

*International Auditing and Assurance Standards  
Board®*

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## Draft Proposed Strategy for 2020–2023 and Work Plan for 2020–2021



**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. There are now 128 jurisdictions using or committed to using IAASB's International Standards on Auditing (ISAs).**

**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 (PIOB).**

## Foreword

The IAASB is pleased with its efforts in achieving our strategic objectives set for 2015–2019.

Firstly, we have seen significant results in 2015–2019 from our flagship project on *Enhancing Audit Quality*, which addresses the fundamentals of the audit. This includes the publications of robust enhancements of key audit standards on risk assessment (exposure draft published July 2018) and a final revised standard on auditing estimates and related disclosures published in October 2018. We have further [approved] important and innovative revisions to our quality control standards, focused on a proactive quality management approach, with exposure drafts expected to be published in early 2019. We continue to enhance ISAs to encourage a more robust application of professional skepticism, and make modifications to recognize the changing business environment, including the way that auditors are performing audits through more advanced data analytics and automated techniques. As we move forward, attention will be needed on efforts to support the effective implementation of these changes, with a renewed focus from the IAASB about how best this can be done.

Notwithstanding our current efforts to update and revise the ISAs, the world is changing at an ever increasing rate and becoming more complex, in particular in relation to technology, and there is more urgency in changes that are needed to keep the standards relevant and fit-for-purpose. At the same time, complexity is driving standards that are becoming increasingly difficult to implement, especially for audits that are less complex. We have embarked on an information-gathering project to address the continuing calls for auditing standards that are more scalable, in particular for those engagements with less complex circumstances. The IAASB is acutely aware that a global solution would be in the public interest in this regard, and intends to engage in a broad consultation starting Q2, 2019

In this strategy period, we have also continued to give attention to our other assurance and related services standards. This has resulted in the approval of an exposure draft for a revised standard on Agreed-Upon Procedures Engagements, with an exposure draft issued in November 2018 for public consultation. Furthermore, we have embarked on a major project to draft guidance for assurance on Extended External Reporting (EER), including Integrated Reporting. As always, the input of our stakeholders is key to our work, and a series of EER roundtables has been hosted globally to further understand our stakeholders' views on this evolving area, particularly in different jurisdictions where practice is evolving, but also at a significantly different rate in some areas. A draft of the proposed guidance is expected to be issued for consultation in early 2019.

*“The significant revisions to the core ISAs - those on risk assessment, quality control, audit evidence and group audits together with conforming amendments to other ISAs - will be close to finalization by 2020. At that point, one of the most significant revisions to ISAs in a generation will be complete. Regulators, practitioners and indeed standard-setters themselves must step back at that point to allow the changes to take root. If they do not, poor implementation will further damage (a) the credibility of standard-setters, including national standard-setters, (b) perceptions regarding the effectiveness of audit regulation and (c) the wider value of audit, both perceived and real.”*

*ICAEW, Comment on the IAASB Strategy Survey, July 2018*

Fundamental to our work, and underlying many of the efforts to understand stakeholder needs, we continue to undertake significant outreach, including in relation to specific projects, as well as our global outreach activities. Many of our Board members are actively involved in these activities.

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 there is much opportunity to consider how best the IAASB can operate to achieve its intended outcomes, and meet the needs of all of its stakeholders. Changing processes and structures will take time, but the IAASB is confident that these changes will help it operate more effectively in addressing many of 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*

## Introduction

This Consultation Paper seeks views from all stakeholders on the IAASB's proposed Strategy for 2020-2023, and the proposed actions and priorities to implement the strategy (as set out in the related work plan). The IAASB invites comments on all aspects of its proposed strategy and work plan.

This Consultation Paper includes the following:

- I. **The IAASB's Strategic Objectives** – The IAASB's strategic objectives illustrate how the IAASB intends to focus its activities over its 2020–2023 strategy period. This section sets out the context for the proposed strategic objectives, as well as a description of each strategic objective.
- II. **Managing Delivery of the Work Plan for 2020–2021** – This section sets out how the IAASB expects to manage delivery of the Work Plan, given its given capacity and resources, and taking into account possible changes arising from the Monitoring Group review.<sup>1</sup>
- III. **Key Considerations Guiding the Establishment of the Work Plan for 2020–2021** – This section explains the criteria and key factors that affect the determination of potential actions in the strategy period and the relative priorities of those actions and their targeted timing.
- IV. **Proposed Actions, Priorities and Timing of Board activities in 2020 and 2021** – This section sets out the Identified actions, priorities and timing aligned to the strategic themes.
- V. **Request for Comments** – This section includes the questions for respondents relating to the Proposed Strategy for 2020–2023 and Work Plan for 2020–2021 that form part of this consultation.

Appendix 1 sets out the IAASB's Work Plan for 2019 to provide context for the IAASB's Work Plan for 2020–2021.



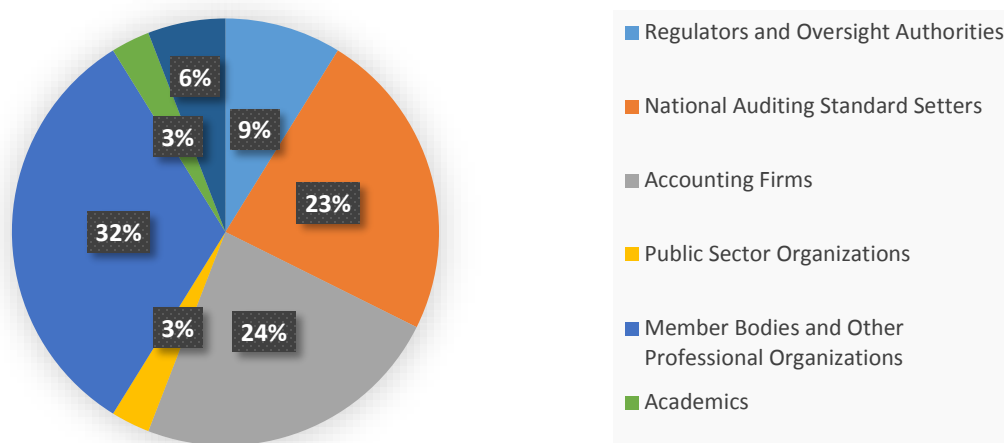
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<sup>1</sup> The Monitoring Group issued its Consultation Paper, [Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest](#), in July 2017. At the time of writing this paper, the Monitoring Group continues to develop its proposals in light of the feedback to its Consultation Paper. In developing the future Strategy for 2020–2023, the IAASB is mindful of the issues and challenges that were presented by the Monitoring Group, but will continue to develop its Strategy taking into account the views of all of its stakeholders.

