⁶ ISA 600 (Revised), *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁷ Final standard dates are as stated in the Proposed strategy and work plan. An implementation period of 18 months has been assumed for standards currently being amended or developed with an expected June approval

⁸ Proposed ISA 500 (Revised), *Audit Evidence*

⁹ Proposed ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁰ Proposed ISA 570 (Revised), *Going Concern*

We are of the view that a period of consolidation is needed to implement these auditing standards, embed them in methodologies, and refine those methodologies once practical experience is gained. Without such a consolidation period, we are of the view that audit quality will be detrimentally impacted, not improved.

Recommendations

We would, therefore, recommend that the IAASB focus, in the short-term, on the development of assurance standards for sustainability engagements and also on the update and revision of ISRE 2410¹¹ rather than auditing standards.

As explained in the Proposed Strategy and Work Plan, developing a global baseline for sustainability standards was identified as an emerging public interest need as more jurisdictions and entities move from voluntary to required disclosures, thereby creating a need for assurance on such disclosures. Timely development of international sustainability standards will promote consistency in these assurance engagements and reduce the potential need for local jurisdictions to develop their own assurance standards.

Focusing resources on sustainability assurance standards will result not only in a more timely assurance standard for sustainability engagements, but will also allow firms time to consolidate their implementation of the auditing standards.

As indicated above, we would also recommend that consideration is given to updating ISRE 2410, which became effective for reviews of financial information for periods beginning on or after December 15, 2006. This standard has not been updated for some 16 years and is in a format that predates the clarity project. There have been many updates to both auditing standards and quality management standards that would impact this standard, including changes to the format and content of the auditor's report; however, conforming or consequential amendments have not been made. Further, the environment in which entities operate has significantly changed over the past 16 years. Consequently, local jurisdictions have begun to update their local version of the standard. We note that interim reviews, primarily for listed or public interest entities, continue to be performed using this standard. We are therefore of the view that it is in the public interest to prioritise the update of this standard.

We respectfully submit our detailed responses to the Proposed Strategy and Work Plan, which elaborates on the points highlighted above. We would be pleased to discuss our comments with you. If you have any questions, please contact me or Sara Ashton at sara.ashton@gti.gt.com or at +1 331 213 2523.

Sincerely,



R. Trent Gazzaway
Global Head - Quality
Grant Thornton International Ltd

Enc: Appendix A: Response Proposed Strategy and Work Plan for 2024-2027

¹¹ ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

The IAASB's Proposed Strategy and Work Plan for 2024-2027

The following provides our detailed response to the IAASB's request for comments on the IAASB's Proposed Strategy and Work Plan for 2024-2027.

Q1. Do you agree with *Our Proposed Goal and Our Proposed Keys to Success and Stakeholder Value Proposition* (see pages 5 – 6)?

Overall, we are of the view that the Proposed Goal, Proposed Keys to Success and Stakeholder values are appropriate. We do, however, have comments on certain aspects of these proposals.

Developing the globally accepted leading audit, assurance, and related services standards is an admirable aspirational goal that the IAASB is striving to achieve. In doing so, it is important to remember that, because these are internationally adopted standards, 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. We recommend that this is explicitly recognised in the section discussing 'Our Stakeholder Value Proposition.'

To establish the stakeholders the IAASB is intending to serve, a clear and consistently understood definition of what the public interest means for the IAASB is needed. As explained in our covering letter, the ISAs have become increasingly complex as they are focusing more on establishing specific requirements for the audits of listed entities or of public interest entities. This complexity resulted in auditing standards that are difficult to scale to audits of entities that are not listed or not public interest entities, absent timely first-time implementation guidance. Consequently, a standard for less complex entities is being finalised, which aims to address the specific issues and concerns of applying the ISAs to those entities. This results in auditing standards that address the two extremes of the spectrum, the complex listed or public interest entities and the less complex entities. This leaves a significant portion of entities, the mid-sized entities, for which audits are required but which, based on the focus of the IAASB's recent research and outreach, are not the focus of the more recently updated auditing standards. The IAASB's Proposed Strategy and Work Plan needs to be clear as to how the IAASB actions will result in standards that are sufficiently scalable to be used for audits on mid-sized entities. In this respect, we recommend that amendments are developed with these entities in mind with additional requirements and guidance added for listed or public interest entities only where necessary.

