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Mr. Willie Botha
IAASB Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th floor

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

Dear Mr. Botha

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization welcomes the opportunity to offer its views on the Consultation Paper, *The IAASB's Proposed Strategy and Work Plan for 2024–2027* (Strategy and Work Plan), issued by the International Auditing and Assurance Standard Board (IAASB).

We support the refresh of the IAASB's Strategy and Work Plan as the process will generate timely stakeholder input that is highly relevant to establishing and confirming the value of, and priorities for, the IAASB's operations.

We recognize the uncertainty that exists regarding the IAASB's future operations due to the reforms that commenced in 2022 and are being implemented over the next three to four years by the Monitoring Group. These reforms are likely to continue to affect the IAASB during the 2024-2027 strategy period, as acknowledged in the Strategy and Work Plan, due to various changes at both the Board and Staff levels, in how the oversight by the PIOB is exercised over the Board's activities, and in the Board's processes.

We believe that the IAASB needs to carefully consider the effects of these changes as they finalize the Strategy and Work Plan and provide transparency into how the changes arising from the reforms will be implemented to maintain the development of high-quality international standards.

We also acknowledge the IAASB's effort to balance the stakeholders' expectations for more timely standards with other stakeholders needs for sufficient time to implement standards and absorb changes. We believe that the volume of change the profession has had to absorb over the last few years with the issuance of standards that required or will require significant implementation effort has been challenging for the profession (i.e., ISA 315 (Revised 2019), ISQM 1, ISQM 2 and ISA 220 (Revised) to be implemented in 2023; and ISA 600 (Revised), effective in 2024).

We believe the IAASB should challenge the timing of the effective dates of the numerous significant projects that are expected to be completed in succession in 2024 and 2025 as outlined in Table A of

the Strategy and Work Plan and approve an effective date schedule that will allow the profession the appropriate time to implement the new standards such that the overarching public interest objective of the consistent performance of quality engagements is achieved.

In addition, we have the following significant comments:

- *More holistic approach to considering data and the auditor's use of technology in the auditing standards:* We support the IAASB's decision to include the impact of technology in the IAASB's workplan as we believe that the standards need to be modernized to embrace the changing landscape of the digital era. However, we believe that the consideration of data as information and the application of technology (i.e., automated tools and techniques used by the auditor) to data should be an integral part of the process for developing new or revised requirements within the standards. These considerations should not be limited to application material, which seems to be developed through a separate process.
- *Embedding consideration of the entity's use of emerging technologies in the auditing standards as a matter of priority:* While we commend the IAASB for its ongoing Disruptive Technologies initiative, we believe the IAASB needs to put a more immediate focus on addressing the effects of emerging technology implemented by entities in their financial reporting processes in the ISAs. The Forum of Firms polling results presented in the Disruptive Technologies IAASB materials for the March 2023 meeting indicated that many technologies are being used extensively by entities today, including robotic process automation, artificial intelligence, and blockchain. Additionally, many entities are investing and/or transacting in cryptocurrency and digital assets. As technology is embedded in all aspects of an entity's business and its use is expected to increase significantly over the next several years, we believe having a strategy to address these emerging topics is critical to developing standards that will remain fit for purpose. Therefore, to be effective, the IAASB needs to start the process of embedding these technologies in the ISAs now – a process that may begin through the development and issuance of staff or other implementation guidance and then embedding consideration of the entity's use of these technologies directly in the ISAs.
- *Prioritized projects:* We believe the following new projects should be prioritized by the IAASB in the upcoming Work Plan period:
 - Omnibus project to address technology and other targeted issues, as we believe this is a more effective way to address some of the higher priority issues identified in the possible new standard-setting projects presented in Table B in the Strategy and Work Plan versus taking on standard-setting for individual standards.

Specifically, we believe that including technology in the omnibus project and including select practice issues in the scope of such a project would enable the IAASB to better address challenges that are pervasive to the audit. Targeted amendments to ISA 520, *Analytical Procedures* should be prioritized to address challenges in practice resulting from the use of data analytics, as well as regulator expectations for how the auditor sets expectations and documents those expectations.

