



Agenda Item

H.1

Meeting: IAASB Meeting¹
Meeting Location: Amsterdam, Netherlands
Meeting Date: March 12–16, 2018

Developing the IAASB's Future Strategy

Objective of Agenda Item

1. To obtain the IAASB's views on the approach to developing the IAASB's Strategy for 2020–2023, including the planned activities for 2018 (which includes the stakeholder survey).

Task Force

2. Consistent with prior strategy consultations, the Steering Committee serves as the task force for this project. Members are:
 - Arnold Schilder, IAASB Chairman
 - Megan Zietsman, IAASB Deputy Chair
 - Fiona Campbell
 - Marek Grabowski
 - Chuck Landes
 - Imran Vanker

I. Why Is the IAASB Consulting on Its Strategy?

3. The period covered by the IAASB's current Strategy ends in 2019.^{2,3} In order to undertake sufficient consultation about matters that are important to the IAASB's stakeholders, and meet due process requirements for consultation,⁴ which includes a stakeholder survey and more formal Consultation Paper, the process commences 18 to 20 months before the end of the current period. Appendix 3 identifies the timetable necessary to finalize the Strategy for 2020–2023 before January 1, 2020. In order to meet the timetable, the proposed stakeholder survey needs to be made available early May 2018. Other activities discussed below would be expected to be undertaken in March to July 2018.

¹ PLEASE NOTE – this paper has been prepared as an IAASB paper for discussion at the March 2018 IAASB meeting - it has been presented as CAG Agenda Item H.1. Agenda Item H sets out matters for CAG consideration in relation to the matters set out in this paper.

² The IAASB's current Strategy for 2015–2019 can be found [\[here\]](#).

³ See Appendix 2 for Background to the Development of the IAASB's Strategy for 2015–2019.

⁴ The IAASB's Due Process and Working Procedures outline the process to be followed to develop the IAASB's Strategy for 2020–2023 (see Appendix 1), which includes a stakeholder survey and a consultation paper, as well as outreach.

4. The rest of this paper addresses the 'how' and 'what' in relation to the information to be gathered to develop the Consultation Paper (expected to be finalized at the end of 2018), including the stakeholder survey.
5. Despite the current consultation currently underway by the Monitoring Group on the IAASB's structure, governance and oversight,⁵ with changes that will likely impact the 2020–2023 strategy period, the Steering Committee still believes it is important to continue with the strategy development process in light of the importance of the smooth continuation of the IAASB's activities until and during any resulting changes. Such changes, which could be significant, should be anticipated and embraced, with further thought being given to how some of the more 'strategic' recommendations could be piloted within the current structure (for example, a more 'strategic' Board and a larger and enhanced staff complement, as well as the closer collaboration with International Ethics Standards Board for Accountants (IESBA)).

II. How Will the IAASB Consult on Its Strategy?

6. The IAASB continues to operate in a dynamic environment (disruption, speed, pace of change, technological advances) and the Steering Committee believes it is important to explore how to continue to meet the needs of its stakeholders through operating strategically and undertaking activities that are in the public interest.
7. The IAASB's current mandate is to set high-quality international standards to serve the public interest. The 2017–2018 Work Plan is reflective of the need to focus on supporting the performance of high-quality audits, with a result that the IAASB is currently revising several significant International Standards on Auditing and its Quality Control standards (Section IV sets out the current status of the IAASB's projects). These projects are expected to complete starting in 2018, but some of the more significant projects are expected to continue into 2020. As the projects are completed, it is important for the IAASB to focus on where and how its resources should be deployed to meet its public interest mandate. In doing so, the Steering Committee is of the view that gathering information to understand the future direction to be embodied in its 2020-2023 Strategy should be embarked on with an open mind, while still taking into account the needs of the IAASB's stakeholders within its mandate.
8. Accordingly, the Steering Committee is of the view that, similar to prior period strategy consultations, the strategy survey continues to provide valuable insights, in particular to understand relative priorities (for example, developing audit versus assurance standards, or about the relative priority of potential projects). However, to solicit more broad-thinking suggestions and to explore new insights as to potential IAASB activities, the Steering Committee recommends enhanced outreach activities from those previously undertaken for strategy consultations. For example, these could include:
 - More targeted discussions about the IAASB's future activities as the IAASB's outreach program is undertaken, and consideration of more expansive outreach in the period leading up to and

