

BY E-MAIL ONLY

International Auditing and Assurance Standards Board

To: Prof. Arnold Schilder (Chair)

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Email: a.schilder@nba.nl

Date: June 4, 2019

Subject: COMMENTS ON PROPOSED STRATEGY FOR 2020-2023 AND WORK PLAN FOR 2020-2021

Dear Prof. Schilder,

1. The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to comment on the International Auditing and Assurance Standard Board (IAASB or Board)'s consultation on its strategy for 2020-2023 and work plan for 2021.
2. The members of IFIAR share the common goal of serving the public interest and enhancing investor protection by improving audit quality globally, including through the promotion of high-quality auditing and professional standards and related pronouncements and statements.
3. The comments we provide in this letter reflect the views expressed by many, but not necessarily all, of the members of IFIAR. However, the comments are not intended to include, or reflect, all of the views that might be provided by individual members on behalf of their respective organisation.

Strategy, workplan and reforms

4. IFIAR welcomes the IAASB's initiative, to develop and consult on its strategy for the future period and its workplan for 2020-2021, notwithstanding that the Monitoring Group (MG) is currently working on recommendations to strengthen international audit-related standard setting system through reforming the governance, standard setting processes and funding. Before, and as, the new structure becomes operational, IFIAR recommends that the current work of the IAASB and standard setting activities continue, with a primary goal to serve the public interest, by advancing and completing projects and initiatives which contribute to enhancing audit quality. Smooth transition and avoidance of disruption is of high importance to IFIAR during this reform phase. IFIAR also acknowledges that the IAASB's plans for 2020-2023 may need to evolve over time to align with the timeframe of the implementation of the possible MG reforms.

5. With this in mind, we encourage the IAASB to develop more detailed plans about the targeted output and to provide more information about resources affected and priorities set on the various topics suggested in its proposed work plan. From previous experiences, based on which the lessons should be drawn and incorporated in this plan, the number of topics seems rather large, and actual delivery may lag behind the expectations.

Interaction between IESBA and IAASB

6. IFIAR supports the current IAASB proposals which aim at fostering coordination of activities between audit and ethical standard setting. We recommend moreover further and more systematic liaison with IESBA.

Completion of current projects (theme A)

Support for proposal to finalise ISA 315 – ISQM 1 and 2 – ISA 220

7. We encourage the IAASB to complete the major ongoing projects for which IFIAR has already provided comments and input over the past years, – including timely finalization of the revision of ISA 315 (risk assessment), and the timely completion of the projects on ISQM 1, ISQM 2 and ISA 220 (quality management at firm and engagement levels).

Support for group audit revision - ISA 600

8. The project to review ISA 600 (group audit) should also be a key priority of the next work plan. Some related amendments have been proposed in ISA220 standard, but limited progress has been made on the topic covered in ISA 600 over the past years, despite repeated requests from IFIAR to address shortcoming in the standard and potential enhancements to foster better quality in audit of consolidated financial statements.

Post-Implementation reviews

9. We support the post-implementation review of the auditor reporting standards, including changes arising from ISA 701 and ISA 720.
10. We also continue to support the post implementation reviews on the recently revised standards, in particular the review of ISA 540 (accounting estimates), given the importance of the topic as evidenced by the number of findings reported in IFIAR inspection surveys.

Further projects to enhance ISAs (ref. theme B)

Support for Professional scepticism, data analytics, audit evidence

11. We concur with the inclusion in the workplan of activities to foster enhanced professional scepticism, when revising the standards.

12. We support the IAASB's investigation of the need to adapt the standards to the increasing use of technology and automated tools and techniques, including those referred to as 'data analytics'.
13. We encourage the IAASB to focus on a holistic project on audit evidence, and to evaluate the needs for enhancements of the standards for areas related to the determination of the level and quality of evidence required, including any related consideration of materiality, audit sampling, and analytical procedures. We also believe the audit evidence standard is an area where the application of professional scepticism could be further enhanced.

Additional area to be investigated: consistency between ISA 315 and ISA 330

14. Regarding the scheduling of additional projects to enhance the current ISA standards, we believe that the IAASB should, once revised ISA 315 (on risk assessment) has been finalized, consider the needs for further alignment of the provisions of ISA 330 (response to assessed risks) to take into account the enhancements in revised ISA 315 (risk assessment).
15. Additional clarification regarding the testing of internal control, stemming from revision of ISA 315, should also be considered by IAASB.

Support for a project on fraud

16. We agree that the public's expectations regarding the auditor's role in the detection of fraud, money laundering and other non-compliance with laws and regulations need further scrutiny at global level. We therefore support the IAASB's scheduling of a project to evaluate the needs for revisions of the relevant auditors' responsibilities and work to be performed in connection to fraud.

Support for a project on going concern

17. In the same vein, there is still a gap regarding the current provisions of the ISAs on the work and the reporting of the auditor on going concern issues and the potential public expectations. Therefore, the IAASB should be prepared to contribute to the evolution in this area. A project on going concern could also benefit from the post implementation review of the revised requirements covering audit reporting on going concern matters.

Monitor emerging forms of external reporting

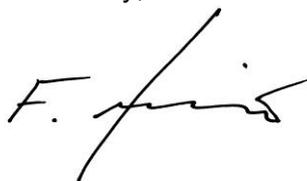
18. We concur with the view that IAASB should monitor the evolutions towards emerging forms of external reporting, which are in some jurisdictions, required by national regulators. We agree that the IAASB should consider, the need for any clarification, like for instance of ISA 720 (on other information accompanying the financial statements) to avoid the expectation gap widening further in this regard.

Outreach, collaboration, way of working (ref. theme D and theme E)

19. Regarding the activities to be put in place to enhance incorporation of perspectives stemming from outside the audit profession in standard setting project, we continue to encourage the IAASB to consider wide means and diverse collaboration opportunities to gain better knowledge of the variety of stakeholders' perspectives. Collaboration with investor representatives could be further strengthened in the proposals.
20. The IAASB should also increase their collaboration with the IASB (international accounting standard board). Subjects such as going concern and the audit of estimates are likely to benefit from increased collaboration.
21. Outreach and collaboration with the international accounting education standards setter should also be encouraged on forward looking projects requiring enhanced skills for auditors.
22. Research is an important phase to inform the IAASB decisions, but we recommend clear targets and deadlines are established for research projects, so that they do not become open ended projects and yield the expected benefit of timely enhancement of standards.

Should you wish to discuss any of our comments, please do not hesitate to contact me or Marjolein Doblado, Chair of the IFIAR Standards Coordination Working Group.

Yours faithfully,



Franck Schneider
IFIAR Chair

Cc: Duane M. DesParte, IFIAR Vice Chair,
Marjolein Doblado, SCWG Chair
Carl Renner, IFIAR Executive Director