

International Auditing and Assurance Standards Board (IAASB)  
529 Fifth Avenue  
New York, 10017  
USA

11 April 2023

## **Comment letter relating to the IAASB's proposed strategy and work plan for 2024-2027**

Dear Mr. Seidenstein,

1. The Committee of European Audit Oversight Bodies (CEAOB) appreciates the opportunity to comment on the IAASB's ("Board") consultation paper on the proposed strategy and work plan for 2024-2027, issued in January 2023. As the organization representing the audit regulators of the European Union and the European Economic Area, the CEOB encourages and supports continuing improvement of professional standards for the audit profession.
2. The content of this letter has been prepared by the CEOB International Auditing Standards Subgroup and has been adopted by the CEOB. The comments raised in the letter reflect matters agreed within the CEOB. It is not intended, however, to include all comments that might be provided by the individual regulators that are members of the CEOB and their respective jurisdictions.

### **Strategy**

3. The CEOB broadly supports the strategy as set out for 2024-2027.
4. In particular, we would like to emphasize the public interest that is attached to statutory audit engagements, which should be the most important consideration in setting IAASB's goals and priorities. Prioritizing public interest issues for timely completion of IAASB projects should always outweigh requests which stem from individual stakeholder groups.
5. We welcome the statement that setting auditing standards remains a key priority. The strategic action to continue engagement and communication with stakeholders through timely and meaningful outreach activities should be focused on more than implementation and issues impacting the standards.
6. Stakeholder involvement will be specifically important for sustainability assurance in the coming years, since this engagement may involve services providers other than the traditional auditors and accountants the IAASB is dealing with.



7. The IAASB strategic action also needs to include engagement with regulators as stakeholders who are key to identifying weaknesses in the standards that have an impact on audit quality. We welcome the statement that regulators and oversight bodies are key players in the external reporting ecosystem and that enhancement of the IAASB's relationships with regulators is a strategic objective.
8. The CEAOB encourages the IAASB to keep an open mind about a 'quick response' mechanism that may contribute to IAASB goals, in addition to pursuing broader projects. A 'quick response' process could be inspired by the process used by the International Accounting Standards Board for developing narrow scope amendments to its standards.
9. The CEAOB supports the inclusion of coordination with the International Ethics Standards Board for Accountants (IESBA) and other standard setters in the IAASB's proposed strategic objectives. The CEAOB continues to stress the importance of efforts aimed at fostering coordination and cooperation in the setting of auditing, assurance and ethical standards.
10. In the course of the operationalization and implementation of the Monitoring Group driven reforms, the CEAOB stresses that the IAASB will need to allocate sufficient human resources to the important projects in progress, to ensure their timely completion.

### **Work plan**

11. The CEAOB is of the view that the themes proposed for the upcoming work plan as set out in the consultation are relevant. There is limited information, however, on specific outputs expected as a result. The CEAOB thus encourages the IAASB to develop more detailed plans about the timing, the targeted outputs and to provide more information about resources affected on the various topics suggested. From previous experience, clarity on the objectives of the various projects is essential to ensure that actual delivery does not lag behind the expectations.

### **Prioritization of topics**

12. The CEAOB will continue to urge IAASB to carefully consider all inputs that regulators and others may share from a public interest perspective.

### **Sustainability assurance**

13. The CEAOB supports the IAASB's project for the timely development of a set of standards for assurance engagements on sustainability reporting. The CEAOB is particularly encouraging the IAASB to deliver a set of standards that would lead to globally consistent quality on limited assurance of sustainability reporting before the end of 2024, and reasonable assurance at a later point in time. This will allow European countries to implement the standard, if the outcomes are fit for the purposes and aligned with the requirements of the European Corporate Sustainability Reporting Directive.
14. The CEAOB would also emphasize the importance of adhering to the established timelines, especially in context of requirements for assurance that will become applicable in the near future.



