

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

ICAS Response

10 April 2023



# Introduction

ICAS welcomes the opportunity to comment on ‘The IAASB’s Proposed Strategy and Work Plan for 2024–2027’.

Our CA qualification is internationally recognised and respected. We are a professional body of over 23,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practices, financial services, industry, the investment community and the public sector.

Our Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members’ views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

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## General comments

We are broadly supportive of the IAASB’s Proposed Strategy and Work Plan for 2024–2027 subject to our comments below on stakeholder fatigue and the IAASB’s capacity and capability. In particular, we are supportive of the IAASB’s current and proposed continued focus on assurance relating to sustainability-related information. However, we do believe that there is a need for the IAASB to place greater focus on revising key auditing standards to better take account of the impact of technological developments.

We would, however, caution that stakeholders and practitioners are experiencing standard setting fatigue; there are currently three open exposure drafts. Additionally, in order to continue to have the ability to absorb the impact of unexpected change, the workplan should incorporate contingency space to facilitate both the possibility of the squeezing in of any new projects and to address the possibility of expansion of planned projects.

Consideration also needs to be given to the impact of the Monitoring Group’s reforms on the IAASB’s capacity and capability to run a high number of projects concurrently.

## Responses to consultation questions

### Question 1.

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

We are broadly supportive of these. With respect to the IAASB’s proposed goal we would suggest the following enhancement:

1 Proposed Goal

“To serve the public interest by:

Developing the globally accepted and leading audit, assurance, and related services standards enabling the performance of high-quality engagements that enhance trust in **organisational information and** markets and evolve in a timely manner to meet rapidly changing public interest demands.”

The focus on “markets” in the proposed goal is likely to be seen as focusing solely on the private sector. The IAASB’s standards have a far wider locus, and we believe that a refinement of the proposed goal would better reflect that.

## 2 Keys to success

“By fostering confidence in the quality of our processes and the relevance and credibility of our standards, evidenced by the many jurisdictions using ~~or committed to using~~ our standards.”

Care needs to be exercised in relation to “committed to using our standards.” Success is judged by those using the ISAs that are extant at a point in time. Unless there is a clear timeline to adoption under any commitment to apply the ISAs, we do not believe this should be used as a measure of success. In summary, success should be judged on “actual adoption” and not “contingent adoption”.

### **Question 2.**

**Do you agree with Our Proposed Strategic Drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal (see pages 7–9)?**

We agree with the proposed strategic drivers as the key environmental factors. We would, however, comment as follows:

“Regulators and oversight bodies are increasingly asking for more specificity of requirements in standards for increased enforceability to help drive improved performance and to keep pace with increasing complexity of the business environment, and financial and other external reporting frameworks.”

Whilst we agree that there is increasing complexity, we question whether increased specificity is the optimum means of dealing with this. There is a risk that doing so moves the IAASB beyond principles based standards to a checklist rules-based approach, thus reducing and not improving audit quality. We appreciate that this is not an easy balance to strike but the increasing length of most of the new ISAs is not a welcome trend. We also question whether such length acts as a deterrent to entrants to the profession. It is critical that the IAASB is focused on developing principles-based standards that are well-understood and enable consistent application by practitioners.

### **Question 3**

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

We agree with the proposed strategic objectives.

In particular, we strongly support the IAASB’s focus on completing projects that are already underway and advise the Board to do so prior to embarking on new projects. Operating with a smaller portfolio of in-process projects is preferable to starting too many too soon. We also believe that outreach and research bring valuable external perspectives to standard setting projects. Further enlisting the help of academics or others with research backgrounds in this regard would be beneficial. Additionally, as part of further enhancing coordination with IESBA, aligning timetables as much as possible would be beneficial to stakeholders.

### **Question 4**

**Do you support the identified possible new standard-setting projects as set out in Table B (see pages 20–22) within the area of audits and reviews (numbered A. to K.)? Please share your views on the individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction.**

Our comments on these are included below.

Potential Project	Topic/ISA No.	Description	ICAS Comments
A	Materiality (Revision of ISA 320)2	Revising ISA 320 to address issues and challenges related to consistency in the determination and revision of materiality and performance materiality, and to clarify the application of these concepts within a risk-based audit.	We are supportive of this proposed project. These challenges need to be addressed.
B	Responding to Assessed Risks of Material Misstatement (Revision of ISA 330)	Revising ISA 330 to better align the requirements with changes made to the risk identification and assessment standard (ISA 315 (Revised 2019)) and changes in proposed ISA 500 (Revised). This would include revisions to modernize ISA 330 as necessary, in particular in relation to technology.	We are supportive of this proposed project to update ISA 330 to take account of recent changes made to other key ISAs as well as it being modernised to consider the use of technology in performing further audit procedures.
C	ISA 501	To modernize to reflect current methods for inventory counts. Could be a narrow scope project that targets the "Inventory" section of the standard.	See comments on technology at G below.
D	ISA 505	To modernize for the current environment, including technology-based confirmation processes and possibly revisiting the concepts of positive and negative confirmations.	See comments on technology at G below.
E	ISA 520	To address challenges in practice and expectations that come with the use of technology by entities and automated tools and techniques by auditors in the context of analytical procedures used to perform both risk assessment procedures and further audit procedures.	See comments on technology at G below.
F	ISA 530	To address issues and challenges related to consistency in the application of audit sampling as a means of selecting items for testing. In addition, to address challenges in practice and expectations that come with the use of technology by entities and automated tools and techniques by auditors.	See comments on technology at G below.
G	Technology targeted or omnibus project(s)	To undertake a targeted or a broad-spectrum update of the ISAs for the impact of technology, which may primarily relate, or could be scoped to specifically address the audit	We believe this needs to be a key focus for the IAASB. The revisions to ISA 315 and proposed revisions to ISA 500 do not go far enough in their consideration of the implications

