

Tuesday, 11 April 2023

Mr. Willie Botha
Program and Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue
New York, New York 10017 USA

Via online submission: www.iaasb.org

Dear Willie,

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

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 170,000 members working in over 100 countries and regions around the world. We welcome the opportunity to provide a submission on the Consultation Paper: The IAASB's Proposed Strategy and Work Plan for 2024–2027 (the CP). We make this submission on behalf of our members and in the broader public interest.

Overall, CPA Australia supports the IAASB's proposed strategy and work plan. We believe that the IAASB has the opportunity to further enhance its approach to both current and future projects when developing efficient and effective standards that drive the performance of high-quality audit and assurance engagements. We urge IAASB to:

- Stay true to the principles-based approach when revising and developing new standards
- Critically assess the scope of revisions to extant standards to ensure that the work effort aligns with the identified needs. Where possible, the IAASB should consider narrow-scope revisions rather than major revisions, to ensure its scarce resources are allocated efficiently
- Continue to develop and issue non-authoritative implementation guidance and other support material on how to apply existing standards, especially in the context of technology
- Continue the close coordination and cooperative working relationship with other standard-setting boards, including national standard setters.

Our detailed responses to the questions raised in the consultation paper are provided in the **Attachment** to this letter. Should you have any questions about the matters raised in this submission or wish to discuss them further, please Tiffany Tan, Audit and Assurance Policy Lead at tiffany.tan@cpaaustralia.com.au.

Yours sincerely,

Dr Gary Pflugrath FCPA
Executive General Manager,
Policy and Advocacy

Attachment

1. Do you agree with Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition (page 5-6)?

Overall, we are supportive with the Proposed Goal, and Proposed Keys to Success and Stakeholder Value Proposition as the basis for the work plan for 2024-2027.

However, we are of the view that the Proposed Goal could be re-worded for clarity. We also recommend that 'efficiency and effectiveness' in achieving the performance of high-quality engagements should be included in the Proposed Goal as an anchor to ensure future revisions and development of standards are sufficiently balanced. This will assist in promoting the conduct of high-quality engagements that are performed in an efficient and effective manner. Accordingly, we suggest the proposed wording of the Proposed Goal be revised as follows:

"Leading the development of globally accepted audit, assurance and related services standards that:

- Enable the performance of high-quality engagements that enhance trust in markets
- Evolve in a timely manner to meet rapidly changing public interest demands
- Are efficient and effective in achieving the performance of high-quality engagements."

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 (7-9)?

Overall, we agree with the identified Strategic Drivers that drive the opportunities and challenges impacting IAASB in achieving its goal.

We acknowledge the challenges faced by the IAASB with respect to the increasing and diverse demands from a spectrum of stakeholders. We make the following observations on some of the strategic drivers identified:

- *Heightened supervisory scrutiny:*

We appreciate regulators and oversight bodies are key players in the external reporting ecosystem. However, we are concerned that the request from regulators and oversight bodies for greater specificity of requirements in standards could shift standard-setting away from the current principles-based approach to a more rules-based approach. This approach could both contradict and undermine the requirements in the standards to exercise professional judgement and professional scepticism.

We are concerned that this focus on specificity of requirements in standards could be driving increasingly lengthy, detailed, and complex revision of ISAs, as noted in the recent revisions of ISA 315 *Identifying and Assessing the Risks of Material Misstatement* (ISA 315) and ISA 540 *Auditing Accounting Estimates and Related Disclosures* (ISA 540). There is concern that these revised standards are becoming more 'ruled-based', with the increasing length and detail reinforcing the perception of a 'checklist-based' approach to audit and assurance engagements.

- *Impact of Technology:*

We agree that that technology is playing an ever-increasing role in audit and assurance engagements. We also agree that this may require new or revised standards, that acknowledge and incorporate the increasing role of technology in audit and assurance engagements. However, recent major revisions to standards (e.g., ISA 315, ISA 500) do not appear to sufficiently address this matter. We believe further consideration should be given by the IAASB as to how it can better incorporate the role of technology into standards that will form part of its work plan for the next few years.

- *Supporting the implementation of our standards:*

We appreciate and welcome the IAASB's efforts in developing first-time implementation support materials for completed projects. As standards become increasingly complex and lengthy, we believe that first-time implementation support materials are **key** to achieving consistent application of the standards. We also support the IAASB in seeking partners from national auditing standard setters to assist in the development of timely first-time implementation support materials, or other non-authoritative guidance, targeted at clarifying the application requirements.

We are concerned with the current trend towards making wholesale changes to the standards, as seen in the recent revisions of ISA 315 and ISA 500. This is in addition to the new standards that were issued on systems of quality management and the anticipated future standards on sustainability assurance. The volume and pace of change to the

standards in recent times can be overwhelming for the profession to adopt and implement, including, critically, changes to the audit methodology and staff training.

We acknowledge the urgent need to develop a global baseline for sustainability assurance standards and are supportive of the IAASB's commitment to this project. However, given the resource commitment required for this project, which is likely to give rise to resource constraints elsewhere, we recommend that the IAASB critically evaluates the scope of its other projects. We believe focusing on narrow-scope revisions to specific audit and review standards, based on identified issues, will be most effective given current work priorities and resource constraints. This will also alleviate some of the challenges faced by the audit and assurance profession in adopting and implementing new and substantially revised standards.

- *Implement the Monitoring Group reforms:*

The implementation of the Monitoring Group reforms highlighted under this section will bring about an evolutionary shift in the way the IAASB operates. Whilst the proposed Strategy acknowledges the various aspects of this change, it should also be noted that the Strategy and Work Plan that arises out of this consultation may be subject to change, as a result of the implementation of the Monitoring Group reforms.

3. Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions (10-14)?

Overall, we agree with IAASB's Proposed Strategic Objectives and Proposed Strategic Actions. Consistent with our responses to Questions 1 and 2, we urge the IAASB to give further consideration to its approach to achieving the efficiency and effectiveness of engagements and developing high-quality standards, through its standards setting activities. We also support the IAASB's commitment to establishing a globally accepted standard(s) for assurance on sustainability reporting. The assurance on sustainability reporting is a major project for the IAASB and the pronouncements arising from this are likely to have a significant impact on the audit and assurance profession in the coming years.

Given the significance of this project, we urge the IAASB to follow a similar implementation approach to that taken for the Clarity Project, that is, to include **pre-implementation monitoring** as part of its project plan. We believe pre-implementation monitoring is critical for the successful implementation of the new suite of assurance standards on sustainability reporting. The pre-implementation monitoring phase will allow assurance practitioners sufficient time to test the new standard(s) in practice and provide valuable feedback and insights on the practicality of application of these standards.

Pre-implementation monitoring will help provide an early indication of whether:

- There are areas of difficulty regarding the use of the assurance standard(s)
- There is need for additional guidance
- Other actions are needed to facilitate the successful implementation of the assurance standard(s).

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

We make the following recommendations in respect of the standard-setting projects set out in Table B within the area of audits and review:

- We consider revising ISA 330 *The Auditor's Responses to Assessed Risks* (ISA 330) to be of the highest priority among the identified possible projects. It is important to revise ISA 330 to enhance alignment with ISA 315.
- We are supportive of the revision to the various standards in the ISA 500 series including:
 - ISA 501 *Audit Evidence—Specific Considerations for Inventory and Segment Information*, ISA 505 *External Confirmations*
 - ISA 520 *Analytical Procedures*
 - ISA 530 *Audit Sampling* (including consideration of the impact of technology in the way an audit is performed).

However, we believe the revision of these ISAs should either be narrow scope, targeted at modernising the standards, or involve the issuance of non-authoritative material that addresses the use of technology in these areas.

- We consider ISA 620 *Using the Work of an Auditor's Expert* (ISA 620) to be a high priority given the recent revisions to other standards such as ISA 540 *Auditing Accounting Estimates and Related Disclosures* and ISA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information (Revised)*, as well as the pending further expansion of assurance beyond the audit of historical financial statements. Clarity on the concepts and aspects of application in ISA 620 will be more critical when applying the requirements to other non-financial information assurance engagements.
- We support a narrow scope project for ISA 720 *The Auditor's Responsibilities Relating to Other Information* based on the feedback received as part of the post-implementation review. As part of this project, we believe there should be greater focus on the connectivity between the financial and non-financial information in the annual report.
- We consider the revision of ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* to be long overdue. Clarity and alignment with concepts and principles in other standards will be welcomed by our members and other stakeholders.
- We consider the project on ISA 320 *Materiality in Planning and Performing an Audit* (ISA 320) to be a low priority. Although further clarity could be provided in the application of the concepts, especially when determining the percentage ranges of materiality and performance materiality, we believe overly prescription requirements will not be helpful. Accordingly, we recommend either a narrow-scope project to amend ISA 320 or developing and issuing non-authoritative guidance material that addresses the specific issues identified. For example, we see significant value in non-authoritative support material, [Investigating Exceptions and Relevance of Performance Materiality When Using Automated Tools and Techniques](#), that was issued by the IAASB recently. We are also of the view that it will be a more effective use of IAASB resources to develop a materiality standard that is targeted at qualitative, non-financial information for the sustainability assurance suite of standards that are being developed.
- Joint audits (proposed new standard) are not undertaken in Australia. Accordingly, clarifying practice in this area has little relevance for our jurisdiction.

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.

Within the area of sustainability and other assurance engagements, we support the IAASB's phased approach to developing the overarching standard for sustainability reporting assurance engagements as an immediate priority, followed by the development of future topic-specific assurance standards as part of a bespoke suite of standards on sustainability assurance. Future specific topics could include materiality in the context of non-financial disclosures, scenario analysis and the use of experts (not already addressed by ISA 620). Consistent with our response to Question 3, we urge the IAASB to include pre-implementation monitoring as part of its project plan.

The use of XBRL-based digital reporting is not prevalent in Australia as there are no current mandated requirements for this form of reporting. However, we have been advocating for the adoption of mandated digital reporting for listed companies over the past decade and accordingly, we believe it will be of value to include new requirements in ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Revised)* that support the application of XBRL-based financial reporting.

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).

We have not identified any other topics that IAASB should consider as new standard-setting projects. However, we suggest that the IAASB should prioritise and include post-implementation review (PIR) projects in the 2024-2027 Work Plan. As identified in the Consultation Paper, the following may be candidates for PIR projects during the Work Plan period:

- ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* (effective for audits of financial statements for periods beginning on or after December 15, 2019).

- ISA 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement* (effective for audits of financial statements for periods beginning on or after December 15, 2021).
- The Quality Management Standards (effective as of December 15, 2022).

Given the significant changes and the practical challenges faced by the audit profession in implementing the above revised standards, we strongly recommend bringing forward the PIRs to provide timely clarifications, where necessary, and to develop additional guidance where needed. Prioritising PIRs for the above standards will also help inform future revisions of other ISAs that are based on learnings from previous experience, especially future revisions of the ISA 300 and ISA 500 series.

- 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 are supportive of the close coordination with the IESBA as proposed, and have no further comments.

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

We have no further comments.