Similarly, the goal refers to the evolution of standards in a timely manner to meet the rapidly changing public interest demands. A clear and consistent interpretation of timely is important to manage stakeholder expectations and to achieve the IAASB's stated goal. Based on the information presented in the IAASB's Proposed Strategy and Work Plan, a maximum of seven projects will be commenced over the three-year strategy period, which does raise the question of how quickly the rapidly changing public interest demands can be met.

Q2. 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)?

We broadly agree with the strategic drivers as presented in the Proposed Strategy and Work Plan. However, we question whether the environmental factors underpinning those strategic drivers are fully representative of the full range of environmental factors. As we have

elaborated further, we are of the view that the ISAs may not effectively address the needs of the mid-sized market.

We have the following more detailed comments on the Proposed Strategic Drivers:

Increased and more diverse demands for our standards

Heightened supervisory scrutiny – An appropriate balance needs to be found between the specificity of requirements and the maintenance of principles-based standards. To achieve quality, the auditing standards need to be understood and to be capable of consistent implementation. Accordingly, we would recommend that consideration is given by the IAASB as to how a standard may be put into operation before that standard is approved for issuance, thereby creating a common view of what a specific standard requires before it is approved. This will be critical as the IAASB Board evolves in accordance with the Monitoring Group reforms. We therefore recommend that this is explicitly incorporated into the Proposed Strategy and Work Plan thereby creating alignment with the Public Interest Framework.

Diverse demands across a spectrum of stakeholders reflecting the breadth of the global economy – the Proposed Strategy and Work Plan are focused on the opposite ends of the spectrum of the needs of stakeholders, that is the need for a standard that can be applied to less complex entities and for standards that address the needs of regulators in relation to listed or public interest entities. As previously noted, this leaves a large portion of the market that is not directly being considered, the mid-sized entities. As a standard will soon be available to address the needs of the less complex entities, in considering the way forward for the mid-sized entities and listed or public interest entities, we recommend that future amendments to standards, or new standards, be written in a manner such that they can be scaled to entities of all sizes; from the less complex through the mid-sized entities to listed or public interest entities.

Q3. Do you agree with *Our Proposed Strategic Objectives and Our Proposed Strategic Actions* (see pages 10 and 14)?

Overall, we agree with the Proposed Strategic Objectives and Strategic Actions. We have the following comments on specific objectives and actions:

Proposed 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

Information gathering, research activities and continued engagement and communication with stakeholders – we believe that it is important to clearly identify the appropriate stakeholders at the outset of a project and to perform the necessary outreach with that entire group of stakeholders. To guard against biased research or outreach, or leading questions when performing such research or outreach, we recommend that academics or others are used to either assist with the research or to perform that research independently.

Continue focus on professional skepticism – whilst we agree that a focus on professional skepticism is an important action, we caution against the over emphasis of professional skepticism to the detriment of professional judgment. Further, we would recommend that the IAASB seek to understand how the guidance related to exercising professional skepticism added to recently amended standards has changed auditor behaviour in practice.