We also believe that addressing targeted issues in ISA 501 related to inventory, ISA 505 related to confirmations and ISA 330 related to technology should be part of this Omnibus project.

- ISRE 2410, *Review of Interim Financial Information*, as the standard is no longer fit for purpose because, as the IAASB has indicated through many of its projects, ISRE 2410 is not in a state that is capable of consequential revisions arising from other projects due to its age and format.
- *Enhancing and formalizing processes for the development of non-authoritative guidance as well as coordination processes with National Standard Setters.* We believe that a project should be added to the Work Plan for putting processes in place to respond to challenges in practice on a timely basis through a greater focus on non-authoritative guidance and through enhanced protocols for identification of national standard-setting projects that have global relevance. As part of such a project, we encourage the IAASB to enhance and formalize the existing coordination between the IAASB and National Standard Setters when the IAASB has identified that a national standard-setting project has global relevance. Such enhanced and formalized coordination would support the IAASB in leading the way in identifying and addressing emerging issues of global relevance through the issuance of non-authoritative guidance in a timely manner.

We also strongly encourage the IAASB to obtain assistance from others or to consider outsourcing the development of non-authoritative guidance. Because of the significance and extent of implementation assistance that may be required for in-progress and planned projects, we encourage the IAASB to institute formal cooperation with IFAC, member bodies, National Standard Setters or others to obtain assistance with these implementation activities, including potentially outsourcing some of the specific enablement.

- *Coordination with IESBA:* We believe that the IAASB's Strategy and Work Plan should include more specifics around the planned topics for coordination with IESBA, including that the IESBA projects related to sustainability, use of experts and the rollout initiative of the changes to the Code arising from the IESBA's definitions of listed entity and public interest entity should be identified for specific coordination. We also strongly encourage coordination between the IAASB and IESBA on the development of work plans to avoid unintended consequences if changes are not made concurrently to the IAASB standards.

Our responses to the specific questions on which the IAASB is seeking feedback are set out below.

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

Overall, we agree with the proposed goal, proposed keys to success and stakeholder value propositions. We have the following specific observations related to the clarity of the statements made in these sections of the Strategy and Work Plan:

- Regarding the *Our Proposed Goal*, to better align with the objective of ISQM 1 (refer to ISQM 1.15), we suggest that the goal refer to consistent performance of high-quality engagements.

- Regarding the *Our Proposed Goal*, reference is made to the IAASB monitoring whether its standards continue to be adopted, whether the IAASB's work in new areas achieve the broad respect of and use by stakeholders, and whether the IAASB's commitment to the public interest remains unchallenged. We suggest that the IAASB consider whether they have the capacity or capabilities to implement this monitoring. If the IAASB is not planning to do the monitoring themselves, we suggest specifying in the Strategy and Work Plan who will be responsible for this monitoring, as well as the frequency and method of reporting.
- We believe the stakeholder value proposition for *Our Standards* should more explicitly address the importance of the IAASB's standards' capability to be practically applied to audits and other engagements for all entities. We do not believe the words 'globally relevant' or 'scalable' are adequate to convey this critical objective.
- Regarding the stakeholder value proposition for *Our Engagement with Our Stakeholders*, we believe the IAASB's coordination with IFAC and its committees as a key mechanism through which the IAASB engages with stakeholders is particularly relevant in light of the reforms that are being implemented, which could be highlighted in this section or elsewhere in the document. In addition, the IAASB could discuss here, or elsewhere in the document, more specifics regarding how IAASB processes for outreach enable the collection of sufficiently broad and unbiased input from a representative sample of stakeholders, possibly using academics or other non-biased facilitators to collect meaningful input.
- Regarding the stakeholder value proposition for *Our processes*, we believe the critical importance of the IAASB's due process to achieving high-quality widely accepted International Standards should be included. We would also recommend highlighting public transparency as a critical aspect of this due process. Such transparency also facilitates stakeholder engagement and collaboration with others.

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)?

Overall, we agree that the Proposed Strategic Drivers are appropriate and are consistent with the environmental factors affecting the IAASB standards. We have the following suggestions to enhance clarity:

- Regarding the Proposed Strategic Driver, *Diverse demands across the spectrum of stakeholders reflecting the breadth of the global economy*, we are unclear as to the meaning of the explanation for this strategic driver. The first point is stating that stakeholders are calling for more concise 'proportionality solutions'. To contrast with this first point, we believe it may be clearer to state in the second point that stakeholders are asking for an expansion of certain standards and more prescription, which would potentially add complexity to the existing standards if that is the intended meaning.
- Regarding the Proposed Strategic Driver, *Supporting the implementation of our standards*, we would suggest clarifying this point to explain that it may be appropriate to rely on local standard-setters or member bodies to fulfill the first-time implementation support activities instead of the IAASB. We believe the Strategy and Work Plan could be interpreted to be implying that

implementation materials should not be prioritized. Therefore, we believe the Proposed Strategic Driver should be focused on who should be developing the needed implementation materials.

- Regarding the Proposed Strategic Driver, *Value of cooperation across independent standards-setting bodies*, we suggest better explaining what is meant by “fragmentation” by adding a statement explaining that reducing fragmentation is reducing the need for local standard-setting on the same topics that may diverge from international standards.
- Regarding the Proposed Strategic Driver, *Impact of and reasons for jurisdictions developing their own audit and assurance standards*, we ask the IAASB to consider whether this is actually a “headwind” to global adoption of standards. We believe that the practice of jurisdictions developing their own standards is only a headwind if this activity results in fragmentation. If jurisdictions are only adding what is appropriate in their context or setting standards for specific local needs (that are not global needs) then there is little risk of fragmentation.
- Both the Proposed Strategic Drivers, *Implement the Monitoring Group reforms* and *Attract top talent at the Board and Staff levels* refer to changes imposed by the Monitoring Group reforms. We believe that these changes could have a significant effect on the Strategy and Work Plan for 2024-2027 and recommend that the changes to both the process and the talent be explained in more detail either here, or elsewhere in the document, so stakeholders can obtain a fuller appreciation of how the changes may affect the IAASB’s ability to execute on the strategy and workplan. For example, we believe a transition plan will be extremely important as the IAASB transitions to using staff more exclusively. During the transition period, there may be a gap in technical knowledge needed for certain topics.
- Regarding the Proposed Strategic Driver, *Increasingly tight timelines to meet heightened expectations*, we ask the IAASB to clarify what is meant in the last sentence that states “...as part of the due process to ensure quality.”. We are unclear as to whether this is referring to the quality of the international standards, or achieving quality on audit, assurance and related services engagements.

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

Overall, we agree with the Proposed Strategic Objectives and Proposed Strategic Actions. However, we have the following observations:

Regarding *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*:

- *Research should focus on ‘the audit of the future’*: As the IAASB undertakes information gathering and research activities for new projects, we believe the IAASB’s research activities should have an explicit focus on the audit of the future. Monitoring developments that indicate changing demands and stakeholder needs for the audit should be a central theme in the IAASB’s research activities because of the critical importance of maintaining the relevance of the audit in the current fast-

changing environment and is necessary for the role of the audit to continue to appropriately serve the public interest.

- *Challenge ability to initiate new projects:* As discussed in the introduction of this letter, the volume of change the profession has absorbed over the last few years with the issuance of standards that required or will require significant implementation has been challenging for the profession. In addition, we believe the workplan to complete the current standard-setting projects as set out in Table A of the Strategy and Work Plan is ambitious both in terms of the effort needed by the Staff and the Board and the number of new standards that are planned to be issued in 2024 and 2025 for the profession to implement. Furthermore, the Strategy and Work Plan states (page 18) that in line with *Proposed Strategic Objective 4*, the IAASB will seek opportunities to advance targeted timelines. Therefore, as the IAASB completes its current projects and looks to initiate new projects for audits (or reviews) during the Strategy period, we encourage the IAASB to be careful not to take on too many new projects, but to rather focus on providing quality standards related to the in-progress projects. We believe that it may be unrealistic for the IAASB to start a large new project before 2025, as indicated on page 18 of the Strategy and Work Plan.
- *Importance of implementation material:* The Strategy and Work Plan states (page 17) that the IAASB will continue to be alert to the need for developing timely first-time implementation support materials, mindful that there are competing demands and efforts will continue to be prioritized for standard-setting projects. Because of the expected issuance of the new overarching standard for assurance on sustainability, as well as the significant changes being deliberated related to the Going Concern and Fraud projects (especially related to transparency in the auditor's report) in this Strategy period, proper implementation will be especially important to achieving engagement quality. Therefore, because of the significance and extent of implementation assistance that may be required for these standards, we strongly encourage the IAASB to pursue cooperation with IFAC, member bodies, National Standard Setters or others in order to obtain assistance with these implementation activities, including potentially outsourcing some of the specific enablement.
- *Non-authoritative guidance:* The Strategy and Work Plan states (page 17) that the development of other non-authoritative guidance will mostly be limited to responding to significant unanticipated developments in the environment or addressing significant targeted issues that have arisen that require a more immediate response than standard setting can provide. We do not believe the IAASB should consider this guidance such a low priority. For the activities other than revising and developing standards and outreach, we believe that the IAASB should have an objective of putting processes in place to respond to challenges in practice on a timely basis through a greater focus on issuing non-authoritative guidance. Firms are currently in the position of needing to determine an approach or solution to emerging practice issues years ahead of when the IAASB releases revisions to its standards to address the issues. However, we have the view that the other activities have challenges to their success because of the capacity constraints of the IAASB and the ongoing expected priority for the IAASB to develop and revise standards. Accordingly, we believe that the IAASB should include specific consideration of resourcing needs for the appropriate response and whether the activity should be performed by the IAASB or addressed through collaboration with others.
- *Establishing formal collaboration with IFAC, member bodies, National Standard Setters or others as relevant for activities related to the development of non-authoritative guidance and*

implementation and application of the standards. We do not believe that the IAASB staff capacity alone will be sufficient to produce these, especially in a timely manner. For the IAASB to commit to robust implementation support, we believe formal collaboration protocols with others, including IFAC, member bodies, and National Standard Setters, need to be established.

- *Importance of post-implementation reviews:* We encourage the IAASB to perform post-implementation reviews of recently issued standards and projects that are expected to be completed in 2024 and 2025 as many of the proposed projects for 2024 – 2027 build on these standards. We agree with the IAASB's identification of ISA 540 (Revised), ISA 315 (Revised 2019) and the Quality Management Standards as priority candidates for post-implementation review projects during the Work Plan period. We believe that the practical application of ISA 315 (Revised 2019) has been challenging because of the inherent complexity of risk assessment and the need to implement new concepts, which should be explored through post- implementation reviews.
- *Clarification to Appendix 2 of the Strategy and Work Plan:* The first arrow in the diagram in Appendix 2 indicates that there is one "First Discussion" that leads to a project plan. We suggest this, and the related explanation, is changed to "Plenary Discussions" to acknowledge that on more complicated projects there may be several discussions that lead to a project proposal.

Regarding *Proposed Strategic Objective 2: Establish Globally Accepted Standard(s) for Assurance on Sustainability Reporting:*

- *Emphasis on implementation material:* We believe the related Strategic Actions for this Strategic Objective should place more emphasis on timely and sufficient implementation guidance to facilitate effective implementation of the new standard once it is issued.
- *Further standards:* In our view, the nature of the "further standards" on sustainability assurance is unclear. We suggest that the IAASB provide more transparency about how the further standards will relate to the new assurance standard on sustainability reporting and if they will focus on specific subject matter or specific reporting criteria.
- *Independence and ethics requirements:* IESBA currently has a project to address sustainability-related revisions to the Code to address the ethics issues professional accountants might face while providing sustainability-related professional services (including sustainability reporting and assurance) and the ethics and independence standards for use and implementation by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements). There are matters identified in the IESBA Project Proposal for this project that might warrant coordination or joint thinking with the IAASB. Because the first read of the proposals by the IESBA are expected to be in April – June 2023, the IAASB should consider how to manage the timing difference between IESBA and IAASB.

Regarding *Proposed Strategic Objective 3: Enhance Coordination with IESBA and Other Leading Standard Setters and Regulators to Leverage Better Collective Actions in the Public Interest:*

- *Enhance and formalize coordination with National Standard Setters:* We recognize that the IAASB does have coordination with the National Standard Setters in place, but we believe a focus should be placed on how this coordination can be enhanced and formalized when the issues driving a

national standard-setting project have global relevance. Such coordination would have an objective of the IAASB leading the way in addressing emerging issues of global relevance, including through timelier issuance of non-authoritative guidance

- *More specifics in the work plan regarding IESBA coordination:* We believe that the IAASB's Strategy and Work Plan should include more specifics around the planned topics for coordination with the IESBA. We believe that coordination with respect to the following IESBA current or new projects should be proactively planned:
 - Rollout initiative of the changes to the Code arising from IESBA's definition of listed entity and public interest entity (particularly with respect to the relationship with the definition of listed entity and concept of entities of significant public interest used in the IAASB standards)
 - Sustainability-related revisions to the Code (particularly how the revisions could affect or be addressed in the overarching standard for assurance on sustainability reporting)
 - Revisions to the Code to address specific ethics and independence issues for the use of or the involvement of an expert (particularly how the revisions could affect ISA 620 and the overarching standard for assurance on sustainability reporting)

We also strongly encourage coordination between the IAASB and IESBA on the development of work plans to avoid unintended consequences if changes are not concurrently made to IAASB standards. For example, the IESBA finalized and published its revisions to the definition of a public interest entity before the topic was deliberated by the IAASB. The two Boards need to both deliberate and understand the consequences of revisions to their respective standards, before one Board issues final revisions.

Regarding Proposed Strategic Objective 4: Create more Agile, Innovative Ways of Working in Line with the Monitoring Group's Reform Vision

- *Uncertainty related to monitoring reforms:* As further explained in the introduction to this letter, we recognize the uncertainty that exists regarding the IAASB's future operations due to the reforms by the Monitoring Group. We believe that the IAASB needs to more specifically describe how the reforms will affect its way of working, including more clearly describing the plan related to the ability to build an appropriately skilled Board and hire sufficient highly competent staff to meet the increasing tight timelines and heightened expectations of stakeholders.

Specifically, the ability to successfully meet the general theme of urgency (i.e., the need for timely action and the timely delivery of standard-setting solutions), will be dependent on the appropriateness and sufficiency of the talent at both the Board and Staff levels. The competence and capabilities of the IAASB, its supporting staff and its advisory groups are essential to the success of the IAASB. With a reduction in the number of practitioner members and reduction in the role of the technical advisors, the importance of having the right Staff with extensive experience in both auditing and standard setting will be paramount to developing quality standards in the increasing tight timelines expected. The IAASB should focus on the need to obtain or maintain sufficient and appropriate talent relevant skills and knowledge to keep pace with the

developments of the profession and the business environment, as well as expected technical proficiency in auditing and assurance.

- *Clarity around allocation of resources:* Page 23 of the Strategy and Work Plan states that the budget for the Work Plan period is expected to be relatively stable, but it also states that the number of technical Staff through permanent appointments and secondments will increase over time to ensure appropriate technical expertise and to facilitate the shift from the traditional Task Force-model for projects. We believe that more details should be included on the IAASB approach to appropriately build the resources needed to achieve the Monitoring Group's reform vision.

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

We believe the following projects should be prioritized by the IAASB as possible standard-setting projects in the upcoming Work Plan period:

- *Project G: Technology-targeted or omnibus project(s):* We believe that the consideration of technology, both the auditor's use of technology applied to data and the entity's use of emerging technology in their financial reporting processes, cannot be done as an add-on to individual standard-setting projects, rather we believe a more holistic approach should be taken that will result in the consideration of data and technology becoming an integral part of the process for drafting revised standards.

We believe that undertaking a technology omnibus project and including select practice issues in the scope of such a project would enable the IAASB to better address challenges that are pervasive to the audit. In addition to the ISA 500 series, we believe including ISA 330 in a technology omnibus project would be useful as we agree with the IAASB observation that it would benefit from modernization.

- We have the following comments on standards within the ISA 500 series that we believe should be addressed as a priority as part of a technology omnibus project:
 - *ISA 520 Analytical Procedures:* We suggest that the IAASB address challenges in practice resulting from the use of automated tools and techniques, as well as regulator expectations for how the auditor sets expectations and documents those expectations. In particular, we believe there is a need for standard-setting actions to address how the guidance in ISA 520 may be applied to risk assessment analytical procedures as outlined in ISA 315.

In addition, we encourage the IAASB to capture relevant aspects of recently released non-authoritative guidance regarding the use of automated tools and techniques in ISA 520. ISA 520 is, however, only a small component of the overall challenges facing auditors with regard to the increased use of automated tools and techniques and other technological advancements. Refer to Question 6 for further details.

- *ISA 501 Audit Evidence* – We suggest that the IAASB update this standard for specific considerations for selected items, as we believe this standard would benefit from being updated to incorporate modern methods of inventory counts and to consider the use of technology solutions by the entity that may change inventory management processes, including the design and frequency of inventory counts. With the use of technology by entities to perform inventory counts becoming more prevalent, it would be beneficial for guidance to be included on the procedures that the auditor is expected to perform on such technologies.
- *ISA 505 External Confirmations* – We suggest that the IAASB incorporate guidance on technology-based confirmations, in particular when a third-party technology solution (e.g., confirmation.com) is used to obtain a confirmation from another third party.

We also believe that certain aspects of the topics we highlight in our response to Question 6 (*Cyber risk and cybersecurity & Embedding emerging technologies in the auditing standards*) could be addressed as part of this project.

If the IAASB does not undertake a technology omnibus project, we believe Project E: *ISA 520, Analytical Procedures* would be the highest priority to address as a standalone standard-setting project.

- *Project J: Review of Interim Financial Information (Revision of ISRE 2410)*: We believe this standard is no longer fit for purpose because, as the IAASB has indicated through many of its projects, ISRE 2410 is not in a state that is capable of consequential revisions arising from other projects due to its age and format. Therefore, ISRE 2410 has not been considered in the context of projects to revise ISAs over the last decade. Although this standard is perhaps not widely used internationally due to varying interim review reporting requirements across the jurisdictions, we believe it serves as a valuable reference point for the scope and work effort involved for reviews of interim financial information and the relationship of that work with an audit under the ISAs.

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 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.

More robust reporting on sustainability matters is a matter of high interest by global stakeholders who are placing increasing pressure on corporations for greater transparency on ESG strategies and the effects therefrom on the business and financial position, all of which affects financial and non-financial reporting and may have specific assurance needs. We believe that it will be critical for the IAASB to perform a post-implementation review of *ISSA 5000 Overarching Standard for Assurance on Sustainability Reporting* and that targeted revisions to that standard, based on this post-implementation review and changing expectations of stakeholders, may be needed in two to three years post implementation due to the evolving nature of this topic.

We believe that after the completion of *ISSA 5000*, the IAASB should prioritize:

- Updating ISAE 3000, *Assurance engagements other than audits or reviews of historical financial information*, to incorporate requirements, application material or drafting concepts in final ISSA 5000 that would be beneficial to all assurance engagements. If the IAASB does not undertake this project concurrent with, or shortly after the issuance of ISSA 5000, we believe there is a risk that the baseline ISAE 3000 will be viewed as a “lesser” standard and there will be confusion among the profession as to why there are more robust requirements in ISSA 5000 compared to ISAE 3000.
- Creating an ISSA to address assurance reporting on Green House Gas Statements, to replace the existing ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, as this existing standard will need aligned with ISSA 5000.
- Considering the feedback received to the exposure draft on ISSA 5000 to assess the need to develop an ISSA on “Key sustainability assurance matters” that would be applicable for reasonable assurance engagements.

We also encourage the IAASB to:

- Develop implementation guidance for ISSA 5000, including report examples. Because ISSA 5000 will be overarching in nature, it is our understanding that only a few examples will be available in ISSA 5000. Specifically, we suggest that the “non-authoritative guidance on applying ISAE 3000 (Revised) to sustainability and other extended reporting assurance engagements” (“EER guidance”) be revised and aligned with ISSA 5000, as we believe this guidance contains a lot of very useful examples. We feel it will be very difficult to continue using the EER guidance without such revisions as the requirements and vocabulary used in ISSA 5000 will differ from the ones in ISAE 3000 (revised) and the existing EER guidance.
- Closely monitor advancements in corporate reporting requirements and continue coordination with the IASB and the International Sustainability Standards Board (ISSB) as well as other ESG standard-setting organizations.
- Continue to proactively engage in understanding needs and challenges related to assurance on ESG information (both as part of the audit and with respect to assurance on non-financial reporting). As an example, the recent project initiated by the IASB on climate-related risks in the financial statements will require coordination between the IAASB and the IASB and may lead the IAASB to consider a project on updating the ISAs to add considerations of climate-related risks in an audit.
- Consider providing non-authoritative guidance in instances where it has been identified that there is a pressing need, but it is not feasible to develop and deploy a standard on an accelerated basis.

With regards to project number M: *Assurance on XBRL (new standard)*, we believe that the IAASB should continue to monitor demand for a specific assurance standard on financial information reported in a digital format. However, from an assurance standard-setting standpoint, we do not believe that the development of this standard is a priority.

Q6. 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 (see pages 20–22), and the needs and interests that would be served by undertaking work on such topic(s).

We believe the following topics are priorities that should be addressed by the IAASB:

- *Cyber risk and cybersecurity:* We believe that there is a need for clarity in the auditor's responsibilities related to the cyber risk and understanding the entity's attempt to govern and mitigate that risk (i.e., cybersecurity) in a manner commensurate with the entity's business model. We believe that cyber risk is one of the most significant business risks faced by entities today and that cybersecurity is of interest across many stakeholders of the entity.
- *Embedding consideration of the entity's use of emerging technologies in the auditing standards:* As noted in the introduction to this letter, we believe having a strategy to address the entity's use of emerging technology in their financial reporting processes and the related auditor responsibilities is critical to developing standards that will remain fit for purpose. We believe the development of implementation guidance is an important first step and should consider, but not be limited to, the following:
 - The auditor's responsibilities for understanding an entity's ability to provide appropriate oversight of their technology strategy within their system of internal control
 - The auditor's responsibility to address risks of material misstatement introduced by the entity's use of applications that learn and evolve over time (i.e., artificial intelligence) in the financial reporting processes, including the ability to verify the completeness and accuracy of the output of such applications and the responsibility to consider any bias, whether latent or learned, inherent in the development of these applications
 - Obtaining audit evidence over the completeness, existence and valuation of the entity's ownership of cryptocurrency or digital assets, considering both those that are collateralized (e.g., stablecoins) and uncollateralized, and evaluation of the underlying blockchain, smart contracts or other technologies within the ecosystem
 - Obtaining audit evidence when the entity participates in a blockchain and/or consortium to process and record transactions relevant to their financial reporting (e.g., purchasing)
 - The auditor's ability to establish reliance on the completeness and accuracy of the entity's information stored on a cloud, including any potential risks related to homomorphic encryption

We believe that certain aspects of the above topics could be considered as part of an omnibus project on technology (project G). Refer to our response to Question 4.

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.

We believe that the IAASB's Strategy and Work Plan should include more specifics around the planned topics for coordination with IESBA, including that the IESBA projects related to sustainability, use of experts and the rollout initiative of the changes to the Code arising from the IESBA's definitions of listed entity and public interest entity should be identified for specific coordination. We believe that coordination with respect to the following IESBA current or new projects should be proactively planned:

- Trends and developments in technology
- Use of experts (particularly with respect to possible effects on the evaluation of the competence, capabilities and objectivity of the auditor's expert and management's expert)
- Sustainability (noting that the IESBA will coordinate closely with the IAASB)

We also strongly encourage coordination between the IAASB and IESBA on the development of work plans to avoid unintended consequences if changes are not concurrently made to the IAASB standards.

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

We have not identified other matters that should be considered in finalizing the Strategy and Work Plan.

We would be pleased to discuss our comments with members of the International Auditing and Assurance Standards Board or its staff. If you wish to do so, please contact Kurt Hohl, Global Deputy Vice Chair, Professional Practice (kurt.hohl@eyg.ey.com).

Yours sincerely,

Ernst + Young Global Limited