

# INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

## PROPOSED STRATEGY FOR 2020-2023 AND WORK PLAN FOR 2020-2021

**IAASB**

International Auditing and Assurance Standards Board



## CONTENTS

Chairman’s Foreword	4
Request for Comments	5
Our Goal, Keys to Success and Stakeholder Value Proposition	6
Our Opportunities and Challenges – Environmental Drivers	7
Our Strategy and Focus	8–9
Our Strategic Actions	10–13
Our Work Plan for 2020–2021	14–16
Managing Delivery of Our Strategy and Work Plan	17
Appendix 1: The Development of this Consultation Paper	18
Appendix 2: Detailed Description of the Framework for Activities	19–20
Appendix 3: Description of Projects and Initiatives	21–25

The International Auditing and Assurance Standards Board (IAASB) is a global independent standard-setting body that serves the public interest by setting high-quality international standards which are generally accepted worldwide.

The IAASB believes that a single set of robust international standards contributes to enhanced engagement quality and consistency of practice throughout the world, and strengthened public confidence in the global auditing and assurance profession. The IAASB sets its standards in the public interest with advice from the IAASB Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board.

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## CHAIRMAN'S FOREWORD

The IAASB's current strategy period 2015–2019 has seen hard work on key standards. These projects covered the important subjects of auditing accounting estimates (ISA 540 (Revised)), and the core risk assessment standard (ISA 315 (Revised)).<sup>2</sup> In our flagship project on Enhancing Audit Quality, we have been addressing the fundamentals of the audit, including a focus on a proactive quality management approach and the application of professional skepticism. Some of these projects have taken longer than we originally anticipated, but we are confident that the new and revised standards will contribute to higher-quality audits.

While we have made many changes and improvements, some stakeholders have commented on the volume of change, and have challenged us to do more to consider the length and complexity of the standards, and the ability to implement them in less complex situations. Furthermore, the world continues to change at an ever-increasing rate, with complexity becoming more prominent, in particular in relation to technology. Thus there is some urgency to deal with changes that are needed to keep the standards relevant and fit-for-purpose.

We have already identified two new initiatives that will progress in earnest in 2019: one dealing with audits of less complex entities and the other on audit evidence, including how changes in the use of technology affect the gathering and evaluation of audit evidence. We will begin with research for both of these projects to provide important input to help us determine, with an open mind, the most appropriate actions to address the challenges. In the meantime, we will continue to think more about what can be done in the short-term in relation to automated tools and techniques, in particular those that are becoming more prevalent in our environment as technologies continue to evolve.

We are also mindful that the delivery of standards is only the first step. We will be committing to a focus on the implementation of the changes, working with others as necessary to support effective and efficient adoption of the changes. Fundamental to our work, and underlying many of our communication efforts with our stakeholders, is a significant outreach program.

Moving into our new strategy period is daunting but exciting. There is the unknown of the changes that may come from the Monitoring Group review, but at the same time we recognize that there is opportunity to enhance our operations, and meet the needs of all of our stakeholders, including the Monitoring Group. This may include the development and implementation of a framework for our activities, and strengthening our collaboration with the International Ethics Standards Board for Accountants (IESBA) as it advances its work. We will look for ways to innovate our processes, delivery mechanisms, and communications with our stakeholders. Changing processes and structures will take time, but the IAASB is confident that these changes will help it operate more effectively in addressing the challenges it faces.

This Consultation Paper has been developed bearing all of this in mind, and the IAASB welcomes the views of all stakeholders in helping the IAASB adapt as it moves forward in the medium-term.



Prof. Arnold Schilder  
IAASB Chairman



## REQUEST FOR COMMENTS

This Consultation Paper was developed by the IAASB and informed by significant outreach efforts (see Appendix 1). Comments are welcome on whether:

1. You agree with *Our Goal, Keys to Success and Stakeholder Value Proposition* (see page 6), as well as the *Environmental Drivers* (see page 7).
2. You agree with *Our Strategy and Focus and Our Strategic Actions for 2020–2023* (see pages 8 to 13).
3. You agree with the IAASB's proposed *Framework for Activities*, and the possible nature of such activities (see pages 11 and 12), as set out in Appendix 2 (see pages 19 and 20).
4. You support the actions that have been identified in our detailed *Work Plan for 2020–2021* (see pages 15 and 16). If not, what other actions do you believe the IAASB should prioritize?
5. There are 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*. The IAASB has provided its views on tentative topics to be included in its 'information-gathering and research activities' (see page 10).

Comments are requested by **June 4, 2019**. In answering the questions, please explain why you agree or disagree with the IAASB's proposals.





## OUR GOAL, KEYS TO SUCCESS AND STAKEHOLDER VALUE PROPOSITION

Our mandate is straightforward. However, standard-setting itself is not, especially in a global context. The following messages frame the broad lens of our strategic thinking.

### OUR GOAL

- **Sustained public trust** in financial and other reporting, enhanced by high-quality audits, assurance and related services engagements, through delivery of **robust global standards** that are capable of **consistent and proper implementation**.