⁵ In November 2017, the Monitoring Group released a Consultation Paper, *Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest*. In January 2017, the Monitoring Group held four roundtables in Johannesburg, London, Washington DC, and Singapore to gather feedback from participants and answer their questions on possible options to enhance the governance, accountability and oversight of the international audit standard-setting process.

around the survey and strategy consultation period. This would include outreach with regulators, national standard setters, and practitioners (both in the public and private sectors). For example, specific sessions could be arranged with interested stakeholders (such as member bodies or national standard setters) to discuss matters of mutual interest and areas of possible collaboration.

- Discussions in different jurisdictions with small focus-groups, with some focus on including representatives from stakeholder groups that do not traditionally respond to surveys or related consultations (such as representatives from investor groups, company director groups, groups representing those charged with governance, and preparers of financial statements).

This process would provide for consultation with a variety of stakeholders and would utilize existing processes and relationships, while also targeting a broader stakeholder base.

9. Stakeholders traditionally invited to respond to the stakeholder survey, include:

- Current and former IAASB members, technical advisors and official observers
- IAASB Consultative Advisory Group (CAG) Representatives
- Practitioners, including the Forum of Firms, and practitioners in the public sector and from smaller firms
- Regulatory and oversight organizations
- International Accounting Standards Board (IASB) and other international organizations
- National auditing standard setters
- Regular respondents to IAASB exposure drafts
- Other International Federation of Accountants' (IFAC) standard-setting boards, particularly the IESBA and the International Accounting Education Standards Board (IAESB)
- Other IFAC committees and boards, such as the Small and Medium Practices Committee
- IFAC member bodies

In undertaking the survey this group of stakeholders, at least, will be targeted. As indicated above, the IAASB should endeavor to include other groups as well, e.g. investors and directors.

10. The input from the stakeholder survey, together with the results of more targeted outreach, will be used to inform the development of the consultation paper on the IAASB's future Strategy. The survey will also be used as the basis for a general discussion on the IAASB's current projects and future strategic direction with the IAASB's Consultative Advisory Group (CAG) at its September 2018 meeting (i.e., before the IAASB approves the consultation paper).

Matters for IAASB Consideration

1. The IAASB is asked for its views on:
 - (a) The approach of the undertaking a stakeholder survey? Are there other ways of soliciting relevant information that should be considered and undertaken? If so, what are they?

- (b) The targeted outreach activities, specifically the types of activities that could be undertaken and with whom, and including the types of information that could be obtained.
- (c) Whether there are other stakeholders not outlined above that the IAASB should be targeting for input.

III. Context for the IAASB's Future Strategy

- 11. Appendix 4 sets out the scheduled timing of the progression of projects in 2018–2019. From this schedule it can be seen that there are several significant projects still to be finalized early in 2020, which will impact the IAASB's capacity to undertake new projects even if no delays are encountered. Accordingly, the consultation process will highlight the limitations on the IAASB's capacity at the start of the next strategy period (i.e. in 2020).
- 12. In developing the work program, the IAASB will also continue to consider how best to deploy its resources, with further consideration about alternative means of progressing projects and initiatives.