## I. The IAASB's Strategic Objectives

### How the IAASB's Strategy 2020–2023 Has Been Developed

1. The development of this Consultation Paper has been informed by an environment that is evolving at an ever-increasing pace, which gives rise to both opportunities and challenges for the IAASB. The IAASB has also considered its activities over the last ten years, and taken into account changes that are being called for by its diverse range of stakeholders to keep its standards and activities relevant.
2. Outreach, as always, has been an important element in developing this Consultation Paper. The strategy development process commenced formally with a Stakeholder Survey, which was open until July 24, 2018. The IAASB received responses from a wide range of stakeholders—76 responses were received, of which 12 were from global organizations and one was from a Monitoring Group member (The International Organization of Securities Commissions (IOSCO)). The chart below shows the distribution of responses by stakeholder category, excluding the 42 responses received from individuals.



3. In addition to the responses to the IAASB's Strategy Survey, the development of this Consultation Paper was informed by:
  - The IAASB's ongoing global outreach by its members, which has assisted the IAASB in better understanding the changing global environment, the challenges facing the IAASB and the needs of its global stakeholders;
  - Targeted outreach with stakeholders the IAASB does not ordinarily hear from (such as with individuals representing investor groups, groups representing those charged with governance, preparers of financial statements, smaller firms, regulators and academics); and
  - Discussions about possible future direction with the IAASB's CAG. The CAG is comprised of over 30 member organizations representing global regulators, business and international organizations, accountancy regional bodies and users and preparers of financial statements.

## The IAASB's Strategic Objectives

4. This Consultation Paper sets out the Board's medium-term vision for its activities that are encompassed in three strategic objectives that provide context for the IAASB's mandate and outputs. These strategic objectives reflect the IAASB's views about how it should focus its activities in the 2020–2023 period in light of the current environment and the needs of its stakeholders. The IAASB's three strategic objectives are as follows (each of these strategic objectives is described on pages 12–15):

*Developing High-Quality International Standards*

*Maintaining the Relevance of the International Standards, and Supporting their Implementation*

*Informing Through Outreach and Advancing Through Collaboration*

5. Although largely similar to the strategic objectives of the IAASB in 2015–2019, the future strategy period has a greater focus on maintaining the relevance of the standards, and in particular supporting the implementation of the significant ISAs that are new or have been recently revised (or are in the process of being revised).

## Context for the IAASB's Strategic Objectives for 2020–2023

### *The Evolving Environment*

6. The following global issues, trends and developments have been identified as likely to significantly affect the IAASB's activities in its future strategy period:

#### **Advancement in, and Use of, Technology**

Major trends and developments in technology, including the rate of changes and increasing use of big data, are rapidly transforming businesses and economies. Technologies such as artificial intelligence, robotics, blockchain, cloud computing, mobile computing, social networks and new digital payment platforms will impact entities and auditors / practitioners. These developments bring opportunities to practitioners but also new risks, in particular to audits. For example, auditors will need to have the capabilities to audit in a highly digitized environment, as well as have the skills and knowledge to use new technology tools properly. These developments in technology are likely to have revolutionary effects on the profession, the way that engagements are undertaken, and the assurance needs of stakeholders.

### **Changing Reporting Needs of Stakeholders**

Corporate reporting is evolving, and users of corporate reports are increasingly focusing on available non-financial information (e.g., sustainability reporting, reports on internal control and other forms of extended forms of reporting). Understanding the increased demands for information, and the need for audit or other form of assurance on that information, to respond on a timely basis to the needs of stakeholders is a key objective for the IAASB.

### **Public's Confidence in Audits**

Recent high profile corporate failures, with the related attention given to the role of the audit, has contributed to the public's decreasing confidence in an audit, and declining trust in the competence and integrity of professional accountants. Sometimes the reasons for these corporate failures are synonymous with the reasons for an audit failure, but often they are not. Audit failures can, among other things, result from the inappropriate application of the standards, or from insufficient quality of the standards themselves. In particular, the adequacy of the auditor's work in relation to the detection and reporting of fraud, or the consideration of going concern issues, as well as application of new accounting practices arising for new and revised accounting standards, is an ongoing area of attention for users of the financial statements.

### **Increasing Complexity and Scalable Standards**

Accounting and assurance practices are evolving to address the increasingly complex environment. Financial reporting aims to describe economic reality faithfully and neutrally. However, as transactions become more complex, judgment is increasingly needed in applying the financial reporting requirements. As a result, the auditing standards have been evolving to address the increasing complexity. Notwithstanding the IAASB's efforts to consider scalability relating to less complex situations as it revises its standards, there have been continued calls for more or different consideration of scalability.

### **Environment for Small- and Medium-Sized Entities (SME)**

As audit thresholds change globally, the demand for other types of assurance or services for SME is changing. At the same time, for those entities where an audit is not legislated, there have been questions about whether the audit is the most appropriate type of engagement for the particular needs of the entity. Understanding the needs of these stakeholders and providing standards for engagements that will fulfill their needs will continue to be a challenge for the IAASB.



### Challenges for the IAASB in 2020–2023

7. The effects of the pace of change, as well as pervasive global issues, trends and developments, give rise to many challenges for the IAASB as it progresses its work. In addition to the challenges of an increasingly evolving landscape, the IAASB has identified specific challenges that will need to be addressed in shaping its future work plans:

#### **Balancing Different Priorities and Needs of Various Stakeholders**

The IAASB has a wide variety of stakeholders that may have different priorities and needs. The IAASB has to prioritize, and respond to, these different calls for action, both in how it deploys its resources (such as developing new standards or revising existing auditing standards versus developing interpretative guidance), as well as how it presents its standards (for example, calls for more detailed guidance in the standards competes with the ability to keep the standards principles-based). Not meeting some of the needs of a particular stakeholder group may result in the stakeholder group finding the IAASB's standards less relevant for their purpose.

#### **Developing Standards that Remain 'Fit-for-Purpose'**

As the environment continues to evolve, at a rapidly changing rate, developing principle-based standards that are able to be applied as circumstances change in the future becomes more challenging. Failing to respond in a reasonable timeframe to the rapid changes occurring in the profession and the global environment puts the ongoing relevance of the IAASB's standards at risk, as they may no longer be, or seen to be, fit for purpose.

