



Wednesday, 5 April 2023

Mr Thomas R. Seidenstein
The Chairman
International Auditing and Assurance Standards Board
529 5th Avenue 6th Floor
New York 10017
United States of America

Submission via IAASB website

Dear Tom

Submission on Consultation Paper: The IAASB's Proposed Strategy and Work Plan for 2024-2027

Chartered Accountants Australia and New Zealand (CA ANZ) appreciates the opportunity to provide comments on Consultation Paper: The IAASB's Proposed Strategy and Work Plan for 2024-2027 ("the CP").

Overall, we are supportive of the IAASB's Proposed Strategy and Work Plan, however we do have concerns regarding the approach of "more specificity" to achieve increased enforceability for regulators in the proposed strategic drivers. We believe that the IAASB's standards must remain principles-based as this is the most effective way to promote audit quality. Increased specificity, or overly prescriptive standards drive a compliance-based audit mindset which is not effective in dealing with the complex nature of today's entities, financial reporting and audits. This risks compromising audit quality in order to make regulatory action more efficient, which we believe is counter-productive to the overall aim of auditing standards.

Our responses to the specific questions raised in the CP are in Appendix A.

Appendix B provides more information about CA ANZ. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact Melanie Scott, Senior Policy Advocate – Reporting and Assurance at melanie.scott@charteredaccountantsanz.com.

Sincerely,

Simon Grant FCA
Group Executive – Advocacy and International

Amir Ghandar FCA
Assurance and Reporting Leader

Appendix A

Responses to specific questions

Question 1. Do you agree with Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition (see pages 5–6)?

Yes. We are pleased to see timeliness recognised as an important consideration in both the proposed goal and the proposed stakeholder value proposition. The timeliness of standard development needs to be considered when finalising the Work Plan and deciding which projects should be undertaken. Timeliness is not only a consideration in the development of standards but also in the timing of consultations and discussion papers to allow for adequate stakeholder outreach. Issuing too many consultations with close deadlines can increase the difficulty of the consultation process for professional bodies, national standard setters and practitioners due to resourcing and time constraints.

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)?

While we are broadly supportive of the proposed strategic drivers, we have some concerns in relation to “regulators and oversight bodies are increasingly asking for more specificity of requirements in standards” being included as a key strategic driver of standard setting. The auditing and assurance standards issued by the IAASB are, and should remain, principle-based. Financial reporting is highly complex, involving significant judgements and estimates and therefore requires auditors to be highly skilled practitioners who can exercise professional judgement and scepticism in performing their audit procedures. 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. We believe a shift to more prescriptive standards in the name of “increased enforceability” would ultimately be detrimental to audit quality and the public interest.

Where there are principles-based standards, there will inevitably be differences in professional judgement and interpretation between auditors and regulators. These differences do not mean that the standards are flawed. If regulators have concerns about the current complexity of financial reporting due to the high degree of judgement and estimation involved, the focus should be on reforms to financial reporting standards.

Question 3. Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions (see pages 10–14)?

Yes, we are supportive of the proposed approach of completing current projects before adding additional projects to the Work Plan and commend the IAASB's focus on sustainability assurance. We also support the IAASB continuing to strive to work closely with other standard setting boards such as the IASB, the ISSB and the IESBA.



Question 4. 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 the individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction.

In order to show our views and our prioritisation across all the proposed topics, our responses to both Question 4 and Question 5 are in the table below.

Priority	Standard	IAASB explanation	CA ANZ comment
1	Revise ISA 330	Revising ISA 330 to better align the requirements with changes made to the risk identification and assessment standard (ISA 315 (Revised 2019)) and changes in proposed ISA 500 (Revised). This would include revisions to modernize ISA 330 as necessary, in particular in relation to technology.	We agree that ISA 330 should be revised as the top priority in light of the changes made to other key standards.
2	Various ISA 500 series revisions	<p>Revising the following standards to better align the requirements with changes in proposed ISA 500 (Revised) (and other ISAs as may be appropriate), and to reflect the impact of technological advances (the use of technology by entities and by auditors). Some additional or specific matters are also highlighted.</p> <p>ISA 501 – to modernize to reflect current methods for inventory counts. Could be a narrow scope project that targets the “Inventory” section of the standard.</p> <p>ISA 505 – to modernize for the current environment, including technology-based</p>	<p>We agree that the other standards in the 500 series need to be revised given that ISA 500 is being revised.</p> <p>ISA 520 Analytical Procedures and ISA 530 Audit Sampling should be the highest priorities for revision as these are areas where the use of technology introduces complexity that requires more detailed consideration of the changes needed to the standards. While we agree that technology has impacted areas such as inventory and confirmations, we believe that, on the whole, auditors in many jurisdictions have already addressed these issues successfully and there has been guidance produced by NSS. While ISA 501 and ISA 505 require revisions to reflect changes in</p>