IV. What Will Be Explored in the Development of the Consultation Paper?

- 13. In the current Strategy period, it has become clear that there are some overarching challenges arising from the IAASB's work, and which will likely continue into the next strategy period. These include:
 - Is the IAASB acting in the public interest in the activities it undertakes?
 - Is the quality of audits going to be improved once the key ISAs recently revised, or currently being revised, are implemented? Will these revisions have achieved their desired objectives, and result in effective implementation of the relevant standards by firms of differing nature and size to perform high quality audits?
 - How is the IAASB going to continue to coordinate effectively and on a timely basis with IESBA on matters of mutual interest, including addressing the impact on the international auditing and assurance standards of recent, and ongoing, changes being made to the IESBA's *Code of Ethics for Professional Accountants*?
- 14. There may be other views about what the IAASB's strategic challenges or issues are, or may be. At the same time, there may be opportunities that the IAASB should (or could) be leveraging in what it does or the way it does it. Some strategic matters (including challenges or issues, and opportunities) for consideration by the IAASB in setting its future strategy include:
 - What will the audit market look like in 2020 onwards? For example, what impact (if any) will changing audit thresholds in certain jurisdictions have (i.e., such that increasing numbers of entities are no longer required to have audits performed)?
 - Is there ongoing evolution in the way that companies are regulated (e.g., public interest entities versus non-public interest entities, financial institutions)?
 - Will broader assurance needs begin to dominate stakeholder needs and continue to shift the focus away from audits of historical financial information (for example, relating to reporting on non-financial or forward-looking information)?

- How is technology transforming how audits are being performed (e.g., how are more advanced data analytics tools and techniques being used to perform audit procedures, especially as the client's IT systems continue to evolve at a rapid pace, or could these data analytics tools and techniques be used to perform more robust procedures, thereby possibly changing the way that audit evidence is obtained and how certain extant standards are structured)? Further, how is technology changing engagement teams through changes to audit delivery models?
- How could technology be used to enhance how the IAASB undertakes its activities (e.g., interactive handbook, using technology to facilitate international meetings, or changing the structure of the standards to support scalability)?
- What more needs to be done, or different activities undertaken, for small and medium practices?

In order to respond appropriately and to demonstrate that the IAASB is operating in the public interest, it will be important to understand stakeholder views about what 2020 onwards "looks like" for an international standard-setter. In the view of the Steering Committee, consideration may also be given to assistance from external experts in appropriately analyzing the developments set out above.

15. Accordingly, the Steering Committee believes that it is important to obtain initial stakeholder views about:

- What the IAASB's strategic environment may look like from 2020 onwards.
- What the IAASB's strategic issues or challenges may be from 2020.
- The relative focus of the IAASB's activities between audit and assurance standards?
- How should the IAASB best serve the public interest in this increasingly disruptive environment? Through solely developing high-quality international standards, or would other supporting activities (e.g., related to implementation or formalized post-implementation reviews) be more beneficial? Might a moratorium on new or revised standards be considered after finalization and during implementation of the current standards under revision?
- Whether there are improvements possible to the IAASB's modus operandi within the current structure and environment? Are more resources needed?

The IAASB's input to the kinds of information that would help develop the future strategy and work plans will help shape the questions for both the survey and the outreach described in paragraph 8.

Matters for IAASB Consideration

2. The IAASB is asked to consider the matters set out in paragraphs 14-15, and in light of these, discuss what other types of strategic questions should (or could) be asked either in the stakeholder survey or the targeted outreach?
3. Are there other strategic challenges or opportunities that IAASB members believe we should be highlighting to stakeholders (see paragraph 13).

V. Other Matters

16. Appendix 2 sets out background for the development of the IAASB's Strategy for 2015–2019 and Work Plan for 2017–2018.
17. In September 2017, the IAASB and the IESBA held a joint meeting in order to discuss matters of mutual interest to both Boards, including ongoing coordination. As part of these discussions, consideration was given to aligning the periods of the IAASB and IESBA future strategies and work plans, with the objective of increasing coordination between the Boards, but not to achieve jointly agreed strategies or work plans (each Board's strategy and work plan would remain discrete, however, it was agreed that coordinating the time periods may help with alignment of content). In working through the time period's for the IESBA and the IAASB's future strategy period (the IESBA's planned strategy period runs 2019–2023 and the IAASB's planned period is 2020–2024), it was agreed the IAASB could not bring their time period forward to align with the commencement of the IESBA's start in 2019, but it was agreed that the IAASB would align on the back end. Accordingly it was **agreed** that the IAASB would move to a four-year strategy period (2020–2023), which was also supported by the Public Interest Oversight Board.
18. The IAASB's next work plan would need to be developed for 2019–2020. However, in light of:
 - The upcoming consultation on the IAASB's strategy for 2020–2023; and
 - The completion of many of the IAASB's key projects during 2019 (with no new projects expected to commence in this period) and 2020 (see Section IV above),