### KEYS TO OUR SUCCESS

Achieving our strategy relating to our areas of focus:

- Through our commitment to **engage, listen and learn**, and to **lead and adapt** in our global standard setting responsibilities.
- By **fostering confidence** in the quality and relevance of our processes and standards, evidenced by the many jurisdictions (currently 128) using or committed to using our standards, including their oversight bodies (regulatory and inspection), and by user and practitioner communities.

### OUR STAKEHOLDER VALUE PROPOSITION

- **Our Strategy:** Public-interest focused activities and future-oriented processes and work plans that are viewed as meaningful in contributing to the achievement of our goal.
- **Our Standards:** Globally relevant, scalable, forward-looking and operable; developed and implemented through activities that are timely and responsive to needs of our stakeholders.
- **Our Engagement with Our Stakeholders:** Timely and meaningful dialogue with a broad range of stakeholders, including with regulatory, user and practitioner communities.
- **Our Work Plans:** Focused on timely identification and appropriate resolution of issues that affect the global standards, while balancing speed and quality, capacity utilization, and coordination with others.
- **Our Methods:** Rigorous and inclusive, yet nimble, leveraging external resources where feasible. Continuously reviewed and improved to better facilitate delivery of work plans.
- **Our Collaboration Efforts:** Strengthened coordination and cooperation with, in particular, the IESBA and National Standard Setters (NSS).
- **Our Implementation Support on Major New and Revised Standards:** Supporting the development of timely and effective implementation of the IAASBs standards.

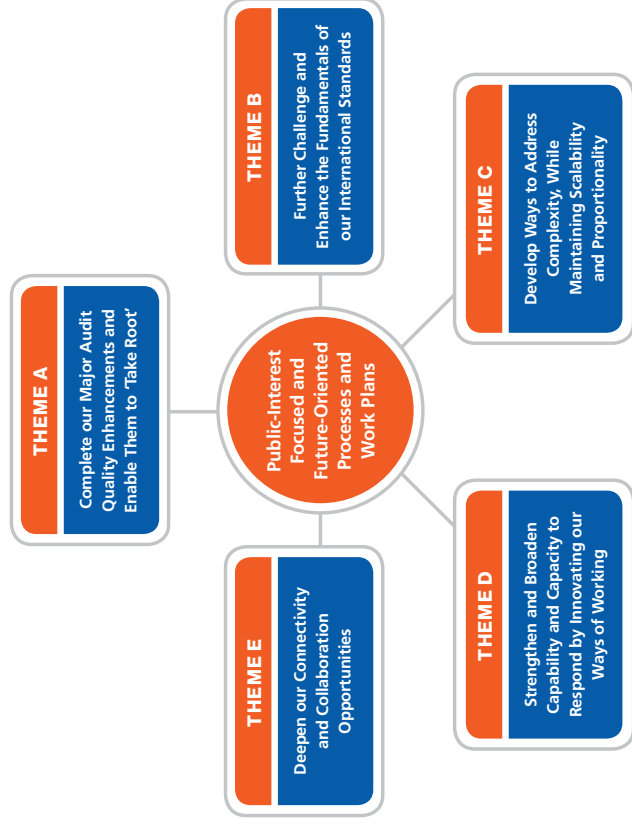
## OUR OPPORTUNITIES AND CHALLENGES— ENVIRONMENTAL DRIVERS

Understanding our key opportunities and challenges, and balancing the needs of all of our stakeholders, is crucial to the continued use and ongoing adoption of our standards on a global basis. The most significant environmental drivers that have shaped our Strategy for 2020–2023 (Strategy) and Work Plan for 2020–2021 (Work Plan) include:

<p><b>Advancement in, and Use of, Technology</b></p>	<ul style="list-style-type: none"> <li>• Businesses and economies are increasingly affected by <b>rapidly changing and evolving technologies</b> (e.g., artificial intelligence, robotics, blockchain, cloud computing, social networks and new digital payment platforms).</li> <li>• Developments in the <b>use of advancing technologies</b> are having a revolutionary effect on <b>audit and assurance engagements</b>, including how automated tools (including automated data analytics) are used to perform work on such engagements, and the way that engagement teams are structured and interact.</li> </ul>
<p><b>Environment for Small- and Medium-Sized Entities</b></p>	<ul style="list-style-type: none"> <li>• Increasing pressure regarding the <b>scalability and proportionality</b> of the standards, in particular the ISAs.</li> <li>• <b>Changing audit thresholds</b> are increasing the demand for other types of assurance or other services by small- and medium-sized entities (SMEs).</li> </ul>
<p><b>Increasing Complexity and Its Implications</b></p>	<ul style="list-style-type: none"> <li>• The <b>business environment is becoming increasingly complex</b> because of, for example, ongoing globalization and advancing technologies. As a result, <b>financial reporting standards are responding and becoming more complex</b>.</li> <li>• <b>Accounting practice is evolving</b>—as transactions become more complex and financial reporting changes, <b>more estimates and management judgments</b> are needed.</li> </ul>
<p><b>Changing Reporting Needs of Stakeholders</b></p>	<ul style="list-style-type: none"> <li>• <b>Corporate reporting is evolving</b>, with many users of corporate reports increasingly focusing on available non-financial information (e.g., sustainability reporting, reports addressing an entity's governance and internal control and other forms of extended external reporting) and seeking assurance thereon.</li> </ul>
<p><b>Changing Expectations and Public Confidence in Audits</b></p>	<ul style="list-style-type: none"> <li>• Decreasing confidence, and declining trust, in audits arising from <b>continuing high levels of reported poor results of external inspections and recent high profile corporate failures</b> in some jurisdictions.</li> <li>• <b>Stakeholders' expectations</b> are also changing about what the standards should require the auditor to do, for example, in relation to the detection and reporting of fraud, and the consideration of going concern issues.</li> </ul>

## OUR STRATEGY AND FOCUS

Adapting to the environment to meet stakeholders’ needs is key to our success. Our **Strategy and Focus** sets out how we intend to focus on timely identification and resolution of issues that affect our global standards in response to current and forward-looking challenges and risks to our standards. Delivery of our committed work is key to our success.



