



20 May 2014

Submitted electronically to arnoldschilder@iaasb.org

Mr Arnold Schilder

Chairman

International Auditing and Assurance Standards Board

545 Fifth Avenue

New York

10017 USA

COMMENTS ON IAASB CONSULTATION PAPER, 'THE IAASB'S PROPOSED STRATEGY FOR 2015-2019 AND THE IAASB'S PROPOSED WORK PROGRAM FOR 2015-2016'

Dear Mr Schilder,

The International Forum of Independent Audit Regulators ("IFIAR") appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's ("IAASB") Consultation Paper: *The IAASB's Proposed Strategy for 2015-2019 and The IAASB's Proposed Work Program for 2015-2016*. As an international organization of independent audit oversight regulators that share the common goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high quality auditing and professional standards, and other pronouncements and statements.

IFIAR's more specific objectives are as follows:

- Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms;
- Promoting collaboration and consistency in regulatory activity;
- Initiating and leading dialogue with other policy-makers and organizations that have an interest in audit quality; and
- Forming common and consistent views or positions on matters of importance to its Members, taking into account the legal mandates and missions of individual members.

The comments we have provided in this letter reflect the views expressed by many, but not necessarily all, of the Members of IFIAR. They are not intended to include, or reflect, all of the comments or views that might be provided by individual Members on behalf of their respective organisations.

Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR of the proposals.

General Comments

In line with our mandates as audit regulators, we are particularly focused on the consideration given to the public interest in any standard-setting action undertaken. Accordingly, as it pertains to the consultation paper on the IAASB Strategy and Work Program, we believe that the most important criterion in identifying and prioritizing topics for inclusion in the strategy and work program is the potential benefit to the public interest.

Focus on Auditing and Quality Control Standards

We believe, as audit regulators, that the IAASB should, in prioritizing its work efforts, focus primarily on standards related to auditing and quality control, over standards for other types of engagements. The former can be applied in performing the audit of financial statements which is the core and largely shared feature of auditors around the globe.

Flexibility for dealing with urgent emerging issues

We agree that the IAASB's suite of standards should remain relevant in a changing world and respond to stakeholders' needs. However, we are concerned that this objective may not be adequately met on the basis of the currently proposed consultation. We believe the strategy should include further flexibility for dealing with urgent emerging issues on a timely basis, whenever needs be.

Engagement with Audit Regulators and Users

We are supportive of the IAASB's increased engagement with stakeholders as envisaged by the objectives stated in the consultation, most particularly as it relates to the liaison with audit regulators and investors. Taking into account the broader range of stakeholders' needs is likely to contribute positively to the relevance of the standards.

However, we believe that the liaison would also benefit from regularly reporting back to audit regulators on the manner in which the inputs and concerns have been taken into account. This is likely to enhance the understanding of and the confidence placed in the standard-setting process.

In addition, we believe the strategy would benefit from greater attention to the protection of investors. More reference to users (of financial statements and/or of the audit) could for instance be added.

Consideration of Inspection Findings

In this regard, we would like to point out that two global surveys of inspection findings have been conducted by IFIAR¹. The results of the first survey were published in December 2012 and the second in April 2014². A number of recurring common inspection findings were identified over the course of those two surveys. Themes that have come to the fore as the source of numerous deficiencies in audits in both surveys are fair value measurement and internal controls testing. Professional scepticism and audit procedures on the adequacy of financial statement presentation and disclosures also are featured prominently. Accordingly, we support the fact that some of these areas are included in the IAASB proposed work program.

We encourage the IAASB to pursue its efforts to consider the themes identified by IFIAR's surveys in defining and conducting its standard-setting projects. We believe that identifying how the international

¹ Click link to: [2013 IFIAR Inspection Findings Survey](#) and [2012 IFIAR Inspection Findings Survey](#)

² The 2013 survey indicates the persistence of deficiencies in important aspects of audits and that there is a basis for ongoing concerns with audit quality. The inspection themes with the highest numbers of findings were consistent with the 2012 survey.

For audits of listed PIEs, the three inspection themes with the highest number findings were:

- *fair value measurement,*
- *internal control testing, and*
- *adequacy of financial statements and disclosures.*

For audits of systemically important financial institutions (SIFIs) and global systemically important banks (G-SIBs), the three inspection themes with the highest number of findings were:

- *audit of allowance for loan losses and loan impairments,*
- *internal control testing, and*
- *audit of the valuation of investments and securities.*

Inspections of quality control systems revealed the three themes with the highest number of findings

- *engagement performance,*
- *human resources, and*
- *independence and ethics requirements.*

standards might further contribute to improving the quality of the audits globally, particularly in the areas identified in the surveys, deserves specific attention during the IAASB standard-setting process.

Address Findings from Post-implementation Review of Clarified ISAs

A number of topics identified as areas of deficiencies in the IFIAR surveys were also identified as areas of concern during the post-implementation review of the clarified ISAs. We note that several of those topics are included for consideration in the proposed work plan, but we urge the IAASB to also consider addressing the remaining topics, in the near future.

We further believe that the project dealing with the standard on group audit has not been given sufficient priority in the proposed work program. This topic was identified during the post implementation review of clarified ISAs and has been an area of concern for several IFIAR members in the course of their inspections. Deficiencies identified, amongst others, often relate to the group auditor's involvement in the work of component auditors or to determining the threshold for materiality at component level. Some issues have also been identified in circumstances where the audit opinion is signed by an audit partner in a different jurisdiction from where the audited company or group's operations, accounting records and financial management are located, and where the vast majority of audit work is performed. We request the IAASB to reconsider the timeframe within which this topic is to be addressed.

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

A handwritten signature in blue ink that reads "Lewis H. Ferguson". The signature is written in a cursive, flowing style.

Lewis H. Ferguson
IFIAR Chair