28 July 2016

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INVITATION TO COMMENT ON INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD'S (IAASB) SURVEY CONSULTATION, *THE IAASB'S WORK PLAN FOR 2017-2018 AND CONTINUING RELEVANCE OF ITS STRATEGIC OBJECTIVES*

Comments to be received by 30 August 2016

The Hong Kong Institute of Certified Public Accountants' ("Institute") Auditing and Assurance Standards Committee is seeking comments on IAASB's Survey Consultation, *The IAASB's Work Plan for 2017-2018 and Continuing Relevance of Its Strategic Objectives* ("Survey Consultation") which has been posted on the Institute's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/exposure-drafts/

The Survey Consultation seeks feedback from stakeholders to assist the IAASB in evaluating its priorities for 2017–2018 and allocating its resources in the best way possible. The IAASB and its Consultative Advisory Group have considered a number of other topics that could warrant IAASB attention, which are highlighted in the survey.

Respondents are asked for their views on how topics should be prioritized, recognizing that much of the IAASB's current standard-setting efforts will carry on into 2017 and beyond unless the IAASB decides to modify its current work plan.

A PDF version of the survey has been provided to assist organisations that may need to consult internally in preparing their response.

To allow your comments on the Survey Consultation to be considered, comments are requested by the due date shown above.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37/F., Wu Chung House
213 Queen's Road East
Hong Kong

Fax number (+852) 2865 6776
E-mail: commentletters@hkicpa.org.hk

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor

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Survey Consultation

IAASB's Work Plan for 2017-2018 and Continuing Relevance of Its Strategic Objectives

CPA Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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Survey Consultation on IAASB's Work Plan for 2017-2018 and Continuing Relevance of Its Strategic Objectives

This Exposure Draft may be filed in the "Exposure Drafts, Invitations to Comment" section of Volume III of the Institute Members' Handbook.

The Exposure Draft can also be found on the Institute's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/exposure-drafts/.

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SURVEY CONSULTATION—THE IAASB'S WORK PLAN FOR 2017–2018 AND CONTINUING RELEVANCE OF ITS STRATEGIC OBJECTIVES

Note: This PDF version of the survey is being provided to assist organizations that may need to consult internally in preparing their response. Survey responses will only be accepted via Survey Gizmo by following this link: IAASB Survey on Work Plan for 2017-2018 and Continuing Relevance of Its Strategic Objectives.

Objective of the Consultation

The IAASB undertook extensive public consultation to develop its *Strategy for 2015–2019* (the Strategy) and *Work Plan for 2015–2016* (the current Work Plan), including an initial survey to help understand the needs of stakeholders at that time.

In embarking on its plans for the five-year strategy period, the IAASB identified three strategic objectives for this period, based on input from its stakeholders, as a means for them to understand more broadly how their needs are being addressed in a changing environment.[1] Respondents to the public consultation agreed with the IAASB's focus, including that the right topics for the Work Plan had been identified, recognizing that many were quite complex and revised standards were not likely to be completed within the two-year period.

The IAASB's extensive outreach in 2015 and 2016 indicates broad support for the Board's current focus and actions. Some stakeholders have urged the IAASB to progress these standard-setting topics as quickly as possible. Accordingly, the IAASB and its Consultative Advisory Group (CAG) generally believe that, absent a significant change in the external environment or a strong stakeholder view otherwise, the Board's initiatives should continue, albeit they may need to be re-prioritized.

Having formed its views, the IAASB would like to hear from its stakeholders whether they agree. The objective of this consultation is therefore to:

- Solicit feedback whether the IAASB's **strategic objectives** continue to be appropriate (**Section I** of this consultation).

- Obtain stakeholder views on the IAASB's proposed **Work Plan for 2017–2018** (**Section II** of this consultation).

Feedback to this consultation will assist the Board in evaluating its priorities and allocating its resources in the best way possible, given the volunteer nature of the Board and staff complement. *Based on available current capacity and resources, it is unlikely that any significant new projects or initiatives can commence until at least 2018 without modifying the IAASB's current work plan and planned timelines.*

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[1]   In moving to a five-year strategy, the IAASB agreed with the Public Interest Oversight Board that it would undertake a mid-period reevaluation of its strategic objectives.

The accompanying *Supplement to the IAASB Strategy and Work Plan Consultation* provides background information for those respondents who may not be familiar with the IAASB's structure and processes and how it develops its work plans.

Respondent Information

Are you responding:

☐ On behalf of an organization? If so, please name the organization. _____

☐ As an individual providing your personal views?