**THEME A:**  
**COMPLETE OUR MAJOR AUDIT QUALITY ENHANCEMENTS AND ENABLE THEM TO 'TAKE ROOT'**

Prioritizing the completion of the key ISA and other projects underway at the start of 2020 is crucial, as is undertaking activities to focus on the effective and efficient implementation of the changes made to these and other core ISAs during the 2015–2019 strategy period.

**THEME B:**  
**FURTHER CHALLENGE AND ENHANCE THE FUNDAMENTALS OF OUR INTERNATIONAL STANDARDS**

Core to our activities is revising and developing our standards on a timely basis to respond to the continuously changing environment (including the increasingly evolving technologies and automated tools being used by entities and auditors), and the changing needs of our stakeholders. This theme is vital to the continued use and ongoing adoption of our standards on a global basis.

**THEME C:**  
**DEVELOP WAYS TO ADDRESS COMPLEXITY, WHILE MAINTAINING SCALABILITY AND PROPORTIONALITY**

Addressing the robustness of auditing standards in an increasingly complex business environment and the need to maintain their scalability and proportionality is a key focus area for us to make sure that our standards are fit-for-purpose for audits of all entities, regardless of their complexity.

**THEME D:**  
**STRENGTHEN AND BROADEN OUR CAPABILITY AND CAPACITY TO RESPOND BY INNOVATING OUR WAYS OF WORKING**

Enhancing our processes is critical to our success, including using technology and appropriate resources to maximize the impact of our activities, thereby enabling us to respond on a more timely basis to issues and challenges.

**THEME E:**  
**DEEPEN OUR CONNECTIVITY AND COLLABORATION OPPORTUNITIES**

Leveraging external resources and maintaining and building relationships with stakeholders to achieve globally relevant, progressive and operable standards.

## OUR STRATEGIC ACTIONS

### THEME A:

#### COMPLETE OUR MAJOR AUDIT QUALITY ENHANCEMENTS AND ENABLE THEM TO ‘TAKE ROOT’

**Strategic Actions** – In the strategy period commencing in 2020, we will:

- Progress and complete, as a top priority, our projects on **Quality Management**<sup>1</sup> and **Group Audits**<sup>1v</sup>. Monitor the need for, and develop as necessary, **implementation support** for our projects on **Quality Management** and **Group Audits**.
- Continue implementation support for **ISA 540 (Revised)**<sup>1v</sup> and **ISA 315 (Revised)**<sup>1v</sup> as needed.
- Complete our **Auditor Reporting**<sup>1v</sup> and **ISA 540 (Revised) Post-Implementation Reviews**, report findings and determine and carry out necessary actions arising from these reviews.

### THEME B:

#### FURTHER CHALLENGE AND ENHANCE THE FUNDAMENTALS OF OUR INTERNATIONAL STANDARDS

**Strategic Actions** – We will:

- Complete the guidance for our **Extended External Reporting (EER)** initiative.<sup>1ii</sup>
- Identify and prioritize future actions through our research activities based on the assessment of:
  - The need for changes in the standards to address issues and challenges related to **audit evidence**, in particular in relation to evolving technologies and automated tools that are being used, as well as thinking more about how professional skepticism can be further enhanced within the ISAs.<sup>2,3k</sup>
  - Further implications on our standards of evolving **technologies** used by entities and auditors.
  - The changing **corporate reporting** environment.
  - **Ongoing work of the IESBA** that may require changes within our standards.
  - Other possible topics that have been on the IAASB’s radar, including:
    - Expectations of the role of auditors in connection with **fraud and non-compliance with laws and regulations** (for example, anti-money laundering) in financial statement audits.
    - Expectations of the role of auditors in connection with **going concern** in financial statement audits.
    - Consistency and rigor of audits in **key performance areas**, such as applying materiality, and responding to risks of material misstatement.
- Continue our focus on **professional skepticism** in our ongoing ISA projects and consider what more can be done in this area.

<sup>1</sup> On the basis that ISA 315 (Revised) is finalized in June 2019 as targeted.

<sup>2</sup> The work of the Professional Skepticism Working Group and the Data Analytics Working Group may be amalgamated in the Audit Evidence project.