Develop timely first-time implementation support materials for completed projects, as appropriate – where first-time implementation guidance is being developed, it is important that this is received sufficiently in advance of the effective date of the new or amended standard to allow firms to consider the guidance when developing their methodologies, rather than trying to

reconcile their methodologies to the implementation guidance. To achieve this, we would recommend that the IAASB consider developing a timeline by which any first-time implementation guidance is required to be issued. For example, such a timeline could require first-time implementation guidance to be issued no later than six months before the effective date of the new or revised standard, so if the effective date of the standard is for periods beginning on or after December 15, 2023, we would expect implementation guidance no later than June 15, 2023. We would also recommend that consideration is also given to the due process to which the first-time guidance, and other non-authoritative guidance, is subject before it is issued. This could include a review of the implementation guidance by individuals who will be responsible for implementing the new or revised standard along with some form of Board input before guidance is issued. This will help to ensure that the guidance is of high quality and that it assists firms to implement the new or revised standards, but that does not provide additional interpretation of the auditing standard or otherwise create an expectations gap by embedding guidance that may appear to be requirements.

Promoting the proposed ISA for Audits of Financial Statements of Less Complex Entities – when considering the allocation of resources to this area, we would recommend that the IAASB ascertain the extent of adoption of the new standard by standard setters across the globe.

Draft standards in line with the complexity, understandability, scalability and proportionality drafting guidelines and principles – it is important that the standards are clearly drafted and that they achieve an appropriate balance between requirements and application material supporting those requirements. There has been an increasing trend towards repeating requirements across standards and including multiple application material paragraphs to support a single requirement, the latter of which also calls into question the clarity of the requirement in and of itself.

Proposed Strategic Objective 2: Establish globally accepted standard(s) for assurance on sustainability reporting

Progress in a timely manner and complete our overarching standard for assurance on sustainability report – To avoid fragmentation in the marketplace, we support the IAASB's decision at its recent Board meeting to aim for an earlier approval date of the proposed standard.

Proposed Strategic Objective 3: Enhance coordination with IESBA and other leading standard setters and regulators to leverage better collective actions in the public interest

As we discuss in our response to question 7 below, improved coordination with IESBA is of paramount importance to prevent a standard from being approved by one board before the other board has finished its deliberations. Coordinated approval and effective dates will avoid the difficulties currently being encountered with implementing the quality management standards and group audit standard, which were approved before the independence ramifications has been fully debated.

Q4. Do you support the identified possible new standard-setting projects as set out in Table B (see pages 20-22) within the area of audits and reviews (numbered A. to K.)? Please share your views on individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction?

With respect to the auditing standards, we are of the view that, where possible, the prioritisation of future projects should be considered more on a thematic basis rather than a standard-by-standard basis. Therefore, we do not believe that it is appropriate to approach updates to the standards for advancement in technology by embarking on projects to update four separate standards. The proposal to undertake a Technology targeted or omnibus project(s) to update of

the ISAs for technology challenges would be a more appropriate manner in which to make the necessary updates for technology. This approaches the topic in a holistic way, guarding against inconsistencies arising from a piecemeal approach and against unnecessary amendments to the individual standards.

However, as we discussed in our covering letter, we would prefer that the IAASB focus its resources on the development of the overarching assurance standard for sustainability engagements, currently in progress, followed by the update of ISRE 2410 and further standards for assurance on sustainability reporting to complement the overarching standard.

As stated in our covering letter, the benefits of our suggested approach would be twofold; it would address a real need for guidance on the performance of sustainability engagements, as such engagements become required by law or regulation and it would provide firms with the time needed to embed into their respective methodologies, the extensive updates to the ISAs from recently amended and issued standards and those standards that are currently in progress of being updated.

Our views on the topics presented in Table B are as follows:

Priority topics

Consistent with our previous consultation responses, and, as indicated in our covering letter, we are of the view that a revision of ISRE 2410 is necessary. This standard is significantly out of date, yet is a standard that is still used, in particular for interim review engagements of listed and public interest entities. We are therefore of the view that this is the highest priority of the topics listed in Table B.

We are of the view that an omnibus project on technology is a higher priority of the projects listed given the need to provide guidance for auditors on the use of new and emerging technologies in audits.