Please select from the following which best describes the capacity in which you are responding to this questionnaire:

☐ Academia

☐ Accounting Firm

  o Large accounting firm

  o Small or medium sized practice

  o Sole practitioner

☐ IFAC Member Body or Other Professional Organization

  o IFAC Member Body, Affiliate or Regional Organization

  o Other professional organization

☐ Investor/Analyst/User

☐ National Standard Setter

  o National standards same as, or based on, clarified International Standards on Auditing [Yes/No]

☐ Preparer of Financial Statements

  o Listed entity

  o Non-listed entity
    • Small- or medium-sized entity [Yes/No]

☐ Public Sector

  o Preparer

  o Auditor

  o Public sector organization
    • Do you apply International Standards of Supreme Audit Institutions (ISSAIs) for financial audits? [Yes/No]

☐ Regulator or Audit Oversight Body

  o Regulator

  o Audit Oversight Body

- ☐ Those Charged with Governance

  - o Private sector

    - • Listed entity

    - • Non-listed entity

  - o Public sector

- ☐ Other – Please specify _____

Are you any of the following?

- ☐ IAASB Consultative Advisory Group Member Organization / Representative

- ☐ IAASB Official Observer

- ☐ IAASB Member (current or former)

- ☐ Member, Technical Advisor or Official Observer of International Ethics Standards Board for Accountants (IESBA), International Accounting Education Standards Board (IAESB), or International Public Sector Accounting Standards Board

- ☐ Member, Technical Advisor or Official Observer of the IFAC Board or Other IFAC Committee

- ☐ Member of Forum of Firms

Geographical Region

Please select the geographical region which best describes where you are based:

- ☐ Africa-Middle East

- ☐ Asia Pacific

- ☐ Europe

- ☐ South America

- ☐ North America

- ☐ Global Organization

I.   IAASB's Strategic Objectives for 2015–2019

As noted, in developing its *Strategy*, the IAASB articulated its strategic vision and what it is intending to achieve through three strategic objectives:

(i)	Ensuring that ISAs Continue to Form the Basis for High-Quality, Valuable and Relevant Audits Conducted Worldwide by Responding on a Timely Basis to Issues Noted in Practice and Emerging Developments
(ii)	Ensuring the IAASB's Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders for Services Other than Audits of Financial Statements
(iii)	Strengthening Outreach and Collaboration with Key Stakeholders in the Reporting Supply Chain on Public Interest Issues Relevant to Audit, Assurance and Related Services

These strategic objectives drive the IAASB's decisions about what to include on its future work plans. As agreed when finalizing the Strategy, the IAASB is giving priority attention to the first strategic objective, as stakeholders broadly agreed that it is essential that the IAASB take action to improve audit quality.

Both the IAASB and its CAG believe these strategic objectives remain relevant and should be retained as the basis for developing the Board's next work plan.

Question for Respondents:

1.   Do you agree that the three strategic objectives for the strategy period 2015–2019 continue to remain relevant?

Yes / No

Why or why not?

II.   IAASB Work Plan for 2017–2018

Context for the IAASB's Work Plan for 2017–2018

During 2015–2016, the IAASB commenced work on a number of projects as set out in the current Work Plan. The Board is investing significant effort to respond to some of the key implementation issues identified from its post-implementation review of the clarified ISAs (the *ISA Implementation Monitoring project*) and address auditing issues of importance to supporting global financial stability, including in relation to financial institutions. At the same time, while standard setting remains a priority for the IAASB, the Board also recognized the importance of preparing for the future, both in supporting the effective implementation of its new and revised Auditor Reporting standards and undertaking outreach and other activities to lay the foundation for important initiatives to be undertaken in the future.

A.   Projects and Initiatives Underway in 2015–2016

As set out in the current Work Plan, the IAASB has commenced work on the following in 2015 and 2016, which are described in more detail on the IAASB's project page. The projects below set out the IAASB's priorities currently underway, in particular the standard-setting activities that have, or are expected to have, commenced by the end of 2016. The IAASB intends to continue with these priorities during 2017–2018, unless stakeholders are of the view that other topics should have a higher priority (which is explored further in the next section).