### THEME C:

#### DEVELOP WAYS TO ADDRESS COMPLEXITY, WHILE MAINTAINING SCALABILITY AND PROPORTIONALITY<sup>1</sup>

**Strategic Actions** – We will:

- As a top priority, complete our information-gathering and research activities relating to **Audits of Less Complex Entities**,<sup>2</sup> which will inform the Board’s future deliberations about the most appropriate actions to address the identified issues and challenges.
- Commit to continue considering how to develop principle-based standards and guidance that is clearly articulated, and able to be applied to a wide variety of circumstances.
- Enhance the accessibility and ease of use of our standards, for example by digitizing the standards to enhance navigation and search functions.

In undertaking work in this strategic theme, the IAASB remains open-minded about the effort needed to achieve an outcome that is supportive of the needs of our stakeholders.

### THEME D:

#### STRENGTHEN AND BROADEN OUR CAPABILITY AND CAPACITY TO RESPOND BY INNOVATING OUR WAYS OF WORKING<sup>1</sup>

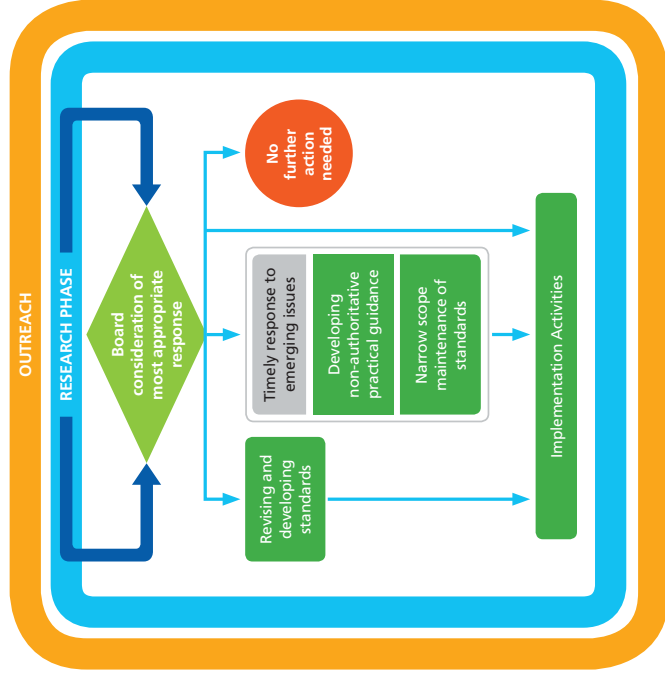
**Strategic Actions** – We will develop and implement a **Framework for Activities** (the “Framework”) so that we do “the right work at the right time.” As part of this theme, we will also further consider our capacity and whether further resources are needed to deliver on our committed actions effectively. Importantly, in implementing the Framework, leveraging technology for undertaking our work will be at the forefront of our minds. Key features of this Framework include:

- **Robust information-gathering and research activities** as a cornerstone to future work streams, including:
  - Fact-finding activities to understand emerging issues and developments, which may also include consideration of findings from academic research, post-implementation reviews and other work already undertaken by NSS.
  - Defining the problem / issue / challenge we are addressing (including further understanding the causal factors).
  - An assessment of available options, including the impact of possible actions.
  - Scoping future projects.

Appendix 2 more fully describes the proposed information-gathering and research activities.

- **Mechanisms for addressing issues and challenges on a more timely basis**, including:
  - Developing non-authoritative practical guidance.
  - Developing a process for ‘limited-scope’ revisions to standards (with appropriate due process to support more timely changes).
  - Considering whether to implement an ‘interpretations’ mechanism to help communicate Board intentions when originally setting the standards.

The diagram below captures our more formalized and structured approach to our activities (each of these activities is further described in Appendix 2). However, there are still many aspects of the Framework that will need to be further developed if this approach is supported by our stakeholders. At this stage, we also remain mindful that the Framework will need to remain adaptable so as to accommodate any further changes arising from the Monitoring Group review.



**THEME E:**  
**DEEPEN OUR CONNECTIVITY AND COLLABORATION OPPORTUNITIES**

**Strategic Actions** – We will:

- Continue to **interact with the CAG**. The IAASB’s CAG is a fundamental part of the IAASB’s engagement with its stakeholders and is a key element of the IAASB’s due process. The CAG is comprised of over 30 member organizations representing global regulators, business and international organizations, accountability regional bodies and users and preparers of financial statements.
- Further enhance our **coordination efforts with the IESBA**.
- Explore new ways to expand our **collaboration with NSS** to optimize our activities.
- Further enhance working relationships with **regulators, firms and others** (as appropriate) to help understand their concerns, and further explore causal factors.
- Further explore whether the **IAASB can collaborate, as appropriate, with the International Federation of Accountants (IFAC)** and its various committees, in relation to implementation support activities.
- Continue to establish **subject-specific Advisory Panels** as needed to enable Task Forces and Working Groups to receive timely input on developing proposals from a broad range of relevant stakeholders.
- Continue our two-way liaison with the **International Accounting Standards Board (IASB)**, providing input on auditability and verifiability of new and revised International Financial Reporting Standards, thereby contributing to the quality of financial reporting.<sup>8</sup>
- Continue communication with our stakeholders through timely and meaningful **outreach activities** focused on:
  - Promoting **adoption and effective implementation** of the ISAs and our other standards, in particular for audits of less complex entities, emerging markets and the public sector.
  - Understanding **issues that affect our standards**, including financial reporting issues, implementation challenges, and opportunities for collaboration to enhance audit and other engagement quality.