#### **Creating Capacity to Advance the IAASB's Activities**

The Board will continue to have to make optimum resource allocations in relation to its activities. Notwithstanding that the IAASB, in its current Strategy period, has had success in collaborating with others in progressing its work (for example, using resources from NSS and obtaining external funding for its EER project), challenges are expected to continue to arise in obtaining and leveraging available resources, both Board and Staff, with relevant skills, knowledge and expertise. At the same time, the Board's plenary capacity is limited to its planned physical meetings and Board teleconferences. Further changes to operate more strategically will be needed to increase the Board's capacity to progress its planned activities.

#### **Expected Changes to Structures and Procedures Arising from the Monitoring Group Review**

Possible changes to the current standard-setting model, including the composition of the standard-setting Board, the number and expertise of the technical staff, and the way that the Board undertakes its activities, are likely to affect the capacity and activities of the IAASB, including during the 2020–2023 strategy period and beyond.

*Other Influences on the IAASB's Activities in 2020 and Beyond—The Impact of the IAASB's Current Strategy on its Future Activities*

8. Over the last seven years the IAASB has progressed key projects with a focus on enhancing Audit Quality. Many of these projects will, in various ways, continue to affect or be relevant to the next strategy period from 2020 onwards.
9. Appendix 1 sets out the IAASB's Work Plan for 2019, which provides further detail about the projects and initiatives that will still be in progress at the start of the next strategy period, or are likely to affect the IAASB's activities in future periods.

**Projects Completed / Expected to be Completed Before the End of 2019**

- ISA 540 (Revised) has been finalized in 2018, and it is expected that ISA 315 (Revised) will be complete in 2019. It is essential that these revised standards are implemented in an effective way; the IAASB has an important role in implementation activities to help with an effective and efficient adoption of the changes globally.
- It is also expected that the standard addressing agreed-upon procedures engagements will be finalized in 2019.
- The IAASB's new and revised auditor reporting standards, bringing transparency to the audit, have now been effective for two years. The IAASB will shortly embark on a post-implementation review to understand whether these standards have been implemented as intended, and what significant practice issues exist. Further activities may be needed depending on the outcomes of this review.

**Projects Still in Progress at the end of 2019**

- The IAASB is involved in significant projects to revise and develop its quality management standards (ISQM 1, ISQM 2 and ISA 220 (Revised)), as well as its standard addressing group audits (ISA 600). Focused efforts will be needed to progress these standards to completion, as well as to support their effective implementation.
- The IAASB is currently in the process of developing draft guidance related to assurance on EER. IAASB efforts to complete the guidance will be needed. The work done in developing this guidance may also indicate the need for further IAASB activities in relation to assurance in this area.

**Projects or Initiatives Commencing in 2019 for which the Work Effort is Unknown**

- The IAASB has commenced a project to develop a Discussion Paper on challenges and issues relating to audits of less complex entities. The IAASB's future activities related to audits of less complex entities will be determined by the responses to this Discussion Paper and input from related outreach activities, and is likely to be one of the IAASB's more significant focus areas from 2020 onwards.
- In 2019, the IAASB will commence initial activities for the scoping of a project on Audit Evidence. This will include aspects related to automated tools and techniques (including data analytics) and professional skepticism, as well as consideration of the revision of various ISAs in addition to ISA 500, *Audit Evidence*. However, further information gathering and research activities are needed to determine the scope of this project.

## Description of the IAASB's Strategic Objectives

### Strategic Objective 1:

#### *Developing High-Quality Standards*

Developing high-quality standards is core to the IAASB's activities as the global standard setter of international audit, assurance and related services standards.

The ISAs and ISQC 1<sup>2</sup> serve a fundamental role in underpinning audit quality and users' confidence in the audit and financial reporting. During the current strategy period, the IAASB has worked hard, and continues to, revise some of its standards that are core to the audit, including those addressing quality control for the firm and for audits, and other foundational ISAs. The objectives of the revisions were to address the challenges and issues identified in the IAASB's post-clarity ISA Implementation Monitoring, and to make these standards fit for today's environment. These significant projects extend into the 2020–2023 strategy period.

In the last ten years, recognizing the needs of its broad stakeholder base and the extensive nature of engagements undertaken, the IAASB has also revised its standards relating to other assurance and related services engagements. Completing the revision to the standard for agreed-upon engagements (expected in late 2019) accomplishes the IAASB's vision to revise its current suite of standards (other than ISAs) in the clarity format, while updating these standards to address evolving needs. The IAASB now intends to further consider the global reporting environment, including whether new standards are needed to address stakeholder needs for assurance or other services.

This strategic objective acknowledges that in continuing to meet its mandate, future standard-setting projects will need to be undertaken in order to meet the needs of a multi-stakeholder environment, while maintaining the relevance of the IAASB's standards in a timely manner. In identifying appropriate actions related to standard-setting, and their relative priorities, the IAASB will remain mindful of:

- Changes needed in the standards to address rapid advances in technology. This includes how entities are using technology, and also how practitioners (in particular auditors) are adapting how engagement teams are organized and undertake their engagements, including the use of advanced procedures using automated tools and techniques.
- The increasing expectation gap about how auditors are addressing the identification and reporting of fraud and non-compliance with laws and regulations (for example anti-money laundering) in audits of financial statements.
- The continuing calls for more work by the auditor in relation to going concern.
- Calls for revisions of other key ISAs, such as applying materiality in planning and performing the audit, and responding to risks of material misstatement, in light of more robust identification and assessment of the risks of material misstatement arising from the revisions to ISA 315 (Revised).<sup>3</sup>
- The continuously changing environment, how entities are communicating information about their businesses, and the need to be responsive to stakeholder needs in relation to these evolving developments.

<sup>2</sup> International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*

<sup>3</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

**Strategic Objective 2:*****Maintaining the Relevance of the International Standards, and Supporting their Implementation***

The IAASB's commitment to meeting the needs of its stakeholders goes beyond setting high-quality standards, notwithstanding that this is core to the IAASB's activities. Maintaining and supporting implementation of the standards, in a timely manner, is key to the IAASB's continued success.

In 2015–2019, the IAASB has dedicated significant time and effort revising some of its core standards, including those addressing quality control for the firm and for audits (ISQC 1 and ISA 220)<sup>4</sup> and other standards, including ISA 315 (Revised), ISA 540 (Revised)<sup>5</sup> and ISA 600.<sup>6</sup> It is in the public interest for the IAASB to proactively support the implementation of these new or revised standards through targeted implementation activities as the IAASB's capacity allows, as well as supporting or facilitating such activities through others (such as national standard setters (NSS) or the International Federation of Accountants (IFAC) (including its member bodies and committees). Time and resources will be needed to determine the optimal role for the IAASB in this regard, taking into account what is in the best interests of stakeholders, and the balance between what the IAASB needs to do to promote effective implementation and application, and the role of others. Dedicating resources to these activities to support the effective implementation of these new and revised standards is essential, notwithstanding the many calls for IAASB and staff time.