the Steering Committee recommends that 2019 is treated as a 'stub period' and that no consultation is undertaken for that period. The projects underway at the end of 2018 would continue to be progressed in 2019, and the consultation on a new work plan would be undertaken for when the Board's capacity is expected to open up – likely for the 2020–2021 Work Plan. This consultation would be undertaken as part of the 2020–2023 Strategy consultation.

Matter for IAASB Consideration

4. Does the IAASB agree that 2019 could be treated as a continuation of the 2017–2018 work plan in order to complete key projects currently underway, with consultation on a new work plan for 2020–2021 in light of the IAASB's new strategy at that time?

VI. Development of the Stakeholder Survey

19. Previous stakeholder surveys on the IAASB's future strategy included comprehensive lists of possible projects that could be undertaken from both a strategic and work plan perspective. For the 2015–2019 stakeholder survey broader, more open-ended questions were asked to help shape the IAASB's strategic objectives rather than questions about specific projects. Once the survey results were analyzed and the broad strategic objectives for the strategy period identified, the inclusion of individual projects were consulted on in the consultation paper. This helped eliminate some of the duplication that previously arose between the stakeholder survey and the consultation paper, and encouraged broader views from respondents.

20. It is proposed that a similar approach be taken for the upcoming stakeholder survey, i.e., that the survey would be broader and open-ended, and the consultation paper addressing individual projects within the strategic objectives identified.
21. Matters to be included in the stakeholder survey, as well as the questions, will be informed based on Board discussions about matters set out in Sections I–IV above. In considering the design of the survey, the Steering Committee noted the importance of providing stakeholders with appropriate context to understanding the factors that will affect the IAASB's capacity in the period commencing 2020, including, for example:
 - A description of where the IAASB is expected to be at with its major projects.
 - How the current projects have informed the IAASB about areas within the extant ISAs that may require further consideration (for example in light of the ISA 315 (Revised)⁶ project would ISA 330⁷ need to be revised?).

Emerging areas where further exploration may be needed to identify if standard-setting activities are warranted, e.g. through focused roundtables, scenario analysis and/or inviting external expertise.

Matter for IAASB Consideration

5. Are there steps the IAASB should take to prepare for the survey and the related analysis (for example, considering engaging external experts)?
6. Are there other matters that the IAASB believes should be covered in the strategy survey that have not been addressed above?

⁶ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

⁷ ISA 330, *The Auditor's Responses to Assessed Risks*

Appendix 1

Relevant Excerpts from the IAASB's Due Process and Working Procedures

1. IFAC's Standards-Setting Public Interest Activity Committees' (PIAC) Due Process and Working Procedures outline what is required of the IAASB when setting its strategy and work program, as follows:
 - The PIAC identifies potential new projects based on a review of national and international developments and on comments and suggestions from those who have an interest in the development of international pronouncements issued by the PIAC. To facilitate this process, the PIAC periodically develops and approves, based on appropriate consultation, a strategy and work program.
 - The PIAC is responsible for consulting with the PIAC's CAG on the identification and prioritization of projects to be undertaken by the PIAC. In particular, the PIAC's CAG is consulted on the PIAC's strategy and work program, including project priorities and any changes therein, to help establish their appropriateness. Where the PIAC's CAG has recommended a project for consideration by the PIAC, the Chair of the PIAC informs the PIOB and the PIAC's CAG of the decisions of the PIAC.
 - In setting its strategy and work program, the PIAC obtains the PIOB's conclusion as to whether the due process used to develop the PIAC's strategy and work program has been followed effectively and with proper regard for the public interest. The PIAC also obtains the PIOB's opinion, as at the date of that opinion, on the appropriateness of the items on the PIAC's work program, and its approval of the completeness of the strategy and work program from a public interest perspective. The PIAC adds to its work program those items that the PIOB resolves should, from a public interest perspective, form part of the PIAC's work program.
2. The Working Procedures further note that:
 - The PIAC's strategy review involves a formal survey of its key stakeholders to obtain views about issues that they believe should be addressed by the PIAC in the immediate future.
 - The development of the PIAC's strategy and work program includes the issue of a consultation paper for public comment, placed on the IFAC website where it can be accessed free of charge by the general public, for ordinarily no less than 60 days. The PIAC considers the results of the public consultation in formulating, as necessary, a revised strategy and work program.
 - The PIAC's strategy reviews and consultations are not anticipated to be an annual process.