## OUR WORK PLAN FOR 2020–2021

Our Work Plan is focused on the ongoing, timely identification of new issues that may affect our global standards, and timely analysis and resolution of these identified issues. In prioritizing actions to address the identified issues that are expected to have a meaningful effect on our goal over our strategy period, this Work Plan seeks to:

- Provide a reasonable balance between the need for speed and quality of response;
- Prioritize the use of available resources;
- Depict the realistic prospects of identifying sources of additional resources; and
- Illustrate the need for coordination with others.

### KEY GUIDING CONSIDERATIONS

Given the competing demands for IAASB actions, we will consider the following in determining the most appropriate action, and how such action should be prioritized.

- **The significance of the benefits to the public interest**, including the extent to which the action will further:
  - Enhance the quality and benefits of audit, assurance and related services globally;
  - Enhance engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future; or
  - Facilitate high-quality financial and corporate reporting and enhance public confidence therein.
- **The time needed** to undertake effective action in light of emerging practice, market demands and developing a response that is capable of international application.
- **The degree of urgency** for addressing the particular matter, including the potential implications for the public interest if action is not taken or is delayed.
- **The degree to which an identified issue would be addressed effectively** through change to the standards or through other appropriate action.
- **The pervasiveness of the matter and the global applicability** of the potential actions in relation to entities of different sizes and complexity, different industries, and across jurisdictions.

### OUR DETAILED WORK PLAN FOR 2020–2021

Our detailed Work Plan is presented below. This proposed Work Plan is our best estimate, at the time of publication of this Work Plan, for how we will progress the various projects and is subject to changes, especially given the nature of the issues and the complexities of the projects. During 2020–2021, we will be transitioning to more structured processes and activities around how we undertake our work (see Theme D above and Appendix 2). In order to effectively transition, time will need to be spent on how best to realign our activities.

Appendix 3 sets out a description of each of the projects carrying over from the IAASB's Work Plan for 2019 to provide context for the IAASB's Work Plan for 2020–2021.

Cells with an 'X' indicate that IAASB plenary meeting time is scheduled for a project, while the green highlighted cells indicate Working Group, Task Force or Staff expected activity on a project. Cells with an 'E' indicate the targeted publication of an Exposure Draft and cells with a 'F' indicate the targeted finalization of a project.

Project	2019			2020			2021					
	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec
<b>Revising and Developing Standards</b>												
ISA 315 (Revised)	X	F										
ISQM 1 <sup>96</sup>			X	X	F							
ISQM 2 <sup>96</sup>			X	X	F							
ISA 220 (Revised) <sup>96</sup>			X	X	F							
ISA 600 (Revised) <sup>96</sup>	X	X	X	E			X	X	F			
ISRS 4400 (Revised) <sup>96</sup>		X	X	F								
<b>Developing Non-Authoritative Guidance</b>												
Extended External Reporting	X	X	X	E			X	F				

<sup>96</sup> The detailed Work plan also includes the intended plan for progression of projects in 2019 to provide context for 2020 and 2021



## MANAGING DELIVERY OF THE STRATEGY AND WORK PLAN

Project	2019			2020			2021					
	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec
<b>Implementation Activities<sup>4</sup></b>												
Auditor Reporting <sup>5</sup>												
ISA 540 (Revised)												
ISA 315 (Revised)												
Revised Quality Management Standards												
<b>Research Phase<sup>6</sup></b>												
Research (will include the activities of the Innovation Working Group) <sup>7</sup>		X				X		X			X	
Audits of Less Complex Entities	X	X	X	X	X <sup>8</sup>							
Audit Evidence	X	X	X	X	X <sup>8</sup>							
Professional skepticism	X	X	X	X	X	X	X	X	X	X	X	X
<b>Other Ongoing Activities</b>												
Coordination with the IESBA			X				X				X	
Liaison activities with the IASB	X				X							
Strategy and Work Plan			X	F								

<sup>4</sup> Due to the uncertain nature of the implementation activities at this time, specific Board discussions have not been presented. However, it is likely during the period of activity there will be Board plenary discussions, and this will be determined as the implementation support activities are developed for each project.

<sup>5</sup> The findings from the Auditor Reporting Post Implementation Review, which will commence in 2019, may result in further work related to Auditor Reporting in 2020 and 2021.

<sup>6</sup> The cornerstone of our new Framework will be robust information-gathering and other related research activities to further understand causal factors of issues and challenges and properly scope projects. Research activities will involve actions related to a number of topics that are currently in that phase (e.g., information gathering, scoping, post-implementation review etc.). However, these have not been separated out at this time as they have not yet been determined, but it is likely that there will be ongoing discussions by the Board of one or more of these topics at each Board meeting. Once a specific project is identified it will be separated on this forward agenda. The research phase will include the activities of our Innovation Working Group. For more information about the Innovation Working Group see the project page: <http://www.iasb.org/projects/innovation-working-group>.

<sup>7</sup> Time within Research Activities stream includes discussions by the IAASB regarding realignment of its activities, as necessary, into the structured streams set out in the Framework for Activities.