Standard-Setting Activities (project proposals to be approved in 2016)	
• Revision of the IAASB's standard dealing with accounting estimates, including fair values, (ISA 540) (previously characterized as the project regarding special audit considerations relevant to financial institutions)	**Current Status:** The IAASB is developing an Exposure Draft (ED) of a holistic revision of its standard dealing with accounting estimates and anticipates approving an ED in Dec 2016. A final standard is expected to be approved in Dec 2017. In Mar 2016, the IAASB issued a project publication highlighting the audit issues arising from the International Accounting Standards Board's (IASB) standard on financial instruments (IFRS 9), particularly the shift to expected credit loss accounting for loan losses.
Please use this space if you wish to share views on this topic:	
• Quality control (including revisions to the IAASB's quality control standards at the firm level (ISQC 1) and the engagement level (ISA 220)	**Current Status:** Included in the IAASB's *Invitation to Comment (ITC)*. A standard-setting project proposal is expected to be approved in Dec 2016, with plans for EDs in mid-2017. Addressing topics such as firms' quality management approach and tone at the top, and monitoring and remediation, engagement partner responsibilities, and engagement quality control reviews.
Please use this space if you wish to share views on this topic:	
• Group audits / using the work of other auditors (including revision of the IAASB's standard addressing audits of group financial statements) (ISA 600)	**Current Status:** Included in the IAASB's ITC. A standard-setting project proposal is expected to be approved in Dec 2016, with plans for an ED in late 2017. Addressing topics such as scoping and risk assessment, communications, responsibilities regarding the work of component auditors, and situations where the engagement partner is not located where the majority of the audit work is performed.
Please use this space if you wish to share views on this topic:	
• Revision of the IAASB's standard addressing the auditor's understanding of the entity and its environment and assessing risks (ISA 315 (Revised)) and consideration of the need for additional guidance	**Current Status:** The IAASB has had initial discussions to inform its future standard setting and identify other potential actions to respond to concerns noted. A standard-setting project proposal is expected to be approved in Sept 2016, with an ED in late 2017. Addressing topics such as scoping and risk assessment, communications, identification of significant risks, expectations regarding tests of controls, understanding the entity, and the scalability of the standard.
Please use this space if you wish to share views on this topic:	

Other Initiatives	
• Professional skepticism	**Current Status:** Included in the ITC. Discussions about an appropriate way forward to enhance auditors' application of professional skepticism in audits are expected in Sept and Dec 2016. This topic is being explored jointly with the International Ethics Standards Board for Accountants (IESBA) and the International Accounting Education Standards Board (IAESB).
Please use this space if you wish to share views on this topic:	
• Effects of technology on the audit (the Data Analytics project)	**Current Status:** The IAASB is currently exploring emerging developments in data analytics, and whether changes to the ISAs are needed in light of these developments. A publication to solicit further input will be issued later in 2016 with further consideration in 2017 about how best to address this topic within the ISAs or whether guidance would be useful. Interaction with other projects noted, such as the projects addressing auditing accounting estimates and the auditor's understanding of the entity and its environment and risk assessment, as well as the quality control standards.
Please use this space if you wish to share views on this topic:	
• Auditor Reporting Implementation	**Current status:** The IAASB will continue to monitor implementation of its new and revised auditor reporting standards. The IAASB's consideration of the design of the post-implementation review is expected in late 2016.
Please use this space if you wish to share views on this topic:	
• Integrated reporting and other emerging developments in external reporting	**Current Status:** The IAASB is considering emerging developments in external reporting, including integrated reporting, in relation to the need for assurance on such information. A discussion paper is expected to be published in Q3 2016.
Please use this space if you wish to share views on this topic:	

• Agreed-upon procedures	**Current Status:**
	The IAASB is currently exploring emerging developments with respect to agreed-upon procedures and multi-scope engagements, and whether changes to its related standard (ISRS 4400) are needed in light of those developments and user needs. . Incorporates national developments. Discussion Paper is expected to be published later in 2016, with a decision on standard-setting activities in this area in late 2017.
Please use this space if you wish to share views on this topic:	
• Innovation Working Group	**Current status:**
	The IAASB's Innovation Working Group monitors developments in emerging areas of audit, assurance and related services and makes recommendations to the IAASB on specific topics for the Board to pursue, including whether there is a need for a standard-setting response. Current monitoring efforts are focused on corporate governance and cybersecurity.
Please use this space if you wish to share views on this topic:	

In addition, in 2017–2018 when progressing the above standard-setting projects, the IAASB will enhance its focus on the following two areas:

1. *Consideration of matters related to small and medium practices (SMPs) and audits of small- and medium-sized entities (SMEs)*—As part of each project and initiative, the IAASB will continue to focus on understanding the issues and implementation needs of SMPs, including consideration of the ability of the ISAs and the IAASB's standard addressing quality control at the firm level to be applied in a manner proportionate with the nature and size of the firm or engagement. At the same time, the IAASB will also continue to consider its International Standards that address services for entities that do not require an audit of financial statements. The IAASB intends to establish a Working Group, including national auditing standard setter representatives, to assist it in exploring these issues. An event will be held in early 2017 to gather stakeholders to share the practical implications of applying the International Standards and explore how the IAASB and others might respond to the challenges and opportunities relating to this stakeholder group.