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		<p>confirmation processes and possibly revisiting the concepts of positive and negative confirmations.</p> <p>ISA 520 – to address challenges in practice and expectations that come with the use of technology by entities and automated tools and techniques by auditors in the context of analytical procedures used to perform both risk assessment procedures and further audit procedures.</p> <p>ISA 530 – to address issues and challenges related to consistency in the application of audit sampling as a means of selecting items for testing. In addition, to address challenges in practice and expectations that come with the use of technology by entities and automated tools and techniques by auditors.</p> <p>Technology targeted or omnibus project(s) – to undertake a targeted or a broad-spectrum update of the ISAs for the impact of technology, which may primarily relate, or could be scoped to specifically address the audit evidence standards in the ISA 500 series and selected other ISAs. This could be an effective way to address some of the more pervasive modernization and technology challenges.</p>	<p>practice, it is the more complex standards that require focus first as these will have the biggest impact on audit quality.</p> <p>A broader review of how the 500 series addresses technology would also be useful, but technology also needs to be addressed in the individual standards as appropriate.</p>
3	Revision of ISRE 2410	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,	ISRE 2410 has not been revised for more than minor amendments since it was issued nearly twenty years ago. In Australia, listed entities have a statutory requirement for interim reviews at a minimum. It is important for there to be consistency

Priority	Standard	IAASB explanation	CA ANZ comment
		such as ISA 570 (Revised), ISA 700 (Revised) ²⁹ and ISA 701), 30 and to modernize the standard.	of reporting content for these entities and the standard should be modernised and clarified for issues such as going concern.
4	Revision of ISA 620 (Auditor's experts)	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). Also, to clarify some concepts and aspects of application in an environment where entities' financial reporting reflects more complex business models, activities and transactions.	<p>We agree that some clarification of how to apply the standard when experts are used in increasingly complex reporting is appropriate. The board should consider whether this can be achieved by guidance or whether a broader revision of the standard is needed.</p> <p>The board should consider whether anything in the approach taken in the new sustainability assurance standard would be useful to consider for financial statement audits in the areas of both using auditor's experts and management's experts.</p>
5	Revise ISA 320 Materiality	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.	While this is an area where there have been regulator findings in Australia and New Zealand, our understanding is that these findings have related to the application of the standard rather than any deficiency in the principles of the standard. If further clarity in relation application of the standard is needed, this should be addressed with guidance.
6	Revision of ISA 720 (Other information)	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 of the revised audit reporting standards. Could be a narrow scope project; there also is a view that a more fundamental revision of the standard may be warranted.	If the issues raised by the PIR cannot be addressed through guidance, we would recommend narrow scope amendments only to address the need to clarify specific requirements causing issues in practice.

Priority	Standard	IAASB explanation	CA ANZ comment
7	Further sustainability standards as needed (new)	A phased approach to address the needs for assurance standards on sustainability reporting, which comprises: (1) immediate action to develop an overarching standard for sustainability assurance engagements); (2) future actions to align with the evolving maturity over time of the needs of intended users of sustainability information, sustainability reporting standards, entities' reporting in accordance with such standards, and assurance practice.	We agree that these projects should be undertaken as necessary, however, until specific needs are identified, they are a lower priority than other more fundamental projects. The board also needs to consider whether the current ISAE suite should be revised to reflect changes that have occurred within the ISA suite and any material that may be useful that has been developed in the sustainability standard.
8	Assurance over XBRL	Explore the need for an assurance standard on XBRL in response to the increased focus and use of digital reporting (for financial and non-financial information). This could be a potential subject-matter specific standard that builds on and supplements the application of ISAE 3000 (Revised) for these assurance engagements.	We believe that digital reporting will become more widely adopted/mandated in the coming years. However, while we encourage the board to consider the assurance implications of the adoption of digital reporting using XBRL, there is no current mandate for digital reporting in Australia or New Zealand, so this project is low priority.
9	Joint Audits (new standard)	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.	Joint audits are not a priority in Australia and New Zealand as these engagements are rare.

Question 5. Do you support the identified possible new standard-setting projects as set out in Table B 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.

Please refer to our response to Question 4.

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, and the needs and interests that would be served by undertaking work on such topic(s).

Our outreach did not identify any additional topics.

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.

We support co-ordination with the IESBA on areas of mutual interest. The production of joint guidance materials on ethical matters that impact auditors or the interaction of the Code with the ISAs would be useful to practitioners. Undertaking joint engagement and consultation may also be beneficial. We encourage both boards to continue to embrace technology and utilise both virtual and in person roundtables for consultations as this enables a wider range of stakeholders to interact with the board's work.

Question 8. Are there any other matters that we should consider in finalizing our Strategy and Work Plan?

We do not have any other matters to raise.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 135,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.