<sup>8</sup> The outcome of information gathering and research activities may continue into 2020 (in which case there will be more Board discussions in 2020-2021) or may result in standard-setting or other activities (see footnote 6). If standard-setting is undertaken, the projection of Board plenary discussions and timing of exposure drafts and finalization will be presented in this Work Plan at the time when the project proposal is approved.

Accountability to our stakeholders about how our Strategy and Work Plan are being progressed is key to building trust and inspiring confidence. Communication and transparency about our actions is therefore an essential part of the IAASB's activities in the 2020-2023 strategy period. We manage the delivery of our Strategy and Work Plan under the constant scrutiny by ourselves and our stakeholders in relation to:

- Meeting targeted outcomes set out in our Work Plan.
- Expanding global adoption of our standards, including adoption of new and revised standards by jurisdictions who are already using our standards.
- Facilitating the implementation of new and revised standards.
- Building stronger relationships with key stakeholders.



## APPENDIX 1

### THE DEVELOPMENT OF THIS CONSULTATION PAPER

The development of this Consultation Paper was informed by:

- A Stakeholder Survey. We received 76 responses from a wide range of stakeholders including 12 responses from global organizations and one from a Monitoring Group member (the International Organization of Securities Commissions). A [summary of the survey responses](#) was discussed at our September 2018 meeting;
- Ongoing global outreach by our members;
- Targeted outreach with stakeholders we ordinarily do not hear from. This included outreach with individuals representing investor groups, groups representing those charged with governance, preparers of financial statements, smaller firms, regulators and academics; and
- Discussions with the CAG.



## APPENDIX 2

### THE DEVELOPMENT OF THIS CONSULTATION PAPER

<b>Research Phase</b>	<p>Structured Board activities and formalized projects and processes for:</p> <ul style="list-style-type: none"> <li>• Identifying and further understanding causal factors of issues and challenges within existing standards.</li> <li>• Information-gathering to understand emerging issues and developments to help determine a global need for action.</li> <li>• When applicable, post-implementation reviews to identify whether the standard is achieving its objective and, if not, whether further amendments should be considered. Post-implementation reviews may also lead to a new research initiative, or may result in a maintenance or implementation work stream.</li> </ul> <p>Output from these activities is to assist the Board in deciding whether or not to add a work stream to its Work Plan, or to provide a more evidence-informed approach to revising or developing standards.</p>
<b>Revising and Developing Standards</b>	<p>A new standard-setting project is not started until the research phase has gathered sufficient information that a revision of a standard, or a new standard, is required, which is generally when:</p> <ul style="list-style-type: none"> <li>• The benefits to the public interest will enhance public trust in the project being undertaken;</li> <li>• The issues are pervasive and affect the global profession;</li> <li>• It is in the public interest to undertake the work, and not delay it; and</li> <li>• It is feasible to undertake the work within a realistic timeframe.</li> </ul> <p>In developing changes, or a new standard, the Board follows due process to develop proposals for public consultation, analyzes the feedback, and refines the proposals to issue the final revised, or new, standard.</p>
<b>Developing Non-Authoritative Guidance</b>	<p>The development of non-authoritative guidance will start when the research phase indicates that non-authoritative guidance is required, which is generally when guidance to support application of the IAASB’s International Standards is needed and is considered to be an appropriate alternative to authoritative guidance. This may be the case when:</p> <ul style="list-style-type: none"> <li>• The marketplace is still developing and detailed standards could risk stifling innovation and experimentation.</li> <li>• The issues relate to a specific industry (e.g., banking or insurance industry) or a specific topic (e.g., financial instruments).</li> </ul>

## APPENDIX 3

<p><b>Narrow Scope Maintenance of Standards</b></p>	<p>Appropriate Board actions to maintain the standards may include developing processes for:</p> <ul style="list-style-type: none"> <li>• Narrow-scope amendments to a standard, following due process as appropriate, if that is determined to be the most appropriate action to address an urgent issue (rather than revising the entire standard); and</li> <li>• Supporting the application of the approved standards by providing interpretations to a specific question about a standard (i.e., a change to the standard itself is deemed unnecessary).</li> </ul>
<p><b>Implementation and Application of Standards</b></p>	<p>Board activities to support the implementation of new and revised standards by developing supporting materials, which may include:</p> <ul style="list-style-type: none"> <li>• Webinars;</li> <li>• Train-the-trainer events;</li> <li>• Implementation working groups to develop supporting materials as necessary (such as frequently asked questions, articles, etc.);</li> <li>• Targeted outreach; and</li> <li>• Working or coordinating with others, such as NSS or IFAC, in developing support materials as needed.</li> </ul>
<p><b>Outreach</b></p>	<p>All of the IAASB's activities benefit immensely from the input of the IAASB's wide range of stakeholders. The IAASB's outreach activities will include continuing with its rigorous program of international outreach, including regular interactions with key stakeholder groups, such as its project advisory panels, as well as targeted outreach that may be project- or topic-specific.</p>