2. *Coordination with the International Ethics Standards Board for Accountants*—The IAASB has noted that there are issues in certain of its key projects that are likely to be of relevance to the IESBA, and could have potential implications to the *Code of Ethics for Professional Accountants* (the IESBA Code) (e.g,, in relation to quality control and group audits). Similarly, matters under consideration by the IESBA may have implications for the ISAs or other IAASB International Standards. The IAASB and IESBA are therefore considering how best to coordinate in the context of specific topics, where necessary and appropriate. Although both Boards develop their work plans separately in consultation with their stakeholders and conduct their standard-setting activities independently, there are growing expectations from various stakeholders that the IAASB and IESBA will be well-coordinated due to the linkages between the ISAs and the IESBA Code.

Question for Respondents:

2. Do you agree with the IAASB's view that these topics should continue to be prioritized?

    Yes / No

    Why or why not? If you believe any project(s) or initiative(s) should not be prioritized, please provide your reasons for this view.

3. Please indicate the relative importance of a focus on the following:

	Not important	Moderately important	Very Important
Consideration of matters related to SMPs and SMEs	⊙	⊙	⊙
Please use this space if you wish to share views on this topic:			
Coordination with the IESBA	⊙	⊙	⊙
Please use this space if you wish to share views on this topic:			

B.   Other Topics Highlighted for Consideration for the 2017–2018 Work Plan

All of the projects and initiatives described above had been prioritized by the IAASB in finalizing its current Work Plan, recognizing that there was a need to establish a work plan that was both realistic and specific in terms of timing of deliverables. In agreeing to the number of projects and initiatives to commence, as well as the challenging nature and extent of issues to be explored in these topics, there was acknowledgement that (with the exception of the project to revise the auditing standard addressing accounting estimates) the projects would not be completed in an accelerated timeframe and would therefore extend over more than one work plan

Work on all of these topics is expected to continue in the 2017–2018 period. Based on available current capacity and resources, it is unlikely that any significant new projects or initiatives can commence until at least 2018 without modifying the IAASB's current work plan.

Other topics have been raised for the IAASB's consideration in developing the Work Plan for 2017–2018, either through the previous consultation or in discussions on other projects, albeit with varying views about the need to further explore these topics and whether standard-setting or other actions are necessary. They are described below to solicit views from respondents about the importance of the topic to respondents and whether these or other topics need to be prioritized over one or more of the IAASB's current topics listed above (and why they believe this to be the case). The IAASB will consider these views in developing the final work plan for 2017–2018.

In the table below, please indicate the relative importance of the topic to yourself or your organization, and answer the questions that follow:

	Not important	Moderately Important	Very Important	
Topics that have linkages to current projects or recently completed projects where it has been identified that revision of a specific standard may be needed (in no specific order)				
Materiality and evaluating misstatements (ISA 320 and ISA 450)	O	O	O	The IAASB continues to monitor the progress of the IASB on its work on materiality. Once the outcomes from this work provides further insights into the topic, the IAASB may consider a more holistic exploration of the potential implications to the auditing standards.
Please use this space if you wish to share views on this topic:				
Going concern, including further actions related to auditor reporting	O	O	O	The IAASB continues to monitor developments in relation to going concern in light of the IASB not including a project on aspects of going concern in its forward agenda. The Board is actively considering the implications of emerging forms of external reporting (including viability disclosures by the entity). The IAASB is also monitoring developments of the UK Financial Reporting Council, the US Financial Accounting Standards Board, the US Public Company Accounting Oversight Board and others on the topic of going concern. The IAASB will also prioritize the topic in its post-implementation of its Auditor Reporting Standards.
Please use this space if you wish to share views on this topic:				
Potential revision of the IAASB's standard dealing with the use of the work of an auditor's expert (ISA 620)	O	O	O	Consideration will be given as to whether amendments are needed to the standard dealing with the use of the work of an auditor's expert as part of the project addressing the audit of accounting estimates (ISA 540).