Of equal importance is responding to stakeholder needs in an evolving landscape on a timely basis. The IAASB recognizes that standard-setting (i.e., developing new or revising current International Standards) may not necessarily be the only solution to address challenges and issues identified. In this regard, the IAASB will also consider other mechanisms for addressing issues and challenges on a more timely basis, including:

- Developing non-authoritative practical guidance.
- '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.

In order to support evidence-informed decisions about whether standard-setting is needed or other actions are more appropriate, the IAASB recognizes the importance of understanding the environment and other pivotal changes affecting the IAASB's standards and activities, as well as other causal factors underlying any identified issues or challenges. The foundation to the IAASB's future activities therefore lies in a greater understanding of how these factors affect its standards, and what actions may be needed. Accordingly, more time and structured efforts will be dedicated to robust information gathering and research activities, ranging from topic-specific research, to, for example, considering the need to reinvent the audit (keeping in mind today's regulations and inspection requirements). The broad and open nature of these activities will help the IAASB keep abreast of the environmental and other influences driving its stakeholders' needs.

<sup>4</sup> ISA 220, *Quality Control for an Audit of Financial Statements*

<sup>5</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

<sup>6</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

**Strategic Objective 3:*****Informing Through Outreach and Advancing Through Collaboration***

The IAASB cannot develop and maintain high-quality standards on its own. Input and support from a wide variety of stakeholders is essential to assist the IAASB in understanding changes that are needed, and to help it progress its work. It is also a two-way dialogue, with communication needed from the IAASB to its stakeholders about its activities, including the 'when' and 'why' to help inform the world about its focus and actions.

To this end, the IAASB has built strong relationships in the current strategy period with many key stakeholders, in particular international regulators and audit inspection bodies (for example IFIAR,<sup>7</sup> IOSCO, the FSB,<sup>8</sup> the Basel Committee,<sup>9</sup> and the IAIS,<sup>10</sup> practitioners (through the Forum of Firms,<sup>11</sup> GPPC<sup>12</sup> and IFAC Small- and Medium-sized Practices (SMP) Committee) and others (such as the IASB,<sup>13</sup> INTOSAI<sup>14</sup> and NSS). The IAASB believes that continuing to build these relationships, as well as to address public interest issues relevant to audit, assurance and related services, and to facilitate cooperation and interaction among its stakeholders on relevant topics, remains a crucial part of its remit as a global standard setter.

The IAASB's CAG is a fundamental part of the IAASB's engagement with its stakeholders about public interest topics, and interaction with the CAG is a key element of the IAASB's due process.

The IAASB's interaction with the PIOB also is critical to ensure continued credibility and confidence in the IAASB's work as a global standard setter. The PIOB plays an important oversight role, as it is charged with confirming that due process has been followed in the development of the IAASB's international standards. The PIOB also oversees the development of the IAASB's strategy and work plans, and provides advice on public interest matters it believes should be addressed by the IAASB.

The IAASB's outreach covers a broad range of activities, and to support its two other strategic objectives, the IAASB will continue to further consider what more is needed from its stakeholders. Of key importance when undertaking outreach activities is:

<sup>7</sup> International Forum of Independent Audit Regulators (IFIAR)

<sup>8</sup> Financial Stability Board (FSB)

<sup>9</sup> Basel Committee on Banking Supervision (Basel Committee)

<sup>10</sup> International Association of Insurance Supervisors (IAIS)

<sup>11</sup> The Forum of Firms (Forum) is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide, and use the ISAs as the basis for their audit methodologies.

<sup>12</sup> The Global Public Policy Committee (GPPC) is comprised of representatives from the six largest international accounting networks and focuses on public policy issues for the accounting profession. The GPPC also has periodic dialogue with IFIAR about inspection findings and other issues relevant to audit quality.

<sup>13</sup> International Accounting Standards Board (IASB)

<sup>14</sup> International Organisation of Supreme Audit Institutions (INTOSAI)

- Promoting adoption and effective implementation of the ISAs and the IAASB's other standards, in particular in the SME and emerging markets (by understanding different regulatory and legal environments in the private and public sectors, as well as issues of translation).
- Engaging with regulators and audit oversight bodies to understand their concerns, in particular in relation to inspection findings, when applying the IAASB's International Standards. Further exploration of the causal factors underlying inspection findings is essential to responding in an appropriate way to improve practice.
- Understanding of issues facing the audit profession, including financial reporting issues, implementation challenges, and opportunities for collaboration to enhance audit quality.
- Understanding of the content and breadth of any proposed new standards to meet the common needs of all parties, including investors and other users, and leading to global acceptance and endorsement of the standards.
- Providing input on auditability and verifiability of new and revised international financial reporting standards, thereby contributing to the quality of financial reporting.

The IAASB's collaborative efforts have also increased over recent years, in particular with the International Ethics Standards Board for Accountants (IESBA). In the current strategy period, the IESBA and the IAASB have agreed on established principles and related criteria guiding the interactions on matters of common interest, and annual joint meetings to discuss matters of mutual relevance will be ongoing. In addition, more regular interactions at the staff, task force and working group level will also be encouraged, as well as at the leadership level. This coordination has become progressively more important as each Board's work increasingly overlaps, and many jurisdictions adopt or use both Board's standards. The IAASB will also work together with the International Accounting Education Standards Board when there is overlap on specific topics.

The IAASB has also established two project advisory panels (relating to the projects on data analytics and EER) to further engage with, and inform, IAASB Task Forces and Working Groups on subject-specific matters. The IAASB will continue to establish subject-specific groups such as this where the need arises.

The IAASB also continues to work with NSS on various projects, and new initiatives to further explore how the IAASB can leverage the resources of the NSS are underway. The NSS have been providing resources and assistance to the IAASB in progressing its current projects (for example the project to revise ISRS 4400<sup>15</sup> and work to support the IAASB's initiative on SMP/ SME), and the IAASB is keen to further explore how this may be replicated on other projects and initiatives. The IAASB will also seek to coordinate efforts, as appropriate, with IFAC and its various committees, in progressing its activities, but in particular in relation to future implementation activities relating to the IAASB's new and revised standards.