### DESCRIPTION OF PROJECTS AND INITIATIVES

#### Projects Underway and IAASB Activities in 2017 to 2019

1. In 2017 and 2018, the IAASB continued with revisions to a number of its key and foundational ISAs, as well as its quality management projects. The objective of these revisions is to address issues and challenges identified by the IAASB's ISA Implementation Monitoring Project and the Invitation to Comment, *Enhancing Audit Quality in the Public Interest, A Focus on Professional Skepticism, Quality Control and Group Audits*, as well as feedback from its stakeholders, through meetings, inspection findings, outreach and roundtables.
2. In 2019, the IAASB will continue to progress finalizing its changes to ISA 315 (Revised) and developing guidance relating to EER, and will discuss the responses to the exposure draft relating to changes to Agreed-Upon Procedures engagements. Exposure Drafts of the Board's proposals for ISQM 1, ISQM 2 and ISA 220 (Revised) will be published in February 2019. The IAASB will also progress its work in relation to audits of less complex entities, and plans to publish a Discussion Paper seeking stakeholder views in the second quarter of 2019.
3. The approval of ISA 540 (Revised) in June 2018 signified the first revised standard to be completed as part of the IAASB's work program 'Addressing the Fundamental Elements of an Audit' and the IAASB's efforts in 2019 are now focused on implementation support activities.
4. In 2019, the IAASB will also further consider how it can enhance its working relationships with the IFAC, NSS, regulators, firms and others (as appropriate) to help advance its implementation activities for ISA 540 (Revised), as well as for those projects targeted to be completed in the next 18 months.
5. The IAASB will also start to plan for its future strategy period as proposed in this Consultation Paper. Time has been planned for discussions by both the Steering Committee of the IAASB, as well as the Board itself, to start to make the change to more focused activities within structured streams, including the development of related processes or criteria, as appropriate.
6. More detail about the projects, including proposed timing, for the IAASB activities in 2019 can be found in the IAASB's [Work Plan for 2019](#).

*Description of Projects for 2020–2021*

**Quality Management projects (SQM 1, ISQM 2, ISA 220 (Revised))**

This project addresses revisions to ISQC 1 and ISA 220, and the development of a new standard for engagement quality reviews, ISQM 2. The purpose of the revisions to ISQC 1 is to improve firms' management of quality for all engagements performed under the IAASB's International Standards. This will be achieved through the introduction of a risk-based approach to the management of quality and strengthening various aspects of the standard, including governance and leadership, resources, information and communication, monitoring and remediation and networks. The new risk-based approach also aims to improve the scalability of the standard. ISQM 2 aims to strengthen and clarify various aspects of engagement quality reviews, including the engagements to be subject to such reviews, the eligibility criteria for engagement quality reviewers and the performance and documentation of the reviews. The revisions to ISA 220 include strengthening aspects of quality management at the individual engagement level.

The project pages for ISQM 1, ISQM 2 and ISA 220 (Revised), containing more information about the project, can be found [here](#).

*Targeted Milestones*

The IAASB targets to finalize the new and revised standards in March 2020. The Board will also consider the extent of the implementation activities necessary. (See box on Quality Management projects implementation support below).

**Group Audits – Revision of ISA 600**

This project addresses revisions to ISA 600 to strengthen the auditor's approach to a group audit and clarify the role of ISA 600 in relation to other ISAs, such as ISQM 1, ISA 220 (Revised), ISA 315 (Revised) and ISA 330, *The Auditor's Responses to Assessed Risks*.

As part of this project the IAASB issued a **Staff Audit Practice Alert: Responsibilities of the Engagement Partner in Circumstances when the Engagement Partner is not Located Where the Majority of the Audit Work is Performed** in August 2015 and a **Project Update** in October 2017.

The project page, containing more information about the project, can be found [here](#).

*Targeted Milestones*

The IAASB commenced this project in 2014 but decided to focus on some of the IAASB's other projects given that some of the foundational issues to be dealt with in the revisions to ISA 600 need to be first considered and addressed in other projects, such as ISQM 1, ISQM 2, ISA 220 (Revised), and ISA 315 (Revised). As these projects are nearing completion, the IAASB will intensify and progress its work on revising ISA 600 and will work towards the following milestones:

- Exposure Draft of revised ISA 600 – Targeted December 2019
- Final revised ISA 600 – Targeted March 2021

**Extended External Reporting**

The IAASB will continue to develop non-authoritative guidance in applying International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, to EER and continue to provide thought leadership on assurance issues in relation to EER.

Phase 2 of the project is targeted to run from early 2019 until late 2020, subject to the availability and allocation of the necessary resources. This phase is due to cover issues including determining the scope of an EER assurance engagement, exercising professional skepticism and professional judgment, obtaining the competence necessary to perform the engagement, and communicating effectively in the assurance report.

The project page, containing more information about the project can be found [here](#).

*Targeted Milestones*

Following the public consultation on the draft guidance developed during phase 1 and phase 2 in early and late 2019 respectively, the IAASB is expected to consider the responses received and update the guidance before seeking approval to publish it in final form in September 2020.

**Audit Evidence**

The scope of a project on Audit Evidence will need to be further considered by the IAASB, as there may be many relevant areas in the ISAs affected by a project on this topic. Topics likely to be considered for inclusion in this project include:

- A revision of ISA 500, *Audit Evidence*;
- Aspects of automated tools and techniques (including data analytics); and
- Professional skepticism.