	Not important	Moderately Important	Very Important	
Please use this space if you wish to share views on this topic:				
Exploring issues related to audit evidence, and potential revision of the IAASB's standard dealing with audit evidence (ISA 500)	○	○	○	Topics related to audit evidence are being considered in the projects addressing professional skepticism, the audit of accounting estimates (ISA 540), and data analytics.
Please use this space if you wish to share views on this topic:				
Analytical procedures and audit sampling	○	○	○	Consideration will be given in the project addressing understanding the entity and its environment and assessing risks and the Data Analytics project as to whether amendments may be needed to the standards addressing these topics (ISA 520 and ISA 530).
Please use this space if you wish to share views on this topic:				
Potential revision of the IAASB's standard addressing the auditor's responses to assessed risks (ISA 330)	○	○	○	Some conforming changes may be made as a result of revisions made to the standard addressing the understanding of the entity and its environment and assessing risks (ISA 315).
Please use this space if you wish to share views on this topic:				
Potential revisions to the IAASB's standard dealing with the auditor's responsibilities relating to fraud in the audit of financial statements (ISA 240)	○	○	○	Inspection findings have specifically been noted on this topic in relation to the audit of revenue, and some national auditing standard setters have made further improvements to the standard dealing with the auditor's responsibilities relating to fraud in the audit of financial statements. Some conforming changes may also be made as a result of revisions made to the standard addressing the understanding of the entity and its environment and assessing risks (ISA 315).
Please use this space if you wish to share views on this topic:				
Further revision to the IAASB's standard dealing with the auditor's	○	○	○	The IAASB recently finalized limited amendments to its standard dealing with

	Not important	Moderately Important	Very Important	
consideration of laws and regulations in an audit of financial statements (ISA 250)				the auditor's consideration of laws and regulations in an audit of financial statements (ISA 250) to resolve actual or perceived inconsistencies of approach between the ISAs and the IESBA's changes for Non-Compliance with Laws and Regulations (NOCLAR). Some stakeholders have suggested a more fulsome revision of ISA 250 may be needed, specifically noting the standard is not founded on the risk-based approach.
Please use this space if you wish to share views on this topic:				
Developing a process for post-implementation reviews of other standards, including the IAASB's standards on compilations (ISRS 4410 (Revised) and reviews (ISRE 2400) (Revised))	⦿	⦿	⦿	This topic is included in the current Work Plan but work has not yet commenced due to a focus on other priorities. Input from these reviews may result in identification of a need for further revisions to these standards.
Please use this space if you wish to share views on this topic:				
Topics identified through outreach, inspection findings, previous IAASB consultations or other means				
Potential revision of the IAASB's standard addressing external confirmations (ISA 505)	⦿	⦿	⦿	Raised by one or more respondents to the consultation on the Work Plan for 2015–2016, in light of the increasing use of electronic confirmations
Please use this space if you wish to share views on this topic:				
Potential further revision of the IAASB's standard dealing with using the work of internal auditors (ISA 610 (Revised 2013))	⦿	⦿	⦿	Raised by one or more respondents to the consultation on the Work Plan for 2015–2016, specifically noting concerns relating to the use of internal auditors to provide direct assistance
Please use this space if you wish to share views on this topic:				
Potential revision of the IAASB's standard addressing the examination of prospective financial information (ISAE 3400)	⦿	⦿	⦿	Raised by one or more respondents to the consultation on the Work Plan for 2015–2016, specifically noting the standard is not in the same format as

	Not important	Moderately Important	Very Important	
				most recently revised standards (i.e., the clarity format)
Please use this space if you wish to share views on this topic:				
Potential revision of the IAASB's standard dealing with the review of interim financial information performed by the independent auditor of the entity (ISRE 2410)	O	O	O	Consideration of whether revisions may be needed will be informed by the IAASB's planned post-implementation review of its Auditor Reporting standards. Also the standard is not in the same format as most recently revised standards (i.e., the clarity format)
Please use this space if you wish to share views on this topic:				
Auditor involvement with earnings releases / preliminary announcements	O	O	O	Raised by stakeholders in previous consultations. Previous discussions have highlighted the difficulty of potential standard-setting on an international basis, but the IAASB recognizes the relevance of this information to investors.
Please use this space if you wish to share views on this topic:				
Exploring matters related to direct engagements (i.e., where the practitioner prepares the subject matter information in an assurance engagement)	O	O	O	The overarching standard dealing with assurance engagements other than audits and reviews of historical financial information does not explicitly address direct engagements (where the practitioner, rather than management, prepares the subject matter information) and it has been suggested that a separate standard would be helpful. The IAASB is monitoring national developments in this area.
Please use this space if you wish to share views on this topic:				
Exploring matters relating to joint audits (i.e., where two or more auditors share responsibility for the audit and the auditor's report)	O	O	O	Joint audits are required in certain jurisdictions, but the topic of joint audits is not explicitly addressed in the ISAs. If necessary, issues could be considered as part of the quality control or group audit projects.