## Responses to assessed risks – ISA 330

15. The CEAOB continues to urge the IAASB to reassess, revise and clarify ISA 330 “Responding to Assessed Risks of Material Misstatement” to drive more consistent and appropriate responses provided by auditors facing similar circumstances. Findings in areas covered by ISA 330 remain the most frequent in inspections of audit engagements, according to the CEAOB inspection findings database.
16. The CEAOB believes it is important that ISA 330 is reviewed in light of the amendments to ISA 315 (on risk assessment), given the links between the two standards. In particular it is important to make sure that all the concepts in ISA 315 are consistently used and aligned in ISA 330 and other standards dealing with risks assessment or their implications, like ISA 240 (on fraud) or ISA 550 (on related parties), for instance.
17. Insufficient clarity on the level of internal control testing is also an area of particular concern in ISA 330 which was identified during inspections, especially when substantive testing alone is not sufficient.

## Materiality – ISA 320 / ISA 450

18. Based on concerns reported in the CEAOB materiality survey report,<sup>1</sup> the CEAOB believes that a project to assess and enhance the standards on materiality also deserves priority. The concept of materiality is one of the fundamental principles relevant to auditing, and further clarity to facilitate consistent approaches for the determination of materiality levels would be very useful.

## Audit evidence series

19. As the Exposure Draft of ISA 500 is currently under scrutiny, it appears that the revisions of the audit evidence standard ISA 500 alone will not address audit regulators’ concerns around the assessment of sufficiency of audit evidence. The CEAOB support revising and updating the other standards in the ISA 500-series so that the potential benefits of new technology can also be incorporated into the standards.
20. As the CEAOB commented in 2019, we support the proposal to review the standards dealing with “audit evidence”. The project should cover enhancement of the auditor’s professional skepticism, and refining the provisions on materiality, audit sampling, and analytical procedures to take into account inspection findings by regulators and deficiencies identified through inspections. We would like to reemphasize the need for the IAASB to consider the integration of the use of new technologies such as “data analytics” in audit in the course of this project. We also flagged that the audit evidence project may require further revision of ISA 330: the use of new technology for testing financial information and internal controls may have an impact on the means of responding to risks defined in the current ISA 330.

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<sup>1</sup> Published in July 2022 -

[https://finance.ec.europa.eu/system/files/2022-09/220701-ceaob-report-materiality-audit\\_en.pdf](https://finance.ec.europa.eu/system/files/2022-09/220701-ceaob-report-materiality-audit_en.pdf)



### **Electronic formats of reporting (XBRL)**

21. Given the increasing use of financial statements in digitalized format, and the prospect of preparation of sustainability statements in such a format, the CEAOB also supports the development of an ISA to address the specific needs and challenges for the audit of statements produced in electronic format. Guidelines adopted by the CEAOB in 2021 in the absence of relevant international standard available to cover those specific challenges could be used as a starting point by the IAASB in this regard.

### **Other information accompanying audit financial statements – ISA 720**

22. The CEAOB supports a project on ISA 720 revision and is of the view that the IAASB should lead a project to assess how the auditor should better deal with and capture any potential sustainability / ESG information that is disclosed in management reports by an entity. Such a project would be specifically relevant for those companies that will not be directly required to apply the provisions of the Corporate Sustainability Reporting Directive, but still voluntarily provide ESG information in their management report.

### **Review of Interim Financial Information (Revision of ISRE 2410)**

23. The CEAOB is of the view that there may be a need to revise ISRE 2410, but only after completion of the ISSA 5000 project, to take on board enhancements identified in the course of that project which may clarify the notion of limited assurance and the related work effort. ISRE 2410 might benefit from those enhancements, without it being a priority at this stage.

### **Post implementation reviews**

24. The CEAOB furthermore supports the IAASB's proposal to perform post-implementation reviews. We would suggest preparing a detailed timeline of when projects have been completed, and when the post-implementation review needs to be performed. Post implementation reviews of ISA 315 and ISA 540 could be dealt with in the same project, given the connections between those topics.

Please do not hesitate to contact me or the Chair of the CEAOB International Auditing Standards Sub-group should you have any questions on the content of this letter.

Yours faithfully,

Patrick Parent

Chairman