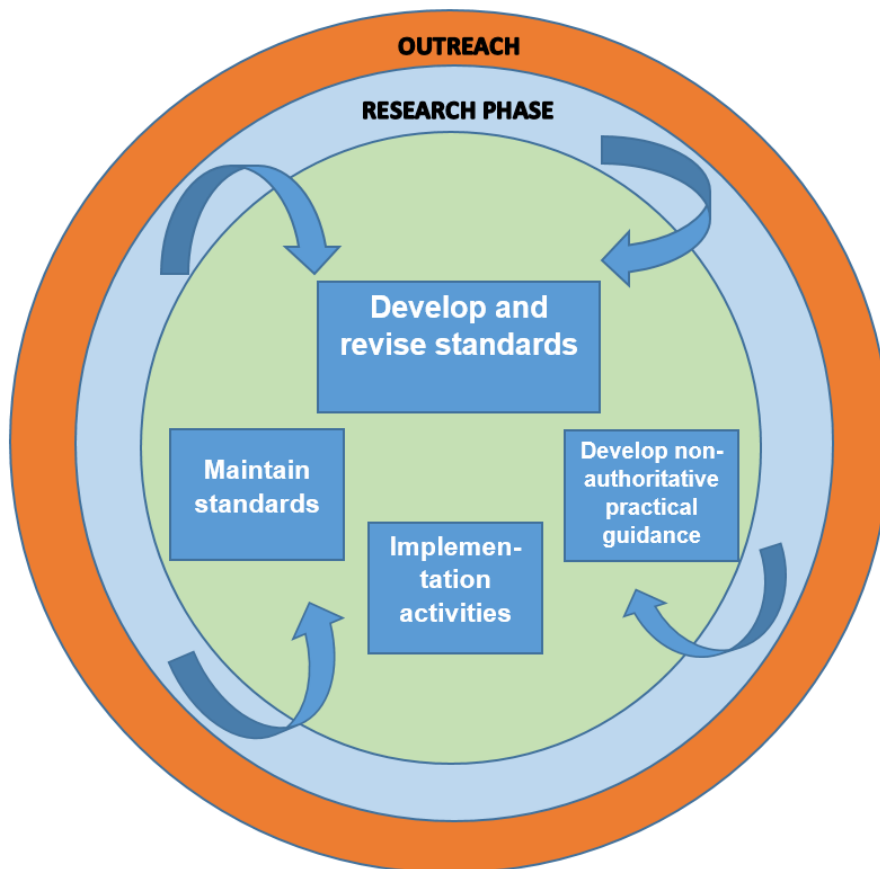
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<sup>15</sup> International Standards on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

## II. Managing Delivery of the Work Plan for 2020–2021

### Board Activities

10. Taking into account the status of its current projects, and in considering the issues, trends and developments in the evolving environment and the challenges facing the IAASB in 2020–2023, the IAASB has developed a broad framework to help it focus its activities. In developing this framework, the IAASB recognized that its approach to the work it undertakes needs to change, while being mindful that the framework would need to remain adaptable so as to accommodate any changes arising from the Monitoring Group review. At the same time, the IAASB's approach would need to be flexible enough to allow the IAASB to remain nimble in the increasingly evolving environment.
11. In developing the framework for its future activities, the IAASB kept two overarching 'themes' in mind:
  - The significance of "the right work at the right time."
  - The importance of the timeliness of the IAASB's work to meet the needs of its stakeholders.
12. The following diagram sets out the IAASB's proposed framework for its activities in its future strategy period. Each of these activities is further described in Table 1 on the following pages. If the IAASB's stakeholders support the directional approach for the future strategy period, the IAASB will need to further develop the specific activities, and structures and processes within each, having regard to the need for due process.



**Table 1: Description of Structured IAASB Activities to Support the 2020–2023 Work Plans**

<b>Revising and Developing Standards</b>	<b>Research Phase</b>	<b>Developing Non-Authoritative Guidance</b>	<b>Maintaining Standards</b>	<b>Implementation and Application of Standards</b>
<p>A new standard-setting project is not started until the research phase has gathered sufficient evidence 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 engagement 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>Structured Board activities and formalized processes for:</p> <p>(a) Identifying and further understanding causal factors of issues and challenges within existing standards.</p> <p>(b) Information-gathering to understand emerging issues and developments to help determine a global need for IAASB action.</p> <p>(c) 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</p>	<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 required. 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>	<p>Appropriate Board actions to maintain the standards may include a process for developing a narrow-scope amendment to a standard, following due process as appropriate, if that is determined to be the most appropriate action to address an issue.</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</li> <li>• Working or coordinating with others, such as NSS or IFAC, in developing support materials as needed.</li> </ul>



<b><i>Revising and Developing Standards</i></b>	<b><i>Research Phase</i></b>	<b><i>Developing Non-Authoritative Guidance</i></b>	<b><i>Maintaining Standards</i></b>	<b><i>Implementation and Application of Standards</i></b>
<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>	<p>initiative, or may result in a maintenance or implementation work stream.</p> <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>			<p>Implementation of the standards may also include developing a process to support the application of the standards by providing interpretations to specific questions when standard-setting is unnecessary (for example, may not be a widespread problem or may be impractical).</p>
<p style="text-align: center;"><b><i>Outreach</i></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, including its project advisory panels, as well as targeted outreach that may be project- or topic-specific.</p>				

### **Structures, Resources and Processes to Support Strategy Implementation**

13. As the demands for the IAASB's outputs continue to grow, the IAASB's work plans will continue to be ambitious, and will continue to draw on the IAASB's capacity to deliver high-quality pronouncements in a timely manner. The IAASB will give further consideration to how technology can facilitate more effective interactions to increase efficient collaboration, reduce travel, and better utilize human resources to focus on critical matters.
14. Given the demands on the IAASB's resources, and the expected changes and constraints during the strategy period, the IAASB will have an overriding focus on enhancing the effectiveness and efficiency in delivery of committed actions. The IAASB's current capacity<sup>16</sup> includes:
  - Plenary Board meeting capacity of 20 days a year (four 5-day meetings), with capacity for 8 to 10 plenary teleconferences of two hours each between the Board's 5-day meetings. Further consideration will be given to how to enhance the effectiveness and efficiency of the Board's discussions in plenary sessions, for example, to focus on more strategic matters while leaving detailed drafting to Task Forces, Working Groups and Staff.
  - A remunerated independent Chairman and seventeen volunteer members. Volunteers commit between 400 and 1300 hours per year (excluding travel) to their work on the Board. Most Board members are supported by a technical advisor who contributes a similar amount of time.
  - A full-time technical team of ten staff and administrative team of two staff to support the activities of the team. Administrative structures and processes are supported by IFAC.
  - Others supplementing the staff resources to help progress the IAASB's work. As noted in Strategic Objective 3, the IAASB continues to expand its collaborative efforts with others, for example to leverage resources from NSS on standard-setting projects and to assist with discrete tasks. The Board will continue to explore other short-to-medium term staffing additions, for example seconding staff or obtaining volunteers from outside organizations (e.g. from NSS, regulators, firms, academics). In addition, the IAASB will explore whether grant funding might be available for certain projects, and using these funds to hire non-permanent staff resources is an option for supplementing its staff resources.
  - An annual operating budget that supports staffing, meetings, travel and other direct costs necessary for the IAASB to execute its strategy and carry out its work plans.