	Not important	Moderately Important	Very Important	
Please use this space if you wish to share views on this topic:				
Overarching considerations relevant to the *International Framework for Assurance Engagements*	O	O	O	It has been suggested that it would be helpful to explore whether changes to the Assurance Framework are necessary to underpin the IAASB's standard-setting activities.
Please use this space if you wish to share views on this topic:				
Other – as identified by respondent	O	O	O	Please describe the topic and your reason for including
Please use this space if you wish to share views on this topic:				

Question for Respondents:

4.   You are invited to share any further views that you believe may be relevant to the IAASB as it seeks to finalize its Work Plan for 2017–2018.

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SUPPLEMENT TO THE IAASB'S CONSULTATION ON ITS STRATEGIC OBJECTIVES AND WORK PLAN FOR 2017–2018

Introduction

The following is intended to provide respondents to the survey with background information regarding the process to consider the IAASB's future priorities.

The IAASB undertook a survey and an extensive public consultation to develop its *Work Plan for 2015–2016* (the current work plan). Respondents to that consultation agreed that the IAASB was focused on the right topics, recognizing that many were quite complex and revised standards were not likely to be completed within the two-year period.

The IAASB's extensive outreach in 2015 and 2016 indicates broad support for the Board's current actions and a desire for the IAASB to progress standard-setting topics as quickly as possible. Accordingly, the IAASB and its Consultative Advisory Group (CAG) generally believe that, absent a change in the external environment or a strong stakeholder view otherwise, the Board's initiatives should continue, albeit they may need to be re-prioritized.

For more information about the IAASB, please see the 2014/2015 IAASB Biennial Report.

Projects Completed in 2014–2016

The following relevant projects were completed in 2014–2016:

- The development of the IAASB's *Framework for Audit Quality*

- The new and revised Auditor Reporting standards, including ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report,* and changes to the ISA 800 series for special purpose reports

- ISA 720 (Revised), which addresses the auditor's work effort in regard to an entity's annual report and what is required to be communicated in the auditor's report as a result

- The Disclosures project, where revisions were made across a number of ISAs to highlight what is expected of auditors when dealing with financial statement disclosures

- Limited amendments to the IAASB's International Standards to address actual or received inconsistencies with the International Ethics Standards Board for Accountants' (IESBA) final pronouncement in its Code of Ethics for Professional Accountants (IESBA Code) regarding responding to non-compliance with laws and regulations (NOCLAR)

Ongoing and Enhanced Initiatives

In addition to its extensive outreach program, the IAASB invests resources in a number of important initiatives to consider how it can best serve its public interest mandate – not only to inform its standard-setting activities, but also to support the adoption and effective implementation of its standards.

The following more significant activities are expected to continue in 2017–2018:

- *IAASB-International Accounting Standards Board (IASB) Liaison*—The IAASB will continue to monitor IASB pronouncements for auditability and verifiability issues, as well as to consider whether there is a need for the IAASB to address the auditor's efforts in relation to new or amended financial reporting pronouncements (in particular, those that require the application of significant judgment) through changes to the ISAs or other outputs. In addition, the IAASB will continue to liaise and collaborate with the IASB on topics of mutual interest (e.g., materiality, disclosure, going concern, integrated reporting and matters addressing the IAASB's project to revise ISA 540).

- *Innovation*—The IAASB's Innovation Working Group has the remit to monitor developments in emerging areas of audit, assurance and related services and make recommendations to the IAASB on specific topics for the IAASB to pursue, including whether there is a need for a standard-setting response. These recommendations will take into account whether there is a visible market demand for audit, assurance and related services in the public interest, including the potential need for the IAASB to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future. The Innovation Working Group will also continue to monitor other emerging areas initially identified by the IAASB and the CAG, and with a high level of interest to the NSS, and reports to the IAASB at least annually or on identified emerging topics and which of those are considered to be priority topics for further attention by the Innovation Working Group or by separate working groups. In addition, the Innovation Working Group will consider whether topic-specific background papers or presentations by subject-matter experts may be useful to further inform the IAASB and CAG about those topics.

- *Research*—Academic research is an important input into standard setting. The IAASB will continue to work with the International Association for Accounting Education & Research (IAAER) and others to identify opportunities to engage academics on topics of mutual interest.

As a matter of priority in 2017–2018, the IAASB will enhance its focus on the following two areas when progressing its standard-setting projects:

1. *Consideration of matters related to small and medium practices (SMPs) and audits of small- and medium-sized entities (SMEs)*—As part of each project and initiative, the IAASB will continue to focus on understanding the issues and implementation needs of SMPs, including consideration of the ability of the ISAs and the IAASB's standard addressing quality control at the firm level to be applied in a manner proportionate with the nature and size of the firm or engagement. At the same time, the IAASB will also continue to consider its International Standards that address services for entities that do not require an audit of financial statements. The IAASB intends to establish a Working Group, including national auditing standard setter representatives, to assist it in exploring these issues. An event will be held in early 2017 to gather stakeholders to share the practical implications of applying the International Standards and explore how the IAASB and others might respond to the challenges and opportunities relating to this stakeholder group.

