

**Proposed IAASB Strategy and Work  
Program for 2012–2014**



## REQUEST FOR COMMENTS

The International Auditing and Assurance Standards Board (IAASB) approved this Consultation Paper, *Proposed IAASB Strategy and Work Program for 2012–2014*, for publication in January 2011. This consultation paper may be modified in light of comments received before being issued in final form.

Respondents are asked to submit their comments **electronically** through the IAASB website ([www.iaasb.org](http://www.iaasb.org)), using the “Submit a Comment” link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this new feature. All comments will be considered a matter of public record and will ultimately be posted on the IAASB website.

Comments can also be faxed to the attention of the IAASB Technical Director at +1 (212) 856-9420, or mailed to:

Technical Director  
International Auditing and Assurance Standards Board  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, New York 10017 USA

Comments should be submitted by **April 4, 2011**.

Copies of this Consultation Paper may be downloaded free of charge from the IAASB website at [www.iaasb.org](http://www.iaasb.org).

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The IAASB is an independent standard-setting body. It develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board (PIOB), which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group (CAG), which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

The objective of the IAASB is to serve the public interest by setting high-quality standards dealing with auditing, review, other assurance, quality control, and related services, and by facilitating the convergence of national and international standards. This objective contributes to enhanced quality and consistency of practice in these areas throughout the world, and strengthened public confidence in financial reporting. A listing of the IAASB’s pronouncements, including those currently under development, is included in Appendix 1 of this Consultation Paper.

The IAASB is required to be transparent in its activities, and to develop its international pronouncements following due process. An outline of the IAASB’s due process, as approved by the PIOB, is presented in Appendix 2. Due process also applies to the setting of the IAASB’s agenda. This Consultation Paper forms the most vital stage of that consultation process, and presents the IAASB’s proposed strategy for 2012–2014, possible actions to implement the proposed strategy, and the basis for them. Appendix 3 describes the inputs that have been considered in developing this Consultation Paper, as well as the considerations in developing international pronouncements.

The IAASB consists of a full-time chairman and 17 volunteer members from around the world. It comprises an equal number of members in public practice with significant experience in the field of auditing and other assurance services, and individuals who are not in public practice (“non-practitioners”), including three public members. All Board members are required to sign an annual statement declaring that they will act in the public interest and with integrity in discharging their responsibilities. Member appointments are subject to the approval of the PIOB.

At present, the IAASB meets four times a year. The volunteer members’ activities are divided between attendance and preparation time for IAASB meetings, and participation in project task forces. The IAASB is supported by seven full-time technical staff members.

**CONSULTATION PAPER**  
**PROPOSED IAASB STRATEGY AND WORK PROGRAM FOR 2012–2014**  
**CONTENTS**

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	Page
Chairman’s Statement .....	6
Issues Facing the Accounting Profession that Influence the IAASB’s Proposed Work Program .....	8
The IAASB’s Strategic Focus .....	9
Summary of Responses as to How the IAASB’s Time Could Be Allocated .....	10
The IAASB’s Key Stakeholders .....	11
Overview of Possible Actions to Implement the Proposed Strategy .....	14
Guide for Respondents .....	20
Further Discussion on Key Elements of This Consultation .....	22
I. Contributing to Fundamental Debates through the Current Work Program .....	22
Audit Quality .....	22
Auditor Communications .....	23
Auditing Financial Statement Disclosures .....	24
Providing Input to the IASB and Monitoring Developments in Financial Reporting Standards .....	24
ISA Implementation Monitoring .....	24
The Needs of SMEs and SMPs .....	25
Academic Research .....	27
Outreach and Communication Activities .....	27
II. Rationale for Anticipated Projects Likely to Commence in 2012–2014 .....	31
Responding to the Findings of the ISA Implementation Monitoring Project .....	31
Revising the Standard Dealing with Agreed-upon Procedures Engagements .....	31
Revising or Withdrawing the Standard on Prospective Financial Information .....	32
Identifying Implementation Challenges and Developing Materials to Address These Challenges .....	32
Seeking Feedback on Implementation Experiences with ISAE 3402 .....	33
Communicating about the Benefits of Adopting the Clarified ISAs .....	34

III. Suggestions for Additional Projects .....	34
Developing Guidance for the Audits of Banks .....	35
Considering Whether a New Standard or Guidance Is Necessary to Address the Auditor’s Responsibilities Relating to Preliminary Announcements .....	36
Monitoring the Impact of Developments in Integrated Reporting .....	36
Evaluating Whether to Develop a New ISAE Addressing Sustainability Reporting .....	36
Evaluating Whether to Develop a New ISAE Addressing Assurance on Corporate Governance Statements.....	37
Evaluating Whether to Develop a New ISAE Addressing Assurance on Internal Control .....	37
Redrafting the Standard Dealing with Reviews of Interim Financial Information in the Clarity Format .....	38
Considering Further Actions to Assist in the Implementation of ISQC 1 .....	38
Appendix 1: The IAASB’s International Pronouncements .....	39
Appendix 2: Key Elements of Due Process .....	41
Appendix 3: Inputs to the IAASB’s Processes .....	43
Appendix 4: Current (Ongoing) Actions the IAASB Intends to Continue .....	45

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## Chairman’s Statement

Since the completion of the Clarity Project,<sup>1</sup> the IAASB has been working in accordance with its [Strategy and Work Program, 2009–2011](#) (current Strategy or current Work Program). Delivering on our strategy to date has meant promoting the adoption of the clarified International Standards on Auditing (ISAs) and supporting their effective implementation. It has also meant focusing our standard-setting activities on areas where there is a demand for new and innovative assurance and related services standards.

Since the finalization of our current work program in July 2008, the events of the global financial crisis have heightened the attention on the role of the audit and the broader accountancy profession. At times of financial instability, investors and others look to reduce the level of uncertainty in their decisions by seeking information they know to be reliable as a basis for those decisions. The demand for reliable information is at the heart of the IAASB’s mandate to strengthen public confidence in financial reporting through high-quality standards governing audit and assurance services.<sup>2</sup>

In these turbulent times, the IAASB has placed particular emphasis on engaging in dialogue with key stakeholders. Much effort has been directed at liaising with the international regulatory community including the International Forum of Independent Audit Regulators (IFIAR) and the International Organization of Securities Commissions (IOSCO). Equally, the IAASB continues to strengthen its relationships with the International Accounting Standards Board (IASB), the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), and National Standard Setters (NSS). Liaison with IFAC member bodies, the IFAC Small and Medium Practices (SMP) Committee, the Forum of Firms and country outreach visits have kept the IAASB informed about the challenges “on the ground” by those adopting and implementing the clarified ISAs, from sole practitioners to the largest firms. Discussions with the IAASB Consultative Advisory Group (CAG), an important part of our due process, allow for the IAASB to further hear the views of regulators, preparers, and others with an interest in international auditing and assurance via its Member Organizations.<sup>3</sup> Focus on effective outreach activities is a core part of our work, and is critical to informing our standard-setting priorities and promoting the adoption and effective implementation of our international pronouncements.

Collaboration with these organizations and other stakeholders is essential. Many of them are exploring lessons learned from the global financial crisis and will undoubtedly inform the debate about whether and, if so, how the role of the auditor and the auditor’s report may need to evolve in order for audits to remain “fit for purpose.”<sup>4</sup>

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<sup>1</sup> The Clarity Project involved the application of new drafting conventions to all ISAs and to International Standard on Quality Control (ISQC) 1, either as part of a substantive revision or through a limited redrafting, to reflect the new conventions and matters of clarity generally. Further information about Clarity Project, including the improvements arising from the project, can be accessed at [www.iaasb.org/clarity-center](http://www.iaasb.org/clarity-center).

<sup>2</sup> Appendix 1 lists the IAASB’s pronouncements, including those currently in development.

<sup>3</sup> A listing of the Member Organizations represented on the IAASB CAG can be accessed at [www.ifac.org/IAASB/CAG.php](http://www.ifac.org/IAASB/CAG.php).

<sup>4</sup> For example, the European Commission’s (EC) October 2010 Green Paper, *Audit Policy: Lessons from the Crisis*, covers a wide variety of audit-related topics such as concentration in the audit market (including how smaller firms can gain access to larger audits), possible simplification of rules for SMPs and small- and

Our current Work Program, developed before the effects of the global financial crisis were fully known, already addresses a number of areas that are at the forefront of our stakeholders' minds. Most notably is our work to explore whether the auditor's report and other communications convey appropriate information in a way that reflects the value of an audit, is understandable to users, and meets their information needs. Further, our work to explore the topic of audit quality, and the role of standards in promoting it, is relevant to broader policy discussions on maintaining confidence in financial reporting. This is done in the context of not only capital markets, but also the public sector and reporting by private or non-public entities.