### **Monitoring the Achievement of the Strategic Objectives**

15. Accountability to its stakeholders about how the strategic objectives are being met is key to building trust and inspiring confidence. Communication and transparency about its actions is therefore an essential part of the IAASB's activities in the 2020–2023 strategy period. The IAASB believes that a more transparent process for determining its actions and priorities, and communication of progress against targeted timelines (for example, through quarterly public reporting of progress against planned actions), will help its stakeholders in understanding how the IAASB is achieving its strategic objectives.

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<sup>16</sup> It is expected that there will be changes to this during the strategy period arising from the Monitoring Group review.

16. Monitoring the progress of the outcomes of the IAASB's actions undertaken towards the achievement of its objectives is not currently measured using predetermined metrics (such as key performance indicators). However, the IAASB nonetheless believes that it is being held accountable for the achievement of its strategic objectives through the constant scrutiny of its actions by its stakeholders in:

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

The IAASB will further consider whether more specific indicators will be used in the future strategy period as it changes its structures and processes.

17. A broad and robust outreach program, with international regulatory groups, firms, NSS and others, constantly requires the IAASB to report on the progress it is making in relation to its many activities. The PIOB also requires quarterly reporting from the IAASB about its actions and timelines, which holds the IAASB accountable against its targeted activities.

### **III. Key Considerations Guiding the Establishment of the Work Plan for 2020–2021**

18. The detailed Work Plan for the period 2020–2021<sup>17</sup> is presented in Table 2 below. Table 2 presents the IAASB's current thinking about how each of the projects will be progressed. These milestones may be reached earlier, or later, than currently indicated. The Work Plan for 2019 is presented for context to the start of 2020.

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<sup>17</sup> The detailed Work plan also includes the intended plan for progression of projects in 2019 to provide context for 2020 and 2021.

**Table 2: Detailed Work Plan<sup>18</sup>**

Project	2019 <sup>1</sup>				2020				2021			
	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec
<b>Revising and Developing Standards</b>												
ISA 315 (Revised)	X	X										
ISQM 1 <sup>19</sup>			X	X	X							
ISQM 2 <sup>20</sup>			X	X	X							
ISA 220 (Revised) <sup>21</sup>			X	X	X							
ISA 600 (Revised) <sup>22</sup>	X	X	X	X			X	X	X			
ISRS 4400 (Revised)		X	X	X								
Audits of Less Complex Entities	X			X	X	X	X	X			X	X
Audit Evidence	X	X	X		X	X	X	X	X	X		
<b>Developing Non-Authoritative Guidance</b>												
Extended External Reporting		X	X			X	X	X				

<sup>18</sup> The cells with an 'X' indicate that IAASB plenary time is scheduled for the project, while the green highlighted cells indicate Working Group / Task Force or Staff activity on a project. For certain projects, especially the implementation support activities, a working group or task force may develop materials which may not be necessarily discussed in the IAASB's plenary meeting.

<sup>19</sup> Proposed International Standard on Quality Management (ISQM) (previously ISQC) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>20</sup> Proposed ISQM 2, *Engagement Quality Reviews*

<sup>21</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

<sup>22</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

IAASB's Proposed Strategy 2020-2023 and Work Plan for 2020-2021

IAASB Main Agenda (December 2018)

Project	2019				2020				2021			
	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec
<b>Implementation Activities</b>												
Auditor Reporting <sup>23</sup>		X										
ISA 540 (Revised)												
ISA 315 (Revised)			X									
Revised Quality Management Standards												
ISA 600 (Revised)												
<b>Maintaining Standards</b>												
IESBA Handbook changes	X											
<b>Research Phase</b>												
Research (includes activities of the IAASB's current Innovation Working Group) <sup>24</sup>						X		X		X		X
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				X			
Strategy 2020-2023 and Work Plan for 2020-2021		X	X	X								

<sup>23</sup> Depending on the findings of the Auditor Reporting Post Implementation Review the IAASB will perform further work in 2020 and 2021.

<sup>24</sup> The nature and scope of new projects will be determined in the research phase—at this stage as the outcomes of the work during this phase has not been allocated to specific projects yet all additional time for both research activities and new projects are contained within this line. However, as information gathering is progressed and it becomes likely a new project will commence the time will be reallocated as appropriate. .

19. The following sets out the Board's considerations in developing the planned actions for 2020–2021, which will be a period of transition for the IAASB in looking to the future. While there are calls from many stakeholders for IAASB efforts on a variety of important topics, changes in how the IAASB approaches its activities will significantly influence the Board's new activities in 2020–2021. Accordingly, the IAASB must prioritize its actions taking into account its strategic objectives, available resources and the due process model created by its terms of reference. The proposed Work Plan for 2020–2021 has been established bearing this in mind.
20. During this initial work plan of the new strategy period, the IAASB will also be transitioning to more structured processes and activities around how it undertakes its work (see Table 1 on page 17). In order to transition from its current modus operandi to the new proposed approach, time will need to be spent by the IAASB working through how to most effectively and efficiently realign its activities. This will help establish principles to guide the IAASB's work in its future work plans.
21. It is intended that the new structured activities approach will help inform the IAASB about what these future actions should be. Key to this is the information gathering in the 'research phase'—before commencing a new project, a new structured approach for the IAASB to determine the most appropriate actions to address an identified challenge or issue, will need to be in place. Any activities of the IAASB's current Innovation Working Group will be absorbed into this activity. Further consideration by the IAASB about what this 'research phase' comprises is needed, but may include activities related to:
- Fact-finding activities to understand emerging issues and developments, which may also include academic research and post-implementation reviews.
  - Defining the problem / issue / challenge (including further understanding the causal factors).
  - An assessment of available options, including the impact of possible actions.
  - Scoping the future project.
22. To guide the IAASB in determining the most appropriate action, and how such action should be prioritized, involves the IAASB's consideration of the following:
- The benefits to the public interest of undertaking the particular action, including the extent to which the action will further:
    - Enhance the benefits of audit, assurance and other engagements 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.