Further consideration may also be given to whether, and how, it should encompass the need for possible revisions to ISA 230, *Audit Documentation* (including the impact of further consideration of professional skepticism), ISA 520, *Analytical Procedures*; ISA 530, *Audit Sampling*; ISA 320, *Materiality in Planning and Performing an Audit*, and other changes that may be warranted given the advances in technology.

*Targeted Milestones*

Initial information gathering and research activities relating to scoping the project, including discussions with the US Auditing Standards Board about current developments in its project on this topic, will commence in the first half of 2019. The discussions with the IAASB on the appropriate scoping of the project will help determine what would be included in a project proposal. More significant standard-setting activities are likely to commence in 2020.



### Audit of Less Complex Entities

The objective of this project is to address the perceived challenges and issues relating to an audit of a less complex entity using the ISAs, and explore possible actions for IAASB consideration. The IAASB will initially develop a Discussion Paper for public consultation, and the feedback from the Discussion Paper and related outreach activities will help develop recommendations for IAASB consideration about the way forward.

The project page, containing more information about the project, can be found [here](#).

#### Targeted Milestones

The IAASB will publish a Discussion Paper in the second quarter of 2019 regarding perceived challenges and issues in relation to audits of less complex entities. A second Small- and Medium-sized Practices (SMP)/ SME Conference will be held in May 2019, in addition to other targeted outreach activities. The feedback from the Discussion Paper and outreach will help the IAASB determine the way forward for its work on audits of less complex entities.

### Post-Implementation Review on Auditor Reporting Standards

The post-implementation review of the Auditor Reporting standards will commence in 2019. As part of the post-implementation review, we will monitor developments in auditor reporting around the world and will also focus on practical implementation issues and other issues that are causing the standards to not achieve their intended purpose. In addition to this, the post-implementation review will explore whether there are ways to improve the quality of the communication of key audit matters and other matters that could improve transparency about the audit that were not included in the new and revised Auditor Reporting Standards.

The project page, containing more information about this initiative can be found [here](#).

#### Targeted Milestones

Depending on the findings of the post-implementation review, the IAASB will perform further work as necessary in 2020 and 2021.

### ISA 540 (Revised) Implementation Support

As ISA 540 (Revised) is implemented globally, the IAASB will continue to undertake activities for the effective implementation of this standard.

Towards the end of 2021 the IAASB will also develop an initial outline of the planned post-implementation review, in particular the scope and purpose of the review, as well as the expected timing.

The project page, containing more information about the project, can be found [here](#).

### ISA 315 (Revised) Implementation Support

The IAASB will develop material to support awareness, understanding and effective implementation of ISA 315 (Revised). This material may include an ‘at a glance’ document, overview slide presentation, frequently asked questions and webinars. It may also include flow charts that show the overall risk assessment, the understanding of internal control and the understanding of the IT environment.

### Quality Management projects (ISQM 1, ISQM 2, ISA 220 (Revised)) Implementation Support

The IAASB plans to develop material to support awareness, understanding and the effective implementation of the quality management standards. This material may include practical examples to demonstrate how the requirements of ISQM 1 may be implemented based on the nature and circumstances of the firm and its engagements. The IAASB is also exploring the development of an ‘at a glance’ document, frequently asked questions, a slide presentation, and webinars.

- <sup>i</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*
- <sup>ii</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*
- <sup>iii</sup> For more information about the Quality Management projects see the following project pages:
  - Proposed ISQM 1: <http://www.iaasb.org/projects/quality-management-firm-level-isqm-1>
  - Proposed ISQM 2: <http://www.iaasb.org/projects/engagement-quality-reviews-isqm-2>
  - Proposed ISA 220 (Revised): <http://www.iaasb.org/projects/quality-management-level-isa-220>
- <sup>iv</sup> For more information about the Group Audits project see the project page: <http://www.iaasb.org/projects/group-audits-isa-600>
- <sup>v</sup> For more information about the implementation of ISA 540 (Revised) see the project page: <http://www.iaasb.org/projects/isa-540-revised-implementation-working-group>
- <sup>vi</sup> For more information about the project on ISA 315 (Revised) see the project page: <http://www.iaasb.org/projects/isa-315-revised>
- <sup>vii</sup> For more information about the Auditor Reporting Post-Implementation Review see the project page: <http://www.iaasb.org/projects/auditor-reporting-implementation-working-group>
- <sup>viii</sup> For more information about the EER project see the project page: <http://www.iaasb.org/projects/engriving-forms-external-reporting-eeer-assurance>
- <sup>ix</sup> For more information about the Data Analytics project see the project page: <http://www.iaasb.org/projects/data-analytics>. For more information about the Professional Skepticism project see the project page: <http://www.iaasb.org/projects/professional-skepticism>.
- <sup>x</sup> For more information about the Audits of Less Complex Entities project see the project page: <http://www.iaasb.org/projects/audits-less-complex-entities>
- <sup>xi</sup> For more information about the IAASB's liaison with the IASB see the project page: <http://www.iaasb.org/projects/iaasb-iasb-liaison>
- <sup>xii</sup> Proposed International Standard on Quality Management (ISQM) (previously International Standard on Quality Control (ISQC)) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- <sup>xiii</sup> Proposed ISQM 2, *Engagement Quality Reviews*
- <sup>xiv</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*
- <sup>xv</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*
- <sup>xvi</sup> International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

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