



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

3 June 2019

## **Comment letter relating to the IAASB's proposed strategy for 2020-2023 and work plan for 2020-2021**

Dear Sirs,

1. The CEAOB appreciates the opportunity to comment on the IAASB's ("Board") consultation paper on the proposed strategy for 2020-2023 and work plan for 2020-2021, issued in February 2019. As the organisation representing the audit regulators of the European Union, the CEAOB encourages and supports continuing improvement of professional standards for the audit profession.
2. The content of this letter has been prepared by the International Auditing Standards Subgroup and has been adopted by the CEAOB. The comments raised in the letter reflect matters agreed within the CEAOB. It is not intended, however, to include all comments that might be provided by the individual regulators that are members of the CEAOB and their respective jurisdictions.
3. Our comments are provided in response to the five headers raised in the consultation paper (page 5), presented hereafter in bold.

### **1. Comments on "Goal, Keys to Success and Stakeholder Value Proposition" (page 6), as well as the "Environmental Drivers" (page 7).**

4. We first would like to emphasize the public interest that is attached to audit. We suggest that public interest should be the most important consideration in setting the IAASB's goals and priorities. Additionally, stressing the consideration of public interest further provides a strong incentive for timely completion of IAASB projects, which can counterweigh other requests from various parties.
5. The opportunities and challenges listed in the consultation document (page 7) do not acknowledge the different stages of development and legislative requirements in different jurisdictions and the impact this may have on the standards issued. For example, a number of requirements for audits set out in the EU Audit Directive and Regulation are not currently included in the standards issued by the IAASB. The existence of legal requirements on topics covered during an audit is a factor which ought to be integrated in the environmental drivers to determine IAASB actions and priorities.





6. While the “changing reporting needs of stakeholders” are listed as an environmental driver in the IAASB proposals (page 7), it should also be noted that the aims of the various stakeholder groups are not always aligned. Users of financial statements, auditors, professional bodies, national standards setters etc. have different roles and needs, thus priorities may differ.
7. Moreover, it would be helpful to accompany the proposals with a feedback summary about the implementation of the IAASB’s previous strategies and work plans, to ensure that the lessons learnt are taken into consideration for the future plan.

## **2. Comments on Strategy and Focus and Strategic Actions for 2020–2023 (pages 8 to 13).**

8. We agree that the themes and areas proposed in the consultation are relevant. There is limited information, however, on specific outputs expected as a result of the strategy, focus and strategic actions, particularly beyond 2020-21.
9. Indications about the resources to be devoted to those different strategic actions would also help to understand the plan. Given the large number of strategic actions mentioned, defining priorities and resources affected would help in the future management of projects (see our comment on research as well).

## **3. Comments on the IAASB’s proposed Framework for Activities, and the possible nature of such activities (pages 11 and 12), as set out in Appendix 2 (pages 19 and 20).**

10. In principle, we welcome initiatives aiming at organising the IAASB’s work in a way to facilitate more timely reaction to issues identified, especially by audit regulators. However, we note that the work on the proposed Framework for Activities is not included in the details of the 2020/21 work plan, so it is not clear when the IAASB expects to develop, finalise and implement the proposed framework. Nor is it clear if the IAASB intends to engage in further consultation regarding a new proposed framework.
11. While we acknowledge the importance of information-gathering and research to inform the IAASB’s activities, there is a risk that unless such activities are time bound and subject to appropriate controls they could delay the IAASB’s work rather than enhancing it. The process may become overly focussed on research activities rather than actual outcomes. We encourage the IAASB to define clear targets with actual tangible outcomes, as well as the expected time for delivery.
12. Further detail would be welcome on what is envisaged by the various mechanisms for addressing issues and challenges on a more timely basis (see page 12: non-authoritative guidance, ‘limited scope’ revisions and an ‘interpretations’ mechanism). While we welcome IAASB initiatives to ensure that issues are addressed on a timely basis, there is a risk that lack of clarity regarding these mechanisms and how they will operate in practice may complicate rather than simplify, for users, the application of standards issued. Further, the IAASB should also examine the current standard setting process to identify where



improvements could be made such as efficiencies to reduce the time-scales for the issuing /updating of standards.

13. It is our view that the ability to “undertake the work within a realistic timeframe” should not be a key driver of the decision whether to revise or develop standards. Rather the IAASB should prioritise its projects to make the most effective use of the resources available to it. Such priorities should be examined on a regular basis to ensure the allocation of resources continues to be appropriate.

**4. Comments on the actions that have been identified in the detailed Work Plan for 2020–2021 (pages 15 and 16). If not, what other actions do you believe the IAASB should prioritize?**

14. It would seem that the IAASB intends to limit its standard setting activities to revisions of ISA 315, ISQC1 and ISA 220, ISA 600 and ISRS 4000, all of which are projects that have already been commenced and which (with the exception of the revised ISA 600) are expected to be completed by the first quarter of 2020. We would welcome further information on whether there are other standards that the IAASB intends to revise and develop in 2021.
15. It would appear that the majority of the IAASB’s resources in 2020-21 are to be dedicated to research. However, the intended outcome(s) of this research are unclear. We encourage the IAASB to provide further detail on the outcomes expected and the related timing envisaged. We encourage the IAASB to continue its activities on revising standards throughout the period 2020-2021 covered by the proposed work plan.
16. Regarding the topics for inclusion in the list of upcoming projects, we support the proposal to review the standards dealing with “audit evidence”. The project should cover enhancement of the auditor’s professional scepticism, and refining the provisions on materiality, audit sampling, and analytical procedures to take into account inspection findings and deficiencies identified through inspections. We would like to reemphasize the need for the IAASB to consider the integration of the use of new technologies such as “data analytics” in audit in the course of this project.
17. We note that the revision of ISA 330 (on response to assessed risks) is not part of the IAASB proposal. We believe it is important that ISA 330 is reviewed in light of the amendments to ISA 315 (on risk assessment), given the linkages between the two standards. In particular it is important to make sure that all the concepts in ISA 315 are consistently used and aligned in ISA 330 and other standards dealing with risks assessment or their implications (like ISA 240 (on fraud), or ISA 550 (on related parties’ transactions), for instance). The audit evidence project may also require further revision of ISA 330: the use of new technology for testing financial information and internal controls may indeed have an impact on the means of responding to risks defined in the current ISA 330.



**5. Comments on any other topics that should be considered by the IAASB when determining its 'information gathering and research activities' in accordance with the new Framework for Activities.**

18. The IAASB should consider the lessons learned from its post implementation reviews and how they could be used to enhance the standards going forward.
19. When developing non-authoritative guidance, the IAASB should consider whether the need to develop such guidance may indicate weaknesses in the standards and/or application material. The extent to which supporting material is required may indicate that the current process is not resulting in standards that are sufficiently clear, comprehensive etc.

**Other comments**

20. The extent to which the Monitoring Group consultation may impact on the strategy and work plan is not yet known. However, we encourage the IAASB to detail its plans and targets in the work plan and we welcome the initiatives to continue progress and to avoid any disruption in its activities.
21. We recognize that amendments to the current proposed IAASB strategy and plan may be requested, during the period, to adapt them to the reform of the standard setting which is currently being prepared by the Monitoring Group. The topics to be addressed by standards setters will however remain relevant, and thus we encourage the IAASB to issue the final version of the priorities soon.

Please do not hesitate to contact me or the Chair of the CEAOB International Auditing Standards Subgroup, if you have any questions on the content of this letter.

Yours faithfully,

Ralf Bose  
Chairman