At present the IAASB is considering how it can establish enhanced collaborative working relationships with NSS, IFAC and others to help advance its work. These efforts are vital to support the IAASB's intended activities in the next strategy period, in particular in relation to research and implementation activities.

- The degree of urgency in addressing the particular matter, and the potential implications for the public interest if action is not taken or is delayed.
- The pervasiveness of the matter and the global applicability of the potential actions, for example in relation to entities of different sizes and complexity, different industries, and across jurisdictions.
- 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 will be given 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, compared to alternative approaches such as non-authoritative practical guidance.

As the IAASB changes how it approaches its activities, further consideration of more robust criteria for determining a future action (for example, standard-setting versus development of guidance, or some other rapid response-type mechanism) will be developed.

23. As the standard-setting projects carrying over from 2019 will be gradually completed during 2020 and 2021, and capacity starts to open up in 2021, the IAASB will focus its attention on future short- and medium term projects, which will be informed by the new research activity stream. This will allow for flexibility and responding to changes on a more timely basis as the environment continues to evolve.

#### IV. Proposed Actions, Priorities and Timing

24. The completion of projects carrying over<sup>25</sup> from the 2015–2019 Strategy are a priority (as was confirmed by the responses from the IAASB's Stakeholder Survey) and are expected to take up a considerable part of the Work Plan for 2020–2021, especially in 2020. This includes:
- Standard-setting activities in the following areas:<sup>26</sup>
    - Finalization of the new and revised standards related to Quality Management (i.e., ISQM 1, ISQM 2 and ISA 220 (Revised)) (expected to be completed in 2020).
    - Finalization of ISA 600 (Revised) relating to Group Audits (expected to be completed early in 2021).
    - Possible standard-setting activities<sup>27</sup> arising from the IAASB's work on challenges and issues relating to audits of less complex entities (throughout 2020 and 2021).
    - Progression to Exposure Draft of revisions to the ISAs<sup>28</sup> relating to the planned project on Audit Evidence (throughout 2020 and 2021).

<sup>25</sup> Appendix 1 sets out the IAASB's Work Plan for 2019, including a description of the projects, and an indication of which projects will carry over to the new strategy period.

<sup>26</sup> Appendix 1 sets out a description of each of the projects carrying over from the IAASB's Work Plan for 2019

<sup>27</sup> The outcome of this initiative is not known, but whether this is standard-setting or some other activity, it is likely to be a substantial project for the IAASB in the next strategy period.

<sup>28</sup> Possibly impacting ISA 230, *Audit Documentation* (including the 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.

- Supporting implementation<sup>29</sup> of:
    - ISA 540 (Revised);
    - ISA 315 (Revised);
    - The suite of new and revised Quality Management standards (following completion in 2020); and
    - ISA 600 (Revised) (following completion in 2021).
  - Developing non-authoritative guidance for:
    - EER.
  - Ongoing activities of the IAASB including:
    - Professional skepticism;
    - Data analytics;
    - Coordination with the International Ethics Standards Board for Accountants; and
    - Liaison activities with the International Accounting Standards Board.
25. As capacity opens up, future actions include activities that relate to setting up the IAASB's structures and processes to support the three strategic objectives identified in the proposed Strategy for 2020–2023, while specific projects and initiatives commenced are guided by the IAASB's research phase activities. Time for these research activities has also been planned, with specific Board discussions at least twice a year about activities related to this phase and what may be in the pipeline.
26. In identifying appropriate future actions, and their relative priorities, the IAASB will in particular take into account:
- Advances, and the increasing pace of change, in technology, and the changes that are needed in the standards that result in standards that are congruent with the environment in which they are being used.
  - The increasing expectation gap about how the auditors are addressing fraud and non-compliance with laws and regulations (for example, anti-money laundering) in audits of financial statements.
  - The continuing calls for more by the auditor in relation to going concern.
  - Ongoing calls for more relating to the impact of advanced procedures using automated tools and techniques, big data and artificial intelligence.

The impact of technology will see a change in the way that audits are carried out. The IAASB's International Standards must continue to be robust and based on solid principles that can accommodate the changes...

*Hong Kong Institute of  
Certified Public  
Accountants*

<sup>29</sup> The specific activities relating to supporting implementation are still to be considered by the IAASB, and time has been planned in 2019 for deliberation about the most appropriate implementation activities, including how the IAASB can collaborate with the national standards setters, as well as IFAC. Implementation support may include the production of examples, flowcharts, Practice Notes, Staff Q&A, webinars and outreach.



- Calls for revisions of other key performance ISAs, such as applying materiality in planning and performing the audit, and responding to risks of material misstatement in light of more robust identification and assessment of the risks of material misstatement arising from the revisions to ISA 315 (Revised).
  - The changing corporate reporting environment, including assurance on emerging forms of external reporting.
27. While retaining flexibility in the projects it undertakes, the IAASB also recognizes that its priorities may change in light of national or international developments during the period. At the same time, given the nature of the issues being addressed, progression of projects may follow different timelines to completion from those presented in Table 2.

## **V. Request for Comments**

This Consultation Paper, *IAASB's Proposed Strategy 2020–2023 and Work Plan for 2020–2021*, was developed and [approved] by the IAASB. The proposals in this Consultation document may be modified in light of comments received before being issued in final form. Comments are requested by **[XYZ, 2019]**. In answering the questions, please explain why you agree or disagree with the IAASB's proposals.

### *Strategy 2020-2023*

1. Do you agree with the IAASB's proposed Strategic Objectives for 2020–2023?
2. Do you agree with the IAASB's proposed framework to structure its activities, and the possible nature of such activities, as set out in Table 1?
3. In your view, how could the IAASB be more transparent in how it communicates the achievement of its strategic objectives?

### *Work Plan for 2020-2021*

4. Do you agree with the proposed criteria for the IAASB to determine its actions and priorities over the strategy period?
5. Do you support the actions that have been identified in Section IV? If not, which actions do you believe the IAASB should prioritize?
6. Do you believe the IAASB should accelerate or defer any particular actions? If so, please explain why?
7. Do you agree with the matters that the IAASB will take into account to identify appropriate future actions, and their relative priorities, as described in paragraph 26? Are there other significant matters the IAASB should take into account when identifying appropriate future actions?

### *General*

8. Do you have comments on any other matters addressed in this consultation paper or any significant matters not covered in this consultation paper that you believe the IAASB should address?