A project on updates to ISA 330¹² may be appropriate to address changes to recent standards and to address practical issues identified with using audit data analytics; however, the latter could be accomplished via the omnibus technology project. More information on the proposed scope of this project would be necessary to make an informed decision.

Other topics

We would not support a project on ISA 320¹³ based on the description of the proposed project in Table A. Materiality is a matter of professional judgment and should be determined based on the facts and circumstances of each individual audit. It is unclear how a project to address 'challenges related to consistency' supports the use of professional judgment.

We would not support commencing a project to develop a new standard for joint audits. We are of the view that the requirement to perform joint audits is not sufficiently prevalent across jurisdictions to allocate resources to such a project at this time.

In respect of the remaining ISAs listed in the table, we do not see a compelling reason to make amendments to these standards. The discussion in Table A does not include sufficient information to understand the proposed scope of each of the remaining projects.

¹² ISA 330, *Responding to Assessed Risks of Material Misstatement*

¹³ ISA 320, *Materiality*

- Q5. Do you support the identified possible new standard-setting projects as set out in Table B (see pages 20-22) within the area of audits and reviews (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.**

We support the proposal to develop further standards for assurance on sustainability reporting. We are of the view that there is a real need for assurance standards in the emerging area of sustainability reporting. As sustainability frameworks are being developed, providing engagement teams with the means to provide quality assurance against those frameworks is crucial. We recommend that the IAASB consider allocating resources to the development of this standard in priority to the audit topics listed above. As previously discussed, not only will this assist in the issuance of such standards on a more timely basis, it will also provide audit firms with a period of stability in which to consolidate and embed changes to methodologies for those standards recently issued and those standards currently under revision, thereby continuing to promote quality audit engagements.

We would not support a project to explore the need for an assurance standard on XBRL at this time. We are of the view that resources would be better allocated towards developing further standards for assurance on sustainability engagements.

- Q6. Are there 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 20-22), and the needs and interests that would be served by undertaking work on such topic(s).**

We have not identified other topics that we believe would be appropriate to consider as new standard-setting projects for this strategy and work plan period.

- Q7. 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.**

It is important that there continues to be improved coordination between the IAASB and IESBA to avoid past inconsistencies with the timing of respective projects that impact the same topics. The resulting disparity in the effective dates has led to issues with practical application of the standards in the period between those effective dates. Coordinating the respective strategies and work plans is a step in the right direction. When considering responses to those strategy and work plan consultations, it is important that there is coordination on the projects that are ultimately pursued such that the audit and ethical considerations of a topic will be considered together and at the same time.

Currently, a correspondent member from IESBA is often included on the working group of an IAASB project and vice-versa. Consideration could be given to extending this to developing joint agenda items for discussion at both IAASB and IESBA Board meetings, with the topic being presented by representatives from both boards, and the appropriate way forward being a joint decision. Any resulting changes to the auditing standards and to the Code of Ethics should have the same effective date.

Q8. Are there any other matters that we should consider in finalizing our Strategy and Work Plan?

As we detailed in our covering letter, the IAASB has recently issued a number of new and updated auditing and quality management standards. To revise methodologies, or in the case of less complex entities, develop a new methodology, requires a significant investment of time and resources, which is becoming an issue for smaller firms that have access to fewer resources, including, in some cases, limited access to new technologies. There is significant disparity in the resources available to large global networks and the resources available to smaller jurisdictional based firms. A period of stability in the auditing standards is needed to allow firms to consolidate the changes so that there is no detrimental impact to quality. If amendments to the auditing standards become necessary, there should be a narrow focus on the specific issue rather than more expansive changes to the ISA that do not address the specific issue in question.

We would also like to highlight the number of changes that have been, or will be, made to the auditor's report. Continually changing the auditor's report creates confusion in the marketplace and potentially decreases the understanding of the report itself. We would recommend that the IAASB carefully consider whether all proposed amendments to the auditor's report are necessary, especially when those amendments result in additional standardised disclosures.