2. *Coordination with IESBA*—The IAASB has noted that there are issues in certain of its key projects that are likely to be of relevance to the IESBA, and could have potential implications to the IESBA

Code (e.g,, in relation to quality control and group audits). Similarly, matters under consideration by the IESBA may have implications for the ISAs or other IAASB International Standards. The IAASB and IESBA are therefore considering how best to coordinate in the context of specific topics, where necessary and appropriate. Although both Boards develop their work plans separately in consultation with their stakeholders and conduct their standard-setting activities independently, there are growing expectations from various stakeholders that the IAASB and IESBA will be well-coordinated due to the linkages between the ISAs and the IESBA Code.

Important Considerations in Consulting on the IAASB's Work Plan for 2017–2018

The discussion below outlines key considerations evaluated by the Board and its Staff in consulting on its *Work Plan for 2017–2018*. The IAASB recognizes the importance of organizing and conducting its activities in the most effective and efficient way, and the need for ongoing consideration of opportunities to enhance the way it operates. Further, there is need for ongoing consideration of the overall capacity of the IAASB and its staff complement, and to explore opportunities to expand that capacity, for example through collaboration and cooperation with others on particular projects or by sharing staffing resources. The IAASB has been giving specific attention to these matters since 2014, and will continue to do so throughout the strategy period.

Balance of Resources between the IAASB, Its Chairman and Its Staff

With the exception of the full-time Chairman, all IAASB members participate on a volunteer basis. As such, there are limitations on the available Board time that can be devoted to particular projects, both during IAASB meetings and through project task force and working group meetings. Project task forces and working groups are chaired by IAASB members, and comprise IAASB members, IAASB technical advisors, and others with relevant expertise. These project task forces and working groups typically meet at least once between each IAASB meeting. Each IAASB member ordinarily participates in two or more project task forces or working groups.

Board members may be asked to participate in the IAASB Consultative Advisory Group (CAG) meetings and liaison meetings with national auditing standard setters (NSS), and outreach activities in their particular jurisdictions.

The full-time IAASB Chairman, IAASB members and senior Staff undertake a significant level of outreach activity, speaking at conferences and meetings of organizations interested in the work of the IAASB, engaging in dialogue with key stakeholders moving ahead with adoption of the ISAs, participating in discussions about the regulatory environment in which auditors operate, and furthering the work of the IAASB in a number of forums.

Each standard-setting project is supported by at least one Staff member (often two), who is responsible for organizing Board and task force meetings, developing issues papers and draft standards, guidance or other publications for consideration by the project task force or working group, revising these materials for discussion by the Board, and preparing minutes for Board discussions. In addition to managing projects, IAASB Staff develop publications such as Staff Audit Practice Alerts, Staff Questions and Answers, press

releases and project updates for individual projects, explanatory memoranda that accompany exposure drafts, and bases for conclusions that accompany final pronouncements. They are also involved in liaison activities and prepare relevant materials to support IAASB communication activities and the Chairman's outreach efforts. Staff also support the development of the agendas and material for the semi-annual IAASB CAG and annual IAASB-NSS liaison meetings, and have responsibility for reporting to the Public Interest Oversight Board (PIOB).

Key Assumptions

The IAASB's future capacity for its *Work Plan for 2017–2018* has been based on the following key assumptions:

- The IAASB will continue to be funded exclusively by the International Federation of Accountants (IFAC), and accordingly will be subject to budgetary constraints. Budgets, including staffing complements, are determined approximately 18 months in advance, and are expected to be consistent with past levels.

- The Board comprises a full-time remunerated Chairman and 17 volunteer members who are asked to contribute approximately 650 hours per year (800 hours if serving as a task force or working group chair). The Board is comprised of a balance of practitioner and non-practitioner members, which includes at least three public members whose travel costs are borne by the IAASB.

- There are 9 full-time technical staff and 3 full-time administrative staff members supporting the Board's operations.

- The IAASB generally meets for five days, four times per year, and usually holds a teleconference each quarter. The number of projects that can be discussed at each IAASB meeting varies depending on the stage of the project.

- Detailed work on projects is undertaken by task forces and working groups drawn from the membership of the IAASB and IAASB technical advisors and which may include external experts from relevant organizations (e.g., regulators, NSS, subject matter experts, representatives from the public sector and SMP communities, and others).