Appendix 2

Background to the Development of the IAASB's Strategy for 2015–2019

1. The IAASB's current [Strategy](#) covers the period 2015–2019, and set out the IAASB's strategic objectives for this period. The work plan sets out the IAASB's specific projects that align with these strategic objectives. The current strategy covers a five year period (which was longer than the previous three-year periods for the IAASB's strategy) to enable a better understanding by stakeholders of the IAASB's medium-to-longer-term priorities. The frequency of strategy consultations was also considered when making this change as some stakeholders had expressed concern about the time periods between consultations (i.e., was too short between strategy consultations).
2. Recognizing that three years was likely too short for purposes of setting its strategy in light of the time necessary to develop standards following due process, the IAASB changed its strategy period to five years. In doing so, the IAASB also committed to a mid-period review to determine whether the identified strategic objectives remained relevant or needed to be adjusted. This [strategic review](#) was performed in late 2015, with stakeholders expressing strong support for the continuing relevance of the IAASB's strategic objectives, recognizing the fundamental role of the clarified International Standards on Auditing (ISAs) and International Standards on Quality Control (ISQC) in underpinning audit quality and user's confidence in the audit.

Background to the Development of the IAASB's Work Plan for 2017–2018

3. In recognizing the need to remain flexible within the strategy period, the IAASB agreed to develop two-year work plans to set out its near-term priorities and be transparent about the allocation of its resources. A two-year work plan would allow the IAASB to reallocate resources if the need arose.
4. In terms of due process, there is no obligation for the IAASB to consult on its work plans. In the past, however, the IAASB has consulted on the work plans in conjunction with consultations on the strategy, or the most recent [work plan for 2017–2018](#) was consulted on at the time of the review of the strategic objectives (as explained in paragraph 2 above). In developing the work plan for 2017–2018, the IAASB's stakeholders recognized the strategic importance of completing work that had already commenced, and strongly supported the completion of the projects to revise key standards already in progress.

Appendix 3

Timetable

The following represents the timetable necessary to finalize the Strategy for 2020–2023 and Work Plan for 2020–2021:

| Activity | Timing |
|--|-----------------------------|
| Discussion with IAASB CAG regarding IAASB future priorities | March 2018 |
| Discussion with IAASB regarding IAASB future priorities | March 2018 |
| IAASB input on proposed stakeholder survey | Teleconference April 2018 |
| Survey released publicly | May 1, 2018 |
| Comments for survey close | June 30, 2018 |
| Targeted consultations with stakeholders | February 2018 – August 2018 |
| Results analyzed and incorporated into first draft of the CP for discussion with the Steering Committee | August 2018 |
| First read of CP at IAASB and CAG meetings | September 2018 |
| Approval of CP by IAASB | December 2018 |
| Comment period for CP closes (90-day comment period) | April 15, 2019 |
| Full review of comments received on consultation and discussion of revised Strategy and Work Plan with IAASB | June 2019 |
| Discussion of final Strategy and Work Plan with CAG | September 2019 |
| Approval of Strategy by IAASB | September 2019 |
| Issuance after confirmation by PIOB that due process was followed | Late 2019 |