## Appendix 1

## IAASB Work Plan for 2019—Priorities and Actions

1. The IAASB's current [Strategy 2015–2019](#)<sup>30</sup> encompasses two work plans, [2015–2016](#) and [2017–2018](#)). The IAASB agreed that the stub period for 2019 would not be treated as a separate work plan because many of the significant projects commenced at the start of the strategy period would still be progressed or finalized in this period.
2. In 2017 and 2018, the IAASB continued with revisions to a number of its key and foundational ISAs, as well as its ISQC.<sup>31</sup> 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](#) (ITC), *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.
3. The approval of ISA 540 (Revised) in June 2018 signifies 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 relation to this project are now focused on implementation support activities.
4. 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 expected to be completed in the next 18 months.
5. The IAASB will also start to plan for its future strategy period, and changes to the way it undertakes its activities. 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. The following sets out the planned work for 2019:

<b>ISA 315 (Revised)</b>	In July 2018, the IAASB issued an Exposure Draft of ISA 315 (Revised), with a comment period to November 2, 2018. The Board [has discussed] the feedback and proposed changes based on comments received on exposure with a goal of finalizing the revisions to ISA 315 (Revised) is June 2019. The Board will also consider implementation activities as necessary.
<b>Quality Control projects (ISQM 1, ISQM 2, ISA 220 (Revised))</b>	In [January] 2019 the Board plans to issue three Exposure Drafts addressing quality management at the firm and engagement level, with a comment period of [150] <sup>32</sup> days. The IAASB will discuss the responses received on exposure, including how to address the matters raised, at its September and December 2019 meetings. The IAASB expects to finalize the revised and new standards in the first half of 2020.

<sup>30</sup> <http://www.ifac.org/publications-resources/iaasb-strategy-2015-2019>

<sup>31</sup> Including development of a new standard to address engagement quality reviews (ISQM 2)

<sup>32</sup> To be confirmed at the IAASB December 2018 meeting

<p><b>Group Audits (ISA 600)</b></p>	<p>The IAASB commenced this project in 2014 and obtained valuable input through the ITC. The IAASB decided to focus efforts on other projects given that some of the foundational issues to be dealt with in the revisions to ISA 600 needed 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 significantly progress its work on revising ISA 600 and will work towards the approval of an Exposure Draft in December 2019.</p>
<p><b>Audit Evidence</b></p>	<p>Scoping of a project on Audit Evidence will commence with information gathering and research to help inform the IAASB's decision about what will be included in this project. Topics likely to be considered for inclusion in this project include:</p> <ul style="list-style-type: none"> <li>• A revision of ISA 500, <i>Audit Evidence</i>.</li> <li>• Aspects of automated tools and techniques (including data analytics); and</li> <li>• Professional skepticism.</li> </ul> <p>Further consideration may also be given to whether, and how, this project should encompass the need for possible revisions to ISA 230, <i>Audit Documentation</i> (including the further consideration of professional skepticism), ISA 520, <i>Analytical Procedures</i>, ISA 530, <i>Audit Sampling</i>, ISA 320, <i>Materiality in Planning and Performing an Audit</i>, and other changes that may be warranted given the advances in technology.</p>
<p><b>Agreed-Up Procedures</b></p>	<p>In November 2018 the IAASB issued an Exposure Draft of ISRS 4400 (Revised) with a comment period of 120 days. In 2019 the Board will discuss the responses received on exposure and ways to address the matters raised. The IAASB expects to finalize the revised standard in December 2019.</p>
<p><b>Extended External Reporting</b></p>	<p>The IAASB expects to publish, for consultation, the first phase of guidance related to assurance engagements over EER. The draft guidance aims to help practitioners apply ISAE 3000 (Revised)<sup>33</sup> to reports which include non-financial information that go beyond the traditional (financial statement) focus on the entity's financial position, financial performance and impact on its financial resources. Subject to confirmation of the availability and allocation of resources, the second phase of the project will commence, aiming to develop guidance relating to the remaining identified</p>

<sup>33</sup> International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

	challenges for assurance. This would be published for consultation towards the end of 2019.
<b>Audits of Less Complex Entities</b>	Given the changing environment for SME, and the increasing complexity of the standards, there is an increasing urgency for IAASB action in this area. As a result, the IAASB plans to publish a Discussion Paper regarding challenges and issues in relation to audits of less complex entities in April 2019, with views sought about perceived issues and challenges as well as possible future actions to address these challenges and issues. Related outreach for obtaining input will include a second SMP/ SME Conference planned for May 2019, as well as other outreach that may be necessary. The feedback from the Discussion Paper and outreach will be discussed by the IAASB at its December 2019 meeting.
<b>Auditor Reporting Post-Implementation Review</b>	The Auditor Reporting Implementation Working Group will commence planning for a post-implementation review of the new and revised auditor reporting standards and ISA 720 (Revised) <sup>34</sup> in the first half of 2019, with the first phase of information-gathering scheduled to begin later in 2019.
<b>ISA 540 (Revised) Implementation Support</b>	The ISA 540 (Revised) Implementation Support Working Group will develop material to support awareness, understanding and effective implementation of ISA 540 (Revised), including examples to illustrate how the requirements in ISA 540 (Revised) are scalable for accounting estimates with different characteristics, and other materials such as flow charts, frequently asked questions and webinars.
<b>Ongoing Initiatives</b>	As needed, the IAASB will also to continue its work, and collaboration and liaison activities, related to data analytics, professional skepticism, the work of the International Ethics Standards Board for Accountants, the International Accounting Standards Board and innovation updates.

<sup>34</sup> ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

## Appendix 2

## Description of Projects and Initiatives 2020 and 2021

**Quality Management projects (ISQM 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 ISQM 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 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 expects to finalize the revised standards in March 2020.

**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 the other ISAs.

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 project addresses the application of ISAE 3000 (Revised) related to EER. The IAASB will continue to develop non-authoritative guidance in applying ISAE 3000 (Revised) to EER and continue to provide thought leadership on assurance issues in relation to EER.

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

Phase 2 of the project is expected 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.

#### *Targeted Milestones*

- Following the plan to issue exposure drafts of 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 from the feedback from the discussion paper and related outreach activities 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 SMP/ SME Conference will be held in Paris, France in May 2019, in addition to other targeted outreach activities. The feedback from the Discussion Paper and outreach will help scope a future project on audits of less complex entities.

### **Post Implementation Review on Auditor Reporting Standards**

The post-implementation review on the auditor reporting standards 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*

In the first half of 2019 the IAASB will commence a post-implementation review of the new and revised auditor reporting standards, with consideration of the findings latter in 2019. Depending on the findings the IAASB will perform further work 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. Outreach will inform the IAASB which material to develop.

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 a '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 projects. 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.