Further, we are monitoring the implementation of the clarified ISAs, taking steps to strengthen specific ISAs, and to study the auditor's work on disclosures and other information included in documents containing audited financial statements. At the same time, the IAASB is working on the development of new standards and guidance for broader assurance and related services engagements. This includes standards for services that address the unique needs of SMEs and SMPs, standards relevant to financial information in securities offerings in particular, and standards that address to developments in corporate reporting, such as reporting on greenhouse gas statements.

As the IAASB undertakes work in these new but highly important areas, it has found that more time is required for deliberations than initially anticipated. This does not represent a slow-down in the IAASB's progress of its Work Program, as it is important that the Board takes the time necessary to ensure that issues are explored fully, thereby ensuring the quality of its future proposals. Looking ahead, I anticipate that a number of our current initiatives will continue into 2011 and 2012, in particular as we delve into broad issues important to the public interest and as we continue to seek to address emerging demands for assurance in new areas. It will also be important that the IAASB has the capacity to respond to any significant matters identified as the clarified ISAs are being implemented, so that these standards achieve their intended objectives and are applied consistently.

Balancing the time spent on developing or revising standards, promoting their adoption, and responding to concerns arising from implementation, while remaining flexible to new developments, will be a challenge. For this reason, it is critical that we hear from interested parties about where our future time should be spent on new projects to best meet our public interest mandate, while acknowledging the resource limitations. I encourage you to provide input to this Consultation Paper (CP), in particular considering the questions included in the *Guide for Respondents* on page 20.



Prof. Arnold Schilder  
Chairman

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medium-sized entities (SMEs), and auditing standards, including the EC's consideration of adoption of ISAs in the European Union (EU). The IAASB's response to the EC Green Paper can be accessed at [web.ifac.org/publications/international-auditing-and-assurance-standards-board/policy-positions-and-papers](http://web.ifac.org/publications/international-auditing-and-assurance-standards-board/policy-positions-and-papers).

## Issues Facing the Accounting Profession that Influence the IAASB’s Proposed Work Program

1. Respondents to the April 2010 IAASB strategy survey to inform this CP were asked to identify issues facing the accounting profession that should influence the IAASB’s strategy. Three main themes emerged from these responses:
  - (a) The perception that the role of the auditor, and the value of the audit, as envisioned by the current ISAs is not well-understood by stakeholders and acknowledgment of the current debates in some jurisdictions about whether the role of the auditor needs to evolve in order for an audit to remain a relevant and valued service is necessary.
  - (b) SMPs need (a) resources to help them interpret and apply the ISAs to ensure compliance on an appropriate and proportional basis when audits are conducted, and (b) clearly defined other assurance and related services to address the needs of users when an audit is not required or requested.
  - (c) Certain areas of the audit are becoming more challenging because of the rapid dynamic changes of the accounting standards and the economic environment, including fair value accounting measurements, complex financial instruments, disclosure requirements, going concern uncertainties, and impairments.
2. These themes are consistent with the findings of IFAC’s Business Reporting Project Group,<sup>5</sup> which also highlighted issues associated with corporate governance of entities, the need to improve the understanding among financial reporting stakeholders of the benefits of an audit, and concerns over the usefulness of financial reports generally.
3. The IAASB recognizes that these issues are potentially far-reaching and, as a result, pose challenges for the IAASB in setting its priorities. For example, they raise questions about how best to direct the IAASB’s time and resources to meet the expectations of stakeholders, including the following:
  - Balancing the demands for the IAASB to focus on its core products (standards and guidance), while also recognizing the importance of the IAASB’s activities to promote their adoption and support their effective implementation.
  - Balancing the need to ensure the ISAs keep up-to-date with current developments in financial reporting and remain relevant, while also being flexible enough to address the need for standards and guidance to support new and emerging assurance services.
  - Balancing the need to set standards that meet the needs of capital markets, while also meeting the needs of SMEs that are equally important to the global economy.
  - Balancing the need to be seen to be responding on a timely basis, while also adhering to due process to ensure the issues are fully understood, alternatives are

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<sup>5</sup> This group plans to develop an International Good Practice Guidance, *Evaluating and Improving Business Reporting in Organizations*. Further information about the project can be found at [www.ifac.org/frsc/index.php](http://www.ifac.org/frsc/index.php).



explored, and the views of all stakeholders are taken into account, which is essential to the quality of the standards and ensuring they respond to the public interest.

4. A number of the activities the IAASB is currently undertaking already address several of the issues identified by the survey respondents. Indeed, respondents noted strong support for the projects currently on the IAASB's agenda, many of which will continue into 2011 and 2012. Accordingly, the IAASB believes it is important first to ensure that the goals of the current Work Program are adequately achieved before embarking on new standard-setting projects in response to the issues identified in the survey. Current initiatives that will have an ongoing effect are highlighted in this CP.
5. The IAASB also recognizes that legislators, regulators, and others, such as the EC, are in the process of implementing responses to the global financial crisis. The IAASB recognizes that issues such as this need to be taken on a broad basis and require the participation of many stakeholders, including users of financial statements, regulators and legislators that require audits to be performed, entities and their governance structures that pay for audit services, standard setters (including the IAASB), and the auditing profession.
6. The IAASB recognizes that it can contribute to, but not determine, the outcome of debates on possibly changing the role of auditors. Nevertheless, the IAASB feels it is important to be sufficiently engaged in the dialogue and debates in order to be able to judge if and when standard-setting has a role to play in shaping the auditing profession in the future. Furthermore, to the extent that the IAASB can facilitate these discussions, the IAASB believes it should seek to take a more active role in this regard. For this reason, the IAASB's outreach activities will be of heightened importance to allow the IAASB to make its views known to influence the debates in the context of auditing.

### **The IAASB's Strategic Focus**

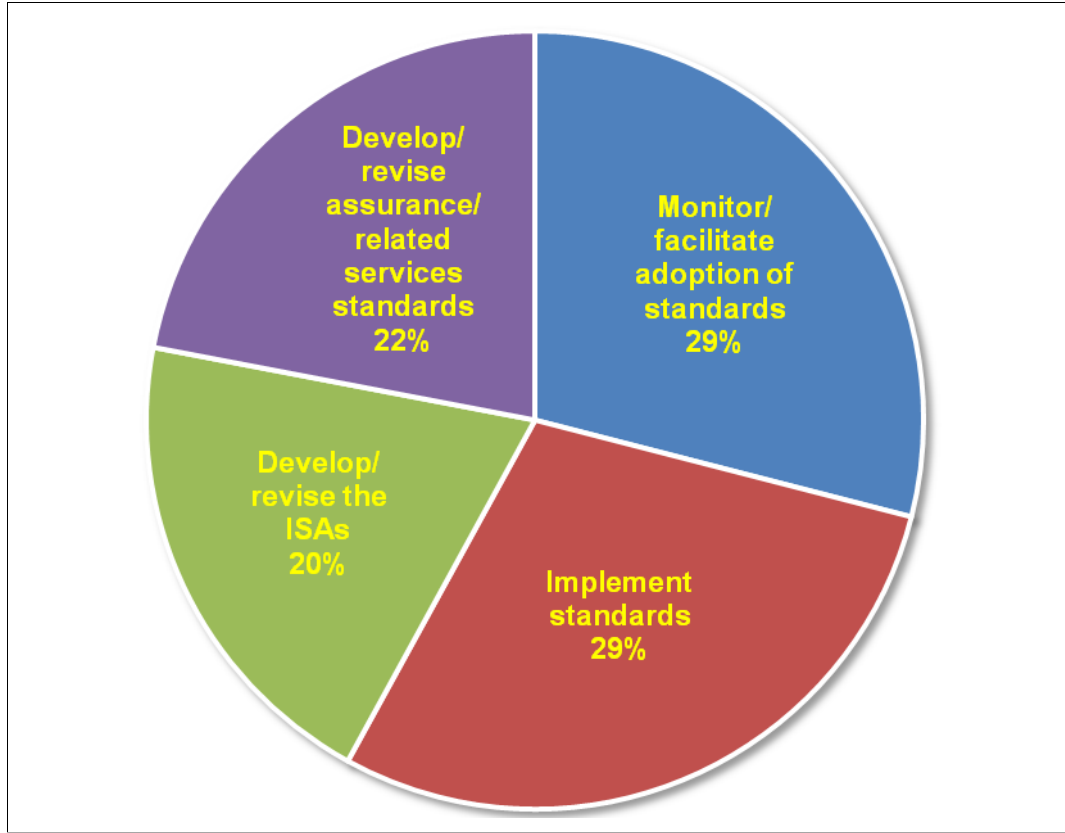
7. Developed after an extensive consultation process, the current Strategy focuses on the following three areas:
  - (a) Developing (and revising) standards (and pronouncements); with focus on, amongst others, standards that facilitate the effective operation of the world's capital markets, those that address demand for other assurance services, and those that address the needs of SMEs and SMPs;
  - (b) Monitoring and facilitating adoption of those standards; and
  - (c) Responding to concerns about the implementation of the standards by activities designed to improve the consistency with which they are applied in practice.
8. Respondents to the strategy survey confirmed these areas of strategic focus remain appropriate. In addition, while individual classes of stakeholders had differing views about how the IAASB's time could be allocated across the three areas,<sup>6</sup> in particular about