		evidence standards in the ISA 500 series and selected other ISAs. This could be an effective way to address some of the more pervasive modernization and technology challenges.	of technology. Such an exercise should encompass the full ISA 500 series.
H	Using the Work of an Auditor's Expert (Revision of ISA 620)	Revising ISA 620 to appropriately align with concepts in recently revised standards, including ISA 540 (Revised) and ISA 220 (Revised), and the changes in proposed ISA 500 (Revised). Also, to clarify some concepts and aspects of application in an environment where entities' financial reporting reflects more complex business models, activities and transactions.	As IESBA is undertaking a project in this area, it would appear an opportune time for IAASB to do likewise.
I	Auditor Responsibilities Relating to Other Information (Revision of ISA 720 (Revised))	Revising ISA 720 (Revised) to clarify the concepts underlying the auditor's responsibilities and to address implementation issues and challenges that have been highlighted as part of the post-implementation review of the revised audit reporting standards. Could be a narrow scope project; there also is a view that a more fundamental revision of the standard may be warranted.	We believe that this standard probably requires a more fundamental revision but a narrow scope project may suffice.
J	Review of Interim Financial Information (Revision of ISRE 2410)	Revising ISRE 2410 to update the standard to the clarity format, other possible changes to address issues and challenges identified (e.g., alignment with concepts and principles in other standards, such as ISA 570 (Revised), ISA 700 (Revised) and ISA 701), and to modernize the standard.	We are supportive of this proposed project subject to their being sufficient available resource.
K	Joint Audits (new standard)	Standard-setting project to address the consistent application of the ISAs to joint audits in jurisdictions where joint audits are undertaken or to support the introduction of joint audits in other jurisdictions.	We are not convinced of the need for this standard given the small number of jurisdictions that mandate joint audits.

#### Question 5

**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**

Our comments on these are included below.

Potential Project	Topic/ISA No.	Description	ICAS Comments
L	Further Standards for Assurance on Sustainability Reporting (new standards)	<p>We have decided to apply a phased approach to address the needs for assurance standards on sustainability reporting, which comprises: (1) immediate action to develop an overarching standard for sustainability assurance engagements (see Table A); (2) future actions to align with the evolving maturity over time of the needs of intended users of sustainability information, sustainability reporting standards, entities' reporting in accordance with such standards, and assurance practice.</p> <ul style="list-style-type: none"> <li>• After completion of the overarching standard, we anticipate the need to continue to develop further standards as part of a bespoke suite of standards on sustainability assurance. These standards will provide more specific or granular requirements on individual elements of the assurance engagement or individual elements of an entity's sustainability reporting.</li> <li>• The above approach would involve addressing multiple topics, which may each be considered a 'new' project in the context of the commencement of new projects from 2024 to 2027 (see explanation on page 18). In certain instances, it may be desirable to group a number of topics together (depending on their nature and extent) to represent a project.</li> </ul>	<p>We believe that such standards should be a key focus of the IAASB's strategy for the short to medium term. We are, therefore, supportive of the IAASB's proposed approach.</p>
M	Assurance on XBRL (new standard)	<p>Explore the need for an assurance standard on XBRL in response to the increased focus and use of digital reporting (for financial and non-financial information). This could be a potential subject-matter specific standard that builds on and supplements the application of ISAE 3000 (Revised) for these assurance engagements.</p>	<p>We are not convinced at this time of the need for IAASB to expend scarce resources on this proposed initiative.</p>

**Question 6**

**Are there other topics that we should consider as new standard-setting projects? If so, please indicate whether any such topics are more important than the topics identified in Table B (see pages 20–22), and the needs and interests that would be served by undertaking work on such topic(s).**

Given IAASB's heavy workload, we have not identified any other topics for inclusion as potential new standard setting projects.

**Question 7**

**Our proposed Strategy and Work Plan emphasizes the importance of close coordination with our sister-Board, IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for joint or complementary actions that would better serve the public interest? Suggestions could entail standard-setting work, engagement with stakeholder groups, and improved ways of working, among others.**

We are supportive of close and effective coordination with IESBA. This should include aligning timetables as much as possible.

**Question 8**

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

We have not identified any other such matters.

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