- The development of all standards and pronouncements is done following comprehensive due process. This includes consultation with the IAASB CAG and public exposure, typically 120 days. Most projects take a minimum of 36 months to complete, assuming approximately five projects are discussed at each meeting. However, the overall time needed is also dependent on the complexity of the subject matter, including the assessment of the need to issue consultation papers or to conduct significant research or other outreach in advance of the issuance of an exposure draft, as well as the disparity of views from different stakeholders.

- The commencement of any new standard-setting project is subject to IAASB approval of a project proposal designed to identify the objective(s) of the project and how achievement of those objectives would serve the public interest.

The *Work Plan for 2017–2018* includes time to allow for research activities, education sessions to further inform the IAASB's debates, outreach and direct interaction with interested stakeholders, and development of communications relating to individual projects. These activities may be undertaken before the development of a project proposal, in particular when it may not be clear at the onset of the IAASB's discussions as to the appropriate outcome(s) of a project to serve the public interest, for example, whether one of the following, or some combination thereof, would be an appropriate response to the issue that had been identified:

- Standard-setting activities;

- Implementation guidance in the form of a non-authoritative Practice Note or in some other form; or

- Staff publications.

Factors Guiding the Identification of Potential Priorities and Actions in Future Work Plans

While there are calls from many stakeholders for IAASB efforts on a variety of important topics, the IAASB must prioritize its actions in light of its strategic objectives, available resources and the model established by the its terms of reference. In consultation with its stakeholders, the IAASB has identified certain criteria to enable it to make decisions regarding which actions should be included in future work plans and how such actions can be prioritized. Such criteria include the following:

- The IAASB's views about the urgency in the public interest of the need for change, and the potential implications if action is delayed, taking into account both the demands of the capital markets and the impact on businesses of all sizes.

- The need for change to enhance audit quality globally, or to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future, and the degree to which such change would further facilitate high-quality financial and corporate reporting and enhance public confidence therein.

- The degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action by the IAASB. In this regard, consideration may need to be given as to the appropriate time to undertake a standard-setting response in light of emerging practice, market demand and the possibility of developing a standard capable of international application.

- The global applicability of the potential actions, for example in relation to entities of different sizes and complexity, different industries, and across jurisdictions, with acknowledgement of the potential impact associated with these actions.

Feedback received from public consultation on the IAASB's strategy and work plans, outreach activities and discussions with the CAG as well as the PIOB are taken into account in the IAASB's consideration of how best to fulfill its public mandate in adding initiatives to its Work Plan, recognizing the diverse needs of the wide range of its stakeholders.

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IAASB Issues Public Survey to Inform Its Work Plan for 2017–2018

The International Auditing and Assurance Standards Board (IAASB) today released a survey consultation, *The IAASB's Work Plan for 2017–2018 and Continuing Relevance of Its Strategic Objectives.* Feedback to this consultation will assist the board in evaluating its priorities for 2017–2018 and allocating its resources—a full-time Chairman supported by a 17-person volunteer board and ten-person technical staff—in the best way possible.

"Our extensive outreach and consultation, most recently through our Invitation to Comment, leads us to believe we are already addressing the most pertinent topics in the public interest. We are prioritizing standard setting in relation to the fundamental topics of accounting estimates, professional skepticism, quality control, risk assessment, and group audits—while at the same time actively debating the implications for practitioners of developments in data analytics, integrated reporting, and emerging forms of external reporting," explained Prof. Arnold Schilder, IAASB Chairman. "At the same time, we recognize we will soon be at the mid-point of our five-year strategy, so it is helpful to pause and reflect with our stakeholders about whether anything in the external environment indicates a need to change course or re-prioritize."

The IAASB and its Consultative Advisory Group have considered a number of other topics that could warrant IAASB attention, which are highlighted in the survey. Respondents are asked for their views on how topics should be prioritized, recognizing that much of the board's current standard-setting efforts will carry on into 2017 and beyond unless the IAASB decides to modify its current work plan. The IAASB would also like to understand whether its current strategic initiatives remain appropriate given its mandate.

"We look forward to hearing from a wide range of our stakeholders, and hope that by using a survey, we will hear from many around the world," Kathleen Healy, IAASB Technical Director, noted. "We have designed the survey to allow respondents to quickly flag key priorities or, alternatively, tell us when certain topics are less relevant—as this will be helpful in deciding whether our focus should change from any of our current priorities to those that might be deemed more relevant from a public interest perspective."

The survey will be open for responses through September 30, 2016, and must be submitted using the online tool. A PDF version of the survey has been provided to assist organizations that may need to consult internally in preparing their response before submitting it electronically.

About the IAASB
The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC). For copyright, trademark, and permissions information, please go to permissions or contact permissions@ifac.org.