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<sup>6</sup> Ranges for the allocations were as follows: Developing/revising ISAs –1–53%; Developing/revising assurance and related services standards –5–60%; Monitoring/facilitating adoption of standards –10–60%; and Implementing standards –5–75%.

the time to be spent developing ISAs versus other standards, the message was clear—their expectation is that the IAASB needs to do more with respect to adoption and implementation of its standards. The following chart illustrates the summary of responses as to how the IAASB’s resources could be allocated.

**Summary of Responses as to How the IAASB’s Time Could Be Allocated**



9. This is not an unexpected result. There is demand for assurance on other information to help support regulatory regimes, for example on carbon emission information. However, adoption and implementation primarily are at the forefront of stakeholders’ minds as the clarified ISAs are now effective. It also is not taken to mean a need for a fundamental shift in the IAASB’s longer-term standard-setting mandate, as the IAASB continues to believe that its primary public interest mandate is to set high-quality standards. However, this allocation represents the circumstances and conditions in the medium-term to which the IAASB should respond in order for the goals of the Clarity Project to be realized—enhancing the consistency and quality of audits worldwide.
10. In addition, while NSS, legislators and regulators are typically responsible for developing adoption and/or convergence plans or requiring compliance with the ISAs, their successful implementation cannot be achieved without the efforts of IFAC member bodies, audit firms, audit practitioners and others. Accordingly, an important part of the IAASB’s work is outreach and mutual collaboration with stakeholders broadly and at key stages of the IAASB’s projects. The following chart illustrates the IAASB’s interaction with key stakeholders.

## The IAASB's Key Stakeholders



The IAASB's outreach and communications activities, including those envisioned for the future strategy period, are described in paragraphs 39–53, 66–67, and 83 of this CP.

11. Nevertheless, taking into account the aforementioned responses from the survey, the IAASB generally agrees that its three areas of strategic focus remain appropriate. The IAASB is conscious of the importance of the need for continued focus on ISAs. Indeed, revisions to certain ISAs, exploration of issues relating to broader topics such as auditor communications and disclosures, and responding to the findings of the ISA Implementation Monitoring Project, are key to continuing to promote audit quality. The IAASB believes that, because they provide a global benchmark for audits of financial statements, consistent application of the ISAs is a means of enhancing the degree of confidence of intended users in the financial statements.<sup>7</sup> It is also through this focus that

<sup>7</sup> As noted in *Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs* (Wong Report; 2004), “High-quality standards of financial reporting, auditing, and ethics

the IAASB can play its role in promoting financial stability in light of the lessons learned from the global financial crisis.

12. This CP focuses on the IAASB’s medium-term strategy and, accordingly, both the proposed strategy and the possible projects and actions to implement the proposed strategy have been developed in the context of the current operational structure of volunteer Board members and the current budgetary resources. In the future, it may be necessary to consider whether the current operational structure is appropriate in light of what the IAASB aims to achieve in developing and executing its longer-term strategy (for example, in response to matters noted in the Monitoring Group’s (MG) review of IFAC’s implementation of its 2003 reforms<sup>8</sup>). For purposes of this consultation, however, the key assumptions set forth on page 18 assume the IAASB will continue to operate under the same structure in the immediate future, and the possible projects and actions to implement the proposed strategy have been designed taking into account what the IAASB believes it can accomplish in the context of this operational structure during the period 2012–2014.
13. The following table contains an overview of possible projects and actions to implement the proposed strategy. This has been developed taking into account discussion with the IAASB CAG, debates flowing from projects on IAASB’s current agenda, and the results of the initial strategy survey. The projects are classified based on the three areas of strategic focus, which the IAASB believes remain appropriate. The projects have been further categorized as follows:
  - Current Projects (Column A)—Projects on the IAASB’s current agenda that are expected to extend into 2012 and beyond. These have been incorporated into the table to give context to the level of the IAASB’s activity during 2012–2014. Project histories for these projects, including their objectives, can be found at [www.iaasb.org/Projects.php](http://www.iaasb.org/Projects.php). See *Further Discussion on Key Elements of This Consultation—Section I*.
  - Anticipated Projects Likely to Commence in 2012–2014 (Column B)—Projects identified through consultation which the IAASB believes should be added to its work program. Some of these projects were anticipated in the current Work Program and have not yet commenced. *Further Discussion on Key Elements of This Consultation—Section II* explains the IAASB’s rationale in proposing to add these projects to its future work program.
  - Suggestions for Additional Projects (Column C)—These projects were suggested by respondents to the strategy survey or have been raised by others during consultation. *Further Discussion on Key Elements of This Consultation—Section III*

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underpin the trust that investors place in financial and non-financial information and, thus, play an integral role in contributing to a country’s economic growth and financial stability.”

<sup>8</sup> The IFAC Reforms changed the structure and processes for the auditing, ethics, and education standard-setting boards supported by IFAC. The Reforms called for the MG to perform a five-year review of their implementation. The MG’s recommendations can be accessed at [www.iosco.org/monitoring\\_group/pdf/MG\\_Doc\\_4.pdf](http://www.iosco.org/monitoring_group/pdf/MG_Doc_4.pdf). IFAC intends to work with the MG to determine how these recommendations can best be addressed, and the IAASB will continue to consider how these recommendations may affect its future operational structure and standard-setting activities.

provides context to these recommendations, including some matters that may need to be considered if respondents believe one or more of these actions should be added to the future work program.

14. Appendix 4 contains a list of current (ongoing) actions, which the IAASB intends to continue during 2012–2014. Many of these activities are the primary means by which the IAASB promotes the adoption and implementation of its standards. While not necessarily activities on which the Board itself currently spends a significant amount of time, meaningful staff time is devoted to these efforts, which in turn reduces the amount of time available for technical projects.

## Overview of Possible Actions to Implement the Proposed Strategy

<b>Developing and Revising Its Standards</b>		
<b>Maintaining a Commitment to the ISAs and the Audit</b>		
<b>Current Projects (Column A)</b>	<b>Anticipated Projects Likely to Commence in 2012–2014 (Column B)</b>	<b>Suggestions for Additional Projects (Column C)</b>
<p>A.1 Finalize the revision of ISA 720, <i>The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements</i>.</p> <p>A.2 Conclude on actions to be taken as a result of the research on the standard auditor’s report (including ISA 700, <i>Forming an Opinion and Reporting on Financial Statements</i>). (Ref: Para. 24–25)</p> <p>A.3 Develop a new ISA or guidance on auditing financial statement disclosures. (Ref: Para. 26)</p> <p>A.4 Continue work on the audit quality initiative. (Ref: Para. 19–23)</p> <p>A.5 Provide input to the IASB on aspects of its proposed standards that may have potential verifiability or auditability issues and continue to monitor developments in financial reporting standards to determine whether these may lead to a need for new or revised auditing standards, or further guidance. (Ref: Para. 27–28)</p>	<p>B.1 Undertake new project(s) to respond to findings of the ISA Implementation Monitoring project, in consultation with the IAASB CAG—output in the form of a revised ISA(s), new ISA, IAPS, or other form, as deemed appropriate. (Ref: Para. 54–55)</p>	<p>C.1 In consultation with banking regulators and supervisors, consider undertaking a project with regard to IAPS 1004, <i>The Relationship between Banking Supervisors and Banks’ External Auditors</i>, and IAPS 1006, <i>Audits of the Financial Statements of Banks</i>, for the audit of banks. (Ref: Para. 71–72)</p> <p>C.2 Consider whether a new standard or guidance is necessary to address the auditor’s responsibilities relating to preliminary announcements. (Ref: Para. 73)</p>

<b>Enhancing Public Confidence through the Development or Revision of Assurance and Other Standards that Address Demands of Users of Financial Information</b>		
<b>Current Projects (Column A)</b>	<b>Anticipated Projects Likely to Commence in 2012–2014 (Column B)</b>	<b>Suggestions for Additional Projects (Column C)</b>
<p>A.6 Finalize the revision of ISAE 3000, <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>.</p> <p>A.7 Finalize the development of new ISAE 3410, <i>Assurance Engagements on Greenhouse Gas Statements</i>.</p> <p>A.8 Finalize the revisions of ISRE 2400, <i>Engagements to Review Historical Financial Statements</i>, and ISRS 4410, <i>Compilation Engagements</i>.</p> <p>A.9 Conclude on actions to be taken with regard to eXtensible Business Reporting Language (XBRL).</p>	<p>B.2 Revise ISRS 4400, <i>Engagements to Perform Agreed-upon Procedures Regarding Financial Information</i>. (Ref: Para. 56)</p> <p>B.3 Determine whether to revise or withdraw ISAE 3400, <i>The Examination of Prospective Financial Information</i>. (Ref: Para. 57–59)</p>	<p>C.3 Monitor the impact of developments in integrated reporting (linking financial, environmental, social and governance information) and participate, as necessary, in any audit- or assurance-related outcomes. (Ref: Para. 74–75)</p> <p>C.4 Evaluate whether to develop a new ISAE addressing assurance on sustainability reporting. (Ref: Para. 76–77)</p> <p>C.5 Evaluate whether to develop a new ISAE addressing assurance on corporate governance statements. (Ref: Para. 78–80)</p> <p>C.6 Evaluate whether to develop a new ISAE addressing assurance on internal control. (Ref: Para. 81)</p> <p>C.7 Redraft ISRE 2410, <i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>, in the Clarity format. (Ref: Para. 82)</p>

<b>Responding to Concerns about Implementation of Its Standards</b>		
<b>Current Projects (Column A)</b>	<b>Anticipated Projects Likely to Commence in 2012–2014 (Column B)<sup>9</sup></b>	<b>Suggestions for Additional Projects (Column C)</b>
	<p>B.4 Through the ISA Implementation Monitoring project and other outreach activities, take a proactive role in identifying implementation challenges and seek to develop materials aimed at addressing these challenges, working with NSS, IFAC member bodies and others. (Ref: Para. 60–63)</p> <p>B.5 Seek feedback from service organizations, service auditors, user entities, user auditors, and others on their experiences with the implementation of ISAE 3402, <i>Assurance Reports on Controls at a Service Organization</i>. (Ref: Para. 64–65)</p>	

<sup>9</sup> Depending on the proposed output of the project(s) to respond to findings of the ISA Implementation Monitoring project, the anticipated new project(s) under the “Developing and Revising Its Standards” section may be more appropriately classified as “Developing Implementation Guidance.”



<b>Ongoing Outreach and Other Communication Activities to Promote Adoption of Its Standards</b>		
<b>Current Activities (Column A)</b>	<b>Anticipated Activities Likely to Commence in 2012–2014 (Column B)</b>	<b>Suggestions for Additional Activities (Column C)</b>
<p>A.10 Develop a publication on the meaning of an audit. (Ref: Para. 45)</p> <p>A.11 Continue communication and other outreach initiatives described in Appendix 4. (Ref: Para. 39–44)</p>	<p>B.6 Develop a publication explaining the benefits of adopting the ISAs, and consider whether other publications should be developed to further promote adoption and implementation of the IAASB’s standards. (Ref: Para. 66–67)<sup>10</sup></p>	<p>C.8 In connection with interested parties, consider what further actions can be taken to assist in the implementation of International Standard on Quality Control (ISQC) 1, <i>Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i>, for smaller firms. (Ref: Para. 83)</p>

<sup>10</sup> Other proposed enhancements to the IAASB’s communications and outreach activities are described in more detail in paragraphs 46–53.

### **Essential Information Used in Determining the IAASB's Capacity for New Projects for 2012–2014**

Annually the IAASB, in conjunction with the IAASB CAG, considers the projects on its current and future agenda and may reprioritize them as necessary.

#### *Key Assumptions*

The IAASB's future work program will be based on the following key assumptions:

- The IAASB will continue to operate at the current level of human and financial resources. Accordingly, the Board will consist of a full-time Chairman and 17 volunteer members, contributing approximately 600 hours per year. The IAASB will continue to be supported by a staff structure that would expand from seven to eight full-time technical staff members during the term of this plan.
- The IAASB meets for five days, four times per year. Approximately six projects can be discussed at each IAASB meeting, depending on the stage of the project.
- Detailed work on projects is undertaken by task forces drawn from the membership of the IAASB and which may include representatives nominated by INTOSAI or from other relevant organizations.
- The development of all standards and pronouncements is done following due process. This includes consultation with the IAASB CAG and public exposure. Each project takes approximately 36 months to complete, however, the overall time needed is also dependent on the complexity of the subject matter.
- The commencement of any new project, including the anticipated projects likely to commence in 2012–2014 and any additional projects (Columns B and C), is subject to IAASB approval of a project proposal.

The future work program includes time to allow for research activities and education sessions to further inform the IAASB's debates, outreach and direct interaction with interested stakeholders, and development of communications relating to individual projects.

Project task forces, which are chaired by IAASB members, and comprise IAASB members, IAASB technical advisors, and others with relevant expertise, typically meet at least once between each IAASB meeting. Each IAASB member ordinarily participates in two or more project task forces.

Board members may be asked to participate in the IAASB CAG meetings and liaison meetings with NSS, and outreach activities in their particular jurisdictions. In addition, IAASB members may also elect to participate in the IAASB's liaison activities with the IASB via working groups having the goal of providing the IASB with timely input on aspects of its proposed standards that may have potential verifiability or auditability issues.

**Essential Information Used in Determining the IAASB's Capacity for New Projects for 2012–2014**

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

In addition to managing projects, IAASB Staff develop publications such as Staff Audit Practice Alerts, Staff Questions and Answer (Q&A) publications, press releases and project updates for individual projects, explanatory memorandums that accompany exposure drafts, and bases for conclusions that accompany final pronouncements. They are also involved in liaison activities and prepare relevant materials to support IAASB communication activities and the IAASB Chairman's outreach efforts. Staff also support the agendas for the semi-annual IAASB CAG and annual IAASB-NSS liaison meetings, and have responsibility for reporting to IFAC and the PIOB.

## Guide for Respondents

15. The IAASB invites comments on any aspect of the proposed strategy and possible actions to implement the proposed strategy. In particular, it would be helpful if respondents' comments could include the following:
- (a) Whether the IAASB's three areas of strategic focus noted in paragraphs 7–11 remain appropriate;
  - (b) Whether the list of anticipated projects likely to commence in 2012–2014 (Column B) adequately address issues currently facing the accounting and auditing professions, in particular:
    - (i) Whether respondents support the IAASB undertaking work in these areas and, if not, the reasons why a particular project(s) would not be supported;
    - (ii) Whether respondents believe these projects are consistent with the IAASB's three areas of strategic focus; and
    - (iii) How these anticipated projects should be prioritized in light of the current projects (Column A).

Decisions on the scope and planned output of each of the projects listed in Column B would be undertaken following the development and approval of a project proposal, with full IAASB and IAASB CAG consultation in accordance with the IAASB's due process and working procedures.

- (c) With respect to the additional projects (Column C):
    - (i) Which of the suggestions, if any, should be considered for inclusion on the future work program, and how should these be prioritized in light of the current projects (Column A) and anticipated projects likely to commence in 2012–2014 (Column B); and
    - (ii) Whether any particular project(s) in Column C would not be supported; and
  - (d) Whether there are additional actions or projects that respondents believe should be addressed, and, if so, how these should be prioritized in relation to the projects identified in Columns B and C.
16. **The IAASB intends to devote the majority of its efforts on the projects in Column A through 2011 and into 2012 and beyond to progress these projects on a timely basis. If respondents support commencing the majority of the anticipated projects (Column B), the IAASB currently anticipates it will have resources and time to commence 3 further new projects, although substantive activity for these new projects would not be expected to commence before 2013.**

**Respondents are therefore specifically asked to select the top three projects either from, or in addition to, the list of suggestions for additional projects (Column C) that they believe would best meet the IAASB's public interest mandate. However, outreach activities, the findings of the ISA Implementation Monitoring project, the fundamental debates about the role of the auditor, and unforeseen events beyond the IAASB's control may require the IAASB to amend its Work Program or**

**reprioritize its agenda.**

17. **The IAASB notes that, depending on the priorities identified by respondents, the balance of the IAASB’s future time spent on auditing and implementation of the ISAs as compared to development of new assurance standards may vary significantly. For this reason, it would also be helpful to understand which one project (either from Column B, Column C or an additional action not included in either column) respondents would identify as the IAASB’s top priority, in order for the IAASB to consider how each of the three areas of strategic focus would be addressed in the future Work Program.**
18. In addition, the IAASB would welcome comments from respondents as to the following:
  - (a) What types of publications or further implementation guidance may be of most use to facilitate the adoption and implementation of the IAASB’s pronouncements; and
  - (b) What opportunities may exist for the IAASB to partner with others to facilitate implementation of the clarified ISAs (for example, IFAC member bodies, NSS, training organizations, and others)?

## Further Discussion on Key Elements of This Consultation

### I. Contributing to Fundamental Debates through the Current Work Program

#### *Audit Quality* (Ref: Project A.4)

19. Audit quality is intrinsic to the work of the IAASB. The pursuit of audit quality is at the core of the IAASB’s efforts to develop high-quality auditing standards, recognizing the external audit as an activity of significant public interest. The IAASB believes that auditors can only meet their public interest obligations through high-quality audits.
20. The ISAs are—and remain—the IAASB’s most important single product. The pivotal role that they play in contributing to audit quality is a key message that the IAASB will continue to emphasize in promoting their adoption around the world. Importantly, the IAASB believes that the recent improvements to the ISAs brought about by the Clarity Project will further enhance the consistency and quality of practice, particularly in areas such as accounting estimates (including fair value accounting estimates), materiality, use of an auditor’s expert, communication with those charged with governance, and related parties—some of which have been the foci of attention as a result of the global financial crisis.
21. Nevertheless, while the ISAs form an important pillar in supporting high-quality audits, it is essential that they be placed in the proper context as they are but one component of the audit quality concept. While the inputs (of which auditing standards are one) to audit quality are important, user perceptions of output also matter. The IAASB believes that audit quality and indeed the role of the auditor should not be viewed in isolation, but rather as a critical element of corporate governance and high-quality financial reporting. The following illustrates some components that the IAASB believes are key to audit quality.

#### Components of Audit Quality

<b>Context Factors</b>	<ul style="list-style-type: none"> <li>• <b>Governance and Accountability Arrangements</b></li> <li>• <b>Regulation and Oversight</b></li> <li>• <b>Players and Perceptions; Markets</b></li> </ul>
<b>Outputs &amp; Responses</b>	<ul style="list-style-type: none"> <li>• <b>Auditor’s Report</b></li> <li>• <b>Other Auditor Communications and Disclosures</b></li> <li>• <b>User Responses and Interactions, e.g., Audit Committees</b></li> <li>• <b>A Professional Service (Client Service and Audit Fees)</b></li> </ul>
<b>Inputs &amp; Indicators</b>	<ul style="list-style-type: none"> <li>• <b>Audit Process and Quality Control</b></li> <li>• <b>Audit Evidence and Auditor Judgment</b></li> <li>• <b>Auditing Standards</b></li> <li>• <b>People: Education, Ethics, Mindsets, Culture</b></li> <li>• <b>External Expectations (also a context factor)</b></li> </ul>

22. The IAASB believes that the implementation of the clarified ISAs should act as a catalyst in the interaction between auditors, entities, and regulators, in order to enhance the overall quality of financial reporting and auditing. Indeed, auditing standards are a key influence on audit quality, however, the IAASB is convinced that continued audit quality depends highly on the way auditors, audit committees and regulators function. For example, sound corporate governance facilitates audit quality, especially if it creates a climate of transparency and ethical behavior within the entity. Regulation can also positively influence audit quality if, inter alia, it creates a framework within which the audit can be effectively conducted, and it establishes an effective regime for monitoring the quality of auditors' work. Accordingly, the IAASB believes it is important to explore with other parties in the financial reporting supply chain how a coordinated approach may be developed to improve audit quality over the longer term.
23. As a precursor to the IAASB engaging more fully with stakeholders on the topic of audit quality, the IAASB plans to finalize a communication (“thought piece”) in the next few months aimed at raising awareness of the concept of audit quality and its main components, including how the ISAs fit into the broader context. The intent is that this initiative will spark a broader debate about audit quality as it relates to auditing standards. For this reason, time will be needed in 2012 and possibly beyond to further the IAASB's discussions on this topic.

*Auditor Communications* (Ref: Project A.2)

24. Other projects on the IAASB's current agenda are closely linked to audit quality. In 2009, the IAASB began its discussions on the findings from four academic research projects, commissioned jointly by the IAASB and the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA). The purpose of commissioning this research was to help inform whether the standard auditor's report needs to be improved and, if so, how. The research findings stimulated good debate, and it is clear there is continuing need to examine the demand for enhanced auditor communications that are relevant and responsive to user needs. Respondents to the strategy survey echoed these views, and suggested that the IAASB's focus on auditor communications, both within the auditor's report and more broadly with those charged with governance, may be necessary.
25. While it is not yet clear how the IAASB's debates in this critical area may evolve, and the potential outcome of this project cannot be predicted yet, the IAASB believes it is prudent to allow for the possibility that ISA 700<sup>11</sup> may need to be revised. It is also important for the IAASB to liaise closely with stakeholders, including IOSCO's Technical Committee, which has issued a *Consultation Report on Auditor Communications*, to enhance its debate. Finally, broader discussions on the role of the auditor may also influence the nature and content of the auditor's report.

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<sup>11</sup> ISA 700, *Forming an Opinion and Reporting on Financial Statements*

*Auditing Financial Statement Disclosures* (Ref: Project A.3)

26. An emerging theme in a number of stakeholder discussions and in the responses to the strategy survey was the increasing importance being attributed to financial statement disclosures. Auditors are facing challenges as a result of the evolving nature of financial statement disclosures and the trend away from simpler disclosures toward more complex and subjective disclosures of matters such as sensitivity analyses, assumptions and objective-based disclosure requirements. The IAASB is interested in exploring perspectives about the preparation and auditability of disclosures, including what is meant by sufficient appropriate audit evidence for disclosures and how materiality and misstatements are perceived by different parties in relation to disclosures. The IAASB is liaising with accounting standard setters, regulators, auditors, preparers and users with a view to issuing a Discussion Paper in early 2011.

*Providing Input to the IASB and Monitoring Developments in Financial Reporting Standards*

(Ref: Activity A.5)

27. In 2009, the IAASB formalized the process by which it monitors developments in financial reporting standards, having the goals of:
- (a) Providing the IASB with timely input on aspects of its proposed standards that may have potential verifiability or auditability issues; and
  - (b) Assisting the IAASB in determining whether matters in the financial reporting standards may affect the pronouncements of the IAASB or create a need for new pronouncements.
28. Currently there are 8 Working Groups monitoring IASB projects. The IAASB also periodically discusses developments in financial reporting, and recently heard from the IASB member serving as the primary liaison to the IAASB at its December 2010 meeting. For example, awareness of the increasing complexity of the disclosure requirements within International Financial Reporting Standards (IFRS) has contributed to the IAASB's decision to add a project addressing disclosures to its current Work Program (see paragraph 26).

*ISA Implementation Monitoring*

29. Information gathered by the IFAC Compliance Advisory Panel (CAP) indicates that 126 countries or jurisdictions<sup>12</sup> are using or are in the process of adopting or incorporating ISAs issued by the IAASB into their national auditing standards, or using them as a basis for preparing national auditing standards. In addition, the clarified ISAs are also being incorporated in the audit methodologies by the major networks of audit firms. ISAs are

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<sup>12</sup> The IFAC CAP oversees the implementation and operation of the IFAC Member Body Compliance Program, which provides information about adoption and convergence efforts with respect to the ISAs. Information gathered by the IFAC Member Body Compliance Program about adoption of the extant ISAs can be accessed at [web.ifac.org/isa-adoption/chart](http://web.ifac.org/isa-adoption/chart).



intended for use in all audits, including publicly traded entities, private business of all sizes, and government entities at all levels.

30. Recognizing the need to stay informed about the progress of implementation efforts globally, the IAASB has begun the development of a process for monitoring the implementation of the clarified ISAs, referred to as the ISA Implementation Monitoring project. The purpose of such a process is to assist the IAASB in determining whether there is any need for further refinement in its standards in order to achieve their intended objectives. In the longer term, the process would become a standing part of the IAASB's effort to seek continuous improvement of its standards. The IAASB published a summary report in October 2010 on the findings from the first phase of the project.<sup>13</sup> Liaison with key stakeholder groups, including IFIAR, will continue throughout 2011 and 2012.
31. The October 2010 report notes that the clarity conventions applied in the format, structure and drafting of the ISAs are viewed as helpful improvements. Most adopters welcomed the changes and confirmed that the format does not present problems when incorporating the clarified ISAs in national auditing standards and firm audit methodologies. In addition, many of those surveyed thought that the added rigor of the revised standards was appropriate and a helpful response to issues raised by the global financial crisis.
32. However, because the clarified ISAs have only recently become effective, it will be some time before the results of this implementation monitoring project become known. In addition, audit oversight bodies will likely not have findings on which to report about the consistency with which the clarified ISAs have been implemented until one or two audit and corresponding inspection cycles are completed. The project Task Force is currently liaising with IFIAR to explore mechanisms by which IFIAR, or its members, may be able to provide information obtained from national inspection programs that will assist the IAASB in improving its auditing standards and hence audit quality.

#### *The Needs of SMEs and SMPs*

33. The IAASB, as well as IFAC, recognizes that SMEs are key players in the global economy. Entities and users of their financial information have diverse business reporting and information needs, and this is especially true for SMEs. Accordingly, the IAASB's current strategic focus acknowledges that the IAASB has a leading role to play in exploring standards for a range of services, including services other than the financial statement audit, which may be appropriate for such entities. The IAASB is currently revising its existing standards for review and compilation engagements as a first step in meeting the needs of SMEs and SMPs.<sup>14</sup>
34. It is the view of the IAASB that ISAs are capable of being applied to all audits and, as such, the IAASB does not support any possibility that the audit of SMEs might be

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<sup>13</sup> The publication can be accessed at [web.ifac.org/download/IAASB-Implementation-Monitoring-Clarified-ISAs.pdf](http://web.ifac.org/download/IAASB-Implementation-Monitoring-Clarified-ISAs.pdf).

<sup>14</sup> Further information about the range of assurance and related services that may be requested by SMEs is available in a new publication that can be accessed at [web.ifac.org/download/IAASB\\_SME\\_Services\\_Brochure.pdf](http://web.ifac.org/download/IAASB_SME_Services_Brochure.pdf).

performed under limited auditing standards. This is consistent with IFAC’s Policy Position on the matter.<sup>15</sup> Nevertheless, the IAASB is conscious of the difficulties that practitioners may have in implementing ISAs in the audits of SMEs, and in particular the perception in some quarters that the ISAs have been written primarily with larger entities in mind. An important feature of the IAASB’s standard-setting process is to ensure that views from SMPs are taken into account, by seeking input from those in the SME and SMP communities. In addition, IFAC’s SMP Committee<sup>16</sup> forms a Rapid Response Team to give attention to individual standards at key stages.

35. SMPs in particular had expressed the view that a further period of stability is necessary with regard to the clarified ISAs. The IAASB had previously committed to provide auditors with a period of at least two years after the effective date of the clarified ISAs during which no new auditing standards would become effective, unless there is an urgent need to respond to new or unforeseen circumstances. The IAASB is currently revising two ISAs, ISA 610<sup>17</sup> and ISA 720. In exposing proposed ISA 610 (Revised), the IAASB agreed the provisional effective date of the revised ISA would be approximately two years from the release of the final standard. In general, the IAASB believes that approximately 18 months from the release of a new or revised standard is a reasonable period to allow for effective adoption and implementation at the national level and, accordingly, given the plans for finalization of proposed ISA 610 (Revised), no new auditing standards will become effective until 2013 at the earliest.
36. Conversations with key stakeholders also continue to highlight a need for the IAASB to monitor SME and SMP developments in adopting and implementing the clarified ISAs for audits of financial statements and to seek to address identified needs. The IAASB recognizes that it needs specific information on the extent and nature of any implementation difficulties on smaller audits, including information about areas that are perceived as having the greatest impact on being able to perform those audits cost-effectively.<sup>18</sup> Accordingly, as part of the ISA Implementation Monitoring project, the

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<sup>15</sup> [IFAC’s Support for a Single Set of Auditing Standards: Implications for Audits of Small- and Medium-sized Entities](#) (IFAC Policy Position 2, September 2008)

<sup>16</sup> The SMP Committee represents the interests of professional accountants operating in SMPs and other professional accountants who provide services to SMEs. It develops papers on topics of global concern and provides input in the development of international standards and on the work of various IFAC boards and committees where appropriate. The SMP Committee has recently issued its *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-Sized Entities, Second Edition*, to bring it in line with the clarified ISAs, and has also issued a *Guide to Quality Control for Small- and Medium-Sized Practices*. Both publications can be accessed at [web.ifac.org/publications/small-and-medium-practices-committee](http://web.ifac.org/publications/small-and-medium-practices-committee).

<sup>17</sup> ISA 610, *Using the Work of Internal Auditors*. In revising ISA 610, the IAASB is also proposing amendments to ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*.

<sup>18</sup> For this reason, in 2009, the IAASB commissioned a Staff Q&A publication, *Applying ISAs Proportionately with the Size and Complexity of an Entity*. This publication is directed at highlighting provisions within the ISAs that help guide auditors in applying the requirements to audits of SMEs in an efficient and effective manner, and can be accessed at [web.ifac.org/media/publications/e/applying-isas-proportionate/applying-isas-proportionate.pdf](http://web.ifac.org/media/publications/e/applying-isas-proportionate/applying-isas-proportionate.pdf).

IAASB has initiated a survey for SMPs from a range of countries that have already implemented the clarified ISAs. Information about use of the ISAs for audits of smaller entities performed for financial periods in 2010 and 2011 (that is, two audit cycles) will be analyzed as part of Phase Two of the project.

37. Other projects discussed in this CP are likely to be particularly relevant to SMEs including:
- Auditing financial statement disclosures (see paragraph 26);
  - Academic research on the audit methodology of smaller firms (see paragraph 38);
  - Communication of the meaning of an audit (see paragraph 45);
  - Responding to the findings of the ISA Implementation Monitoring project (see paragraphs 54–55);
  - Revising the standard dealing with agreed-upon procedures engagements (see paragraph 56);
  - Identifying implementation challenges and developing materials to address these challenges (see paragraphs 60–63);
  - Communicating about the benefits of adopting the clarified ISAs (see paragraphs 66–67); and
  - Considering further actions to assist in the implementation of ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (see paragraph 83).

#### *Academic Research*

38. Research is a fundamental input to high-quality standards. In addition to research on the auditor's report, the IAASB has also collaborated with the International Association for Accounting Education and Research (IAAER) and the Association of Chartered Certified Accountants (ACCA) to commission four new research projects directed at informing the work of the IAASB. Research teams from Australia, Germany, the Netherlands, the United Kingdom, and the United States (U.S.) will investigate such matters as:
- The consistency in the application of ISAs;
  - The implications of XBRL for financial statement audits;
  - The audit methodology of smaller firms; and
  - The nature of professional judgments in audits.

It is possible that the IAASB's debate following these areas may result in the prioritization of one or more projects in the period 2012–2014.

#### *Outreach and Communication Activities* (Ref: Activities A.10–A.11)

39. Outreach and communication remain important priorities for the IAASB. The three most commonly cited barriers to adoption of the ISAs in the strategy survey were the challenges in adopting auditing standards into law or regulation, difficulties with

translation, and the length and complexity of the standards themselves. Respondents to the survey believed the IAASB should take a more active role in promoting the adoption of the ISAs, in particular the adoption of the ISAs by the EC and promotion of their use by SMPs, public sector auditors, and in developing nations and emerging economies. It was also suggested the IAASB should continue to liaise with the Public Company Accounting Oversight Board (PCAOB) in the U.S. to work towards further convergence of auditing standards for listed entities.

40. The IAASB is pleased to hear of positive developments regarding the adoption of the clarified ISAs at the national level. A number of countries including Australia, Brazil, Canada, Hong Kong, Malaysia, New Zealand, Norway, South Africa and Switzerland have adopted the clarified ISAs in line with the IAASB's effective date. In addition, others are also moving towards implementing the clarified ISAs, including China, Japan, and the U.S. (for private entities).
41. Adoption of ISAs for statutory audits in the EU under the EC's 8<sup>th</sup> Company Law Directive remains an important strategic objective. The IAASB has been engaging with key EC representatives to progress this important initiative. The IAASB notes with regret the EC's deferral of its adoption of the clarified ISAs for use in the EU arising from its decision to first issue a Green Paper on accounting and auditing policy in the EU. Within the Green Paper, however, the EC notes, as a result of its consultation in 2009, the overall support in the EU to an adoption of the ISAs at EU level and that it is considering when and how to introduce ISAs in the EU.
42. Nonetheless, a number of individual EU Member States have moved ahead with adoption plans. At the time of writing this CP, at least 17 (out of 27) EU Member States have adopted or set out their initiatives to adopt the ISAs within their jurisdictions, noted in the Green Paper as a majority of EU Member States. The IAASB intends to continue to proactively connect with individual EU countries, in particular those that have yet to adopt the clarified ISAs.
43. While acknowledging that the IAASB regularly engages key stakeholders, many respondents to the strategy survey cited communications as an area on which the IAASB could improve. The IAASB has a number of communications activities aimed at keeping its stakeholders informed of its activities that it intends to continue, but it will also consider new activities designed at enhancing its core messages and ensuring the IAASB is viewed as a global standard-setter with expertise on key matters.
44. The IAASB's communication and liaison activities will be continued and, in some cases, enhanced to (a) promote adoption of the clarified ISAs and share the IAASB's views that these ISAs can be applied by SMPs, public sector auditors and others, (b) obtain feedback on implementation challenges in order to be in a position to appropriately respond, and (c) interact more directly with investors and other stakeholders to obtain their input into the IAASB's standard-setting process. This includes interaction with other IFAC Boards and Committees, who are likely to have valuable input and whose agendas may interact with that of the IAASB. Enhancements to these activities are described in more detail below.

Communicating about the Value and Benefit of an Audit Conducted in Accordance with the Clarified ISAs (Ref: Activity A.10)

45. Communication about the value and benefit of an audit conducted in accordance with the clarified ISAs was suggested as a necessary future communication to better explain the role of the audit. The current Work Program includes plans for the discussion of a publication on the “Meaning of an Audit,” which will be tailored to further address the expectations gap and communicate on the nature and purpose of an audit. The timing of this publication is currently linked to the finalization of the IAASB’s projects to revise the review and compilation standards in order to more clearly differentiate the various services and their related levels of assurance (planned for late 2011).

Working with Others to Promote Adoption of the Clarified ISAs

46. During 2010, outreach activities were undertaken with jurisdictions that have committed to adopting the ISAs, and meetings have been conducted with NSS, regulators and audit oversight bodies, investor groups, academia, and legislators. This important activity is expected to continue in 2011 and beyond, including the ongoing activities to encourage the adoption of the ISAs for statutory audits in the EU. The IAASB also intends to leverage contacts of other IFAC Boards and Committees, in particular the Professional Accounting Organization Development Committee (PAODC)<sup>19</sup> and its relationship with the World Bank and the IFAC CAP. Doing so will allow the IAASB to further promote the adoption of its standards and engage in a dialogue about barriers to adoption in the hopes of eliminating or minimizing those barriers.

Public Sector Considerations

47. The IAASB and the International Organisation of Supreme Audit Institutions (INTOSAI) collaborate on matters of mutual interest relating to financial audits under a formal Memorandum of Understanding. In developing the clarified ISAs, the IAASB gave particular attention to develop considerations specific to the public sector. Respondents to the survey were of the view, however, that more could be done to promote the adoption of the ISAs in the public sector. INTOSAI uses the ISAs as the basis for their International Standards of Supreme Audit Institutions for financial audit (ISSAIs for financial audit or Financial Audit Guidelines), which incorporate additional guidance for public sector auditors on applying ISAs when performing financial audits. In November 2010, INTOSAI endorsed its ISSAIs for financial audit, along with other ISSAIs and guidance for good governance, resulting in a comprehensive framework of international auditing standards for the public sector, which individual Supreme Audit Institutions (SAIs) can use as a reference point for their activities. The IAASB commends INTOSAI on achieving this significant milestone, as it supports the IAASB’s view that public sector audits of financial statements can and should be carried out in accordance with ISAs.

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<sup>19</sup> The PAODC, formerly the Developing National Committee, supports capacity building of the accountancy profession in all regions of the world and, through its outreach activities, assists the IAASB in obtaining the views of developing nations seeking to adopt and implement the ISAs.

48. However, the IAASB recognizes there is more to be done in our mutually beneficial relationship to ensure that public sector auditors understand why the same auditing standards can be applied for both private and public sector entities. In addition, further coordination with INTOSAI in the future may lead to leveraging of the IAASB's other standards for use in the public sector, for example when public sector auditors are involved in performance reporting, a form of assurance engagement. Public sector auditors within SAIs (such as Auditors General) may also have a mandate to promote improved financial reporting and auditing practice and may often have direct reporting responsibilities to legislative bodies. Accordingly, the IAASB will explore whether its collaboration with INTOSAI can also be used to further enhance relationships with legislators, for example through the involvement of individual SAIs.

#### Outreach with Investors and Others

49. Respondents to the survey also widely supported the IAASB expanding its communications with users, including investors. Some suggested that additional communications are also necessary between auditors and those charged with governance and shareholders outside of the auditor's report. Suggestions on how to further engage investors in the work of the IAASB include roundtables and regional forums conducted with regulators and NSS; investor working groups; webcasts; surveys; user-focused newsletters and web publications.
50. Respondents also suggested the IAASB could strengthen liaison with stock exchanges, CFOs and controllers, corporate governance organizations, and shareholder associations. While a number of these organizations are represented on the IAASB CAG, it may be necessary for activities with these groups to be expanded.
51. These suggestions mirror efforts underway by the IASB and the PCAOB. The IAASB intends to explore additional communication and outreach efforts that could be employed in the context of individual projects, so that all available methods of outreach and communication are considered and the approach is tailored to the project.
52. It may also be possible for the IAASB to leverage work being undertaken by groups such as the IASB, the FSB, the World Bank, regional accountancy organizations, and other IAASB CAG Member Organizations to hold joint events or expand IAASB participation in their events beyond the IAASB Chairman's speaking engagements.
53. Finally, in order to increase the transparency with which the IAASB operates, it was also suggested the IAASB could invite speakers from stakeholder groups to present to the IAASB, conduct meetings between the full IAASB and the IAASB CAG, and enhance dialogue with academics, audit oversight bodies, training organizations and small business associations. The IAASB will consider doing so, in particular when stakeholder groups can serve to educate the Board at the commencement of a project, for example in specialized areas on which assurance is required or requested, such as XBRL, sustainability, and corporate governance. There may also be opportunities for the findings of academic research (such as that described in paragraph 38) to be presented to the IAASB to inform its deliberations.

## II. Rationale for Anticipated Projects Likely to Commence in 2012–2014

### *Responding to the Findings of the ISA Implementation Monitoring Project* (Ref: Project B.1)

54. Although a number of respondents to the strategy survey highlighted the view that the ISAs that were not revised as part of the Clarity Project should be addressed, there was no clear consensus on the ISAs in this category in need of updating and the reasons why they should be updated. Previous discussions have indicated there may be scope for improvements to ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*; ISA 530, *Audit Sampling*; and ISA 570, *Going Concern*. An initial IAASB Staff review of comments received on those ISAs that were only redrafted did not indicate an urgent need to revise any other ISAs. However, the IAASB recognizes that it is through the ISA Implementation Monitoring project that any implementation challenges warranting revision of any individual ISA or the development of further guidance to promote consistent implementation of the ISAs will be identified. It may be that discussions with regulators, audit oversight bodies, or those adopting the ISAs may also identify individual ISAs that could benefit from a revision, though a number of these stakeholders have indicated that a stable period would be welcomed. Particularly important to note in the Phase 1 results of the ISA Implementation Monitoring project is the conclusion that, in general, there were no themes that suggest that implementation of any of the ISAs poses significant difficulties, with the exception of some concerns about one, relatively narrow, aspect of ISA 600.<sup>20</sup> Respondents also supported the project on the current Work Program to consider whether to develop further certain conceptual aspects of ISAs, such as audit evidence and professional judgment, and suggested additional communications on professional skepticism and reasonable assurance would be worthwhile.
55. Accordingly, during 2012–2014 the IAASB plans to undertake one or more new project(s) that emerge as the most pressing issues in the ISA Implementation Monitoring project. The output of these projects could be revisions to the ISAs (either individual ISAs or limited amendments as part of a broader improvements project), new ISAs, new IAPs, Staff publications, or other outputs that would be considered implementation guidance. The proposed outputs for these projects will be considered in the context of the IAASB’s discussion of project proposals before such projects are commenced.

### *Revising the Standard Dealing with Agreed-upon Procedures Engagements* (Ref: Project B.2)

56. Discussions with SMPs and responses to the survey have indicated that international investors, banks, and other sources of capital often request an entity to have agreed-upon procedures performed by a practitioner in lieu of an audit or in order to ensure specific procedures are performed on key account balances. The Task Force dealing with the

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<sup>20</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (including the Work of Component Auditors)*. The issue relates to additional planning considerations that may be necessary in order for a group auditor to obtain the necessary audit evidence when the entity under audit has joint ventures of significant influence but not control over significant component investments. The IAASB has asked the Forum of Firms to provide information about the extent and nature of problems experienced on 2010 audits.

revisions to ISRE 2400 and ISRS 4410 has also highlighted the need for revision to ISRS 4400, *Engagement to Perform Agreed-upon Procedures Regarding Financial Information*, to enhance the suite of engagement standards available to practitioners to meet the needs of entities that do not require an audit but find value in having the practitioner involved in some way. Work to revise ISRS 4400 may also be meaningfully leveraged for the XBRL initiative, as there is currently a demand in some jurisdictions for agreed-upon procedures that deal with the completeness, accuracy, and consistency of XBRL-tagged data. Finally, a revision to ISRS 4400 would bring it in line with other improvements made through the Clarity Project regarding the auditor’s compliance with relevant ethical requirements. Accordingly, the IAASB intends to discuss a project proposal relating to the revision of ISRS 4400 in 2011.

*Revising or Withdrawing the Standard on Prospective Financial Information* (Ref: Project B.3)

57. In approving the project to develop proposed ISAE 3420, *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus*, the IAASB contemplated that the next phase of that project would be to consider revising ISAE 3400, *The Examination of Prospective Financial Information*. This was based on the preliminary view that the initial project would resolve a number of issues that are common to pro forma financial information and prospective financial information.
58. Feedback to date has indicated that extant ISAE 3400 is not widely used in practice by professional accountants, mainly because it does not provide for the opinion that many regulators require and the level of assurance required on the underlying assumptions is viewed by some as being too high. Further dialogue with regulators may be necessary to determine the extent to which international standards can be developed to address national frameworks. However, those that are using the extant standard do so in the absence of national standards tailored to the specific regulatory requirements within the jurisdiction. In addition, users of financial statements have indicated a general desire for more prospective financial information within the financial statements, which may have implications for the auditor’s report and other communications and is part of the broader debate on the role of the auditor.
59. The IAASB’s experience in developing ISAE 3420 is likely to provide information relevant to determining whether ISAE 3400 can be meaningfully revised or whether it should be withdrawn. Should the IAASB determine that a revision is more appropriate, the timing of the project will need to be considered in light of the IAASB’s overall prioritization of its new projects. Consideration of withdrawal will need to take into account the views of jurisdictions that are presently using the ISAE, as well as those currently exploring whether to require assurance on prospective financial information. To assist the IAASB in its initial considerations, respondents are invited to raise any matters that may be relevant to their particular jurisdiction.

*Identifying Implementation Challenges and Developing Materials to Address These Challenges*

(Ref: Project B.4)

60. The IAASB believes that communication is a two-way process that enables the IAASB to hear others’ concerns about practice, and what standard setters can do about them; hear



concerns about standards; be aware of recent developments in practice; and be aware of relevant regulatory developments. This communication is particularly necessary in regard to implementation of the IAASB's standards. Once adopted, successful implementation of standards is vital to ensure professionals understand and appropriately apply those standards.

61. A wide range of activities needs to be undertaken to facilitate implementation by jurisdictions and auditors, for example, communications, translation, revision of audit methodologies, audit software updates, and auditor training. While the ISA Implementation Monitoring project will assist in identifying issues noted in implementing the clarified ISAs, outreach activities with NSS and IFAC member bodies, in particular those in developing nations, as well as SMPs, can further inform the IAASB about activities it could take to assist implementation. Doing so will allow the IAASB to determine what its role should be in developing implementation guidance, including whether partnership with others can be explored to leverage resources. For example, the IAASB's initial consideration of how relevant materials developed by NSS can be shared suggested that a practical solution may be to make available a brief publication that lists major initiatives by the NSS. Cooperation with the SMP Committee and participation in other IFAC initiatives may also allow the IAASB to assist in addressing implementation challenges.
62. To date, IAASB Staff has developed the Clarity Center website, video modules, and staff publications to communicate about implementation, but it is likely there are more activities that could be undertaken both at a Board and Staff level to address the challenges noted in implementation. Respondents to the survey suggested that explaining key considerations to be applied in the application of the audit risk standards, in particular for SMEs, and further efforts with regulators and audit oversight bodies, could lead to more consistent application of these standards in practice and address concerns that persist regarding the extent of documentation needed to comply with the ISAs.
63. Materials that can help people understand the reasons for IAASB's decisions and how a new or revised standard can be implemented were also suggested as useful outputs. The IAASB believes the pilot of the impact analysis approach<sup>21</sup> may assist in this regard, and there may be opportunities for enhancements to the Staff Basis for Conclusions and other overview communications designed to either promote the standard-setting proposals when exposure drafts are issued or assist with implementation of final standards.

*Seeking Feedback on Implementation Experiences with ISAE 3402* (Ref: Project B.5)

64. ISAE 3402, issued in 2009, is effective for service auditor's assurance reports covering periods ending on or after June 15, 2011. With ISAE 3402 being the first new assurance standard, other than the ISAs, developed under the IAASB's *International Framework for Assurance Engagements*, the IAASB agreed when finalizing the standard that it should actively seek feedback in 2013 on the experiences of service auditors and others with its

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<sup>21</sup> As contemplated in the current Work Program, the IAASB is piloting a broader IFAC initiative to provide a uniform and consistent approach to the analysis of impacts that will help prepares, users, and regulators understand the factors considered and conclusions reached when developing standards.

implementation. In addition, the current revision of ISAE 3000 may identify matters for revision in ISAE 3402 that will be considered.

65. It is proposed that a survey be developed to gather initial feedback and assist the IAASB in determining whether further action may be appropriate. There may be an opportunity to collaborate with the AICPA, as it finalized its equivalent standard at the same time ISAE 3402 was finalized.

*Communicating about the Benefits of Adopting the Clarified ISAs* (Ref: Activity B.6)

66. As noted in paragraphs 39–53 and Appendix 4, ongoing communication activities are included in the IAASB’s future Work Program. Respondents to the survey believed communicating about the benefits of adopting the clarified ISAs is critical to their global adoption. The IAASB, in cooperation with IFAC’s Communications Department,<sup>22</sup> will explore whether basic publications highlighting why the IAASB believes the clarified ISAs should be adopted could be developed and tailored to key groups considering adoption such as legislators, regulators, public sector auditors, SMPs, and developing nations, citing the expected benefits including improved consistency, comparability and quality. These publications could acknowledge the initial costs required for adoption but highlight the work IFAC has undertaken to facilitate quality translation<sup>23</sup> of the ISAs and the work of the SMP Committee to develop guides to the application of the clarified ISAs and ISQC 1, in addition to the modules developed by the IAASB on the ISAs that had been substantively revised during the Clarity Project.<sup>24</sup> This work is important to explain why ISAs can be used in both audits of publicly-listed and private entities.
67. As work on the ISA Implementation Monitoring project continues, including the planned liaison with SMPs who are adopting the ISAs, there may be further opportunities for the IAASB to share “success stories” of those adopting the ISAs to educate those considering whether to adopt the ISAs about how ISAs contribute to audit quality.

### III. Suggestions for Additional Projects

68. While respondents to the strategy survey suggested a variety of new initiatives that could be undertaken by the IAASB, the projects listed in Column C of the *Overview of Possible Actions to Implement the Proposed Strategy* (described in greater detail below) received significant support across a number of different stakeholder categories. Discussions with the IAASB CAG also have indicated that these areas may warrant the IAASB’s attention in the future.

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<sup>22</sup> The Communications Department assists the IAASB in reaching its target audience, through the issuance of press releases and eNews, website enhancements and other communications initiatives.

<sup>23</sup> IFAC’s Translation function works to promote the use of the IAASB’s materials by permitting interested parties to reproduce and translate them. It maintains a database of translation of key publications by external parties, and has been working closely with the EC to ensure one quality translation of the clarified ISAs per language.

<sup>24</sup> As an initial step in exploring the use of new promotional publications, *The Clarified International Standards on Auditing – An Overview & Guide to Resources* publication was developed in advance of the World Congress of Accountants. The brochure can be accessed at [web.ifac.org/download/IAASB\\_Clarify\\_Resources\\_Brochure.pdf](http://web.ifac.org/download/IAASB_Clarify_Resources_Brochure.pdf).

69. As the IAASB does not have the capacity to undertake all of these initiatives, it is seeking the views of respondents as to which, if any, should be considered for inclusion on the IAASB's future agenda. The number of projects that can be undertaken will depend on the relative complexity of those projects selected; however, the IAASB currently anticipates that three new projects can be undertaken. Projects will be selected