| Project | <i>This table sets out the expected timing of when current projects underway and other initiatives will be discussed with the IAASB (as at March 2018)—as shown by X in the relevant period below. Shading presents periods of activity related to the project or initiative. As projects progress and circumstances change, further amendments to this table will be made as necessary.</i> | | | | | | | |
|--|--|----------------|----------------|-----------------|----------------|----------------|-----------------|----------------|
| | 2018 | | | | 2019 | | | |
| | March | June | Sep | Dec | March | June | Sep | Dec |
| Current Projects Being Progressed | | | | | | | | |
| ISA 540 ³ | X | X ¹ | | | | | | |
| ISA 315 (Revised) ³ | X | X ² | | X | X | X ¹ | | |
| Quality Control (ISQC 1) ³ | X | | X ² | | | X | X | X ⁹ |
| Quality Control (ISQC 2–EQCR) ⁸ | | | X | X ² | | | X | X ⁹ |
| Quality Control (ISA 220) | | X | X | X ² | | | X | X ⁹ |
| Group Audits (ISA 600) ^{3,4} | | | X | X | X | X | X | X ² |
| Professional Skepticism | X | X ⁵ | | | | | | |
| Data Analytics | X ⁶ | | | | | | | |
| Strategy / Work Plan | X | | X | X ¹⁰ | | X | X ¹¹ | |
| Agreed-Upon Procedures | X | | X | X | X ² | | | X |
| Evolving External Reporting | X | X | X | X | X | X | X | X |
| Ongoing Initiatives | | | | | | | | |
| Innovation | | | | X | | | X | |
| IASB Liaison | | | | X | | | | X |

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| Project | 2018 | | | | 2019 | | | |
|----------------------------------|-------|------|-----------------|-----------------|-------|------|-----|-----|
| | March | June | Sep | Dec | March | June | Sep | Dec |
| IESBA Coordination | | | X ¹² | | | | X | |
| Auditor Reporting Implementation | | | | X ¹³ | | | | |

Notes:

- (1) Targeted approval of final standard.
- (2) Targeted approval of exposure draft.
- (3) The IAASB's Work Plan has indicated that the IAASB will consider the development of an International Auditing Practice Note (IAPN), or other guidance, as needed. The timing of the development of an IAPN, or guidance, as well as the format of the guidance, is still to be considered by the IAASB and is subject to Board capacity and available resources.
- (4) Subject to available resources.
- (5) The concept of professional skepticism will continue to be considered in each of the individual projects currently underway through coordinated efforts between the Professional Skepticism Working Group and the relevant task forces, and changes made in the standards as appropriate. In addition, aspects of the issues identified relating to professional skepticism will form part of the project on "Audit Evidence." The IAASB also continues to consider what, if any, additional work effort is needed (with time made available at future Boar meetings on a needs basis).
- (6) The IAASB will continue to consider issues relating to the use of data analytics tools and techniques in an audit through coordination between the Data Analytics Working Group and the Task Forces of the current projects underway (ISA 315 Task Force, Quality Control Task Force, ISA 220 Task Force and the Group Audits Task Force). A planned project on Audit Evidence will also include in its scope broader issues relating to the use of data analytics tools and techniques in an audit. The IAASB also continues to consider what, if any, additional work effort is needed (with time made available at future Boar meetings on a needs basis).
- (7) "Other initiatives being explored" include topics that are being explored for possible future projects to be undertaken by the IAASB. Planned Board discussions indicate Board meetings where matters relating to these initiatives will likely be presented to the Board for consideration, including matters related to future projects or public consultations.
- (8) A joint working group has been set up to further consider the eligibility of the engagement quality control reviewer and the impact on the IAASB's standards as well as the IESBA's standards.
- (9) Targeted approval of these Standards is March 2020

- (10) Targeted approval of the 2020–2023 Strategy / Work Plan Consultation
- (11) Targeted finalization of the 2020–2023 Strategy / Work Plan
- (12) The Board continues to consider changes arising from the work of the International Ethics Standards Board for Accountants, and Board time will be allocated accordingly.
- (13) The IAASB will commence planning for the post-implementation review of the new and revised auditor reporting standards at the end of 2018. At this time Board agenda time will be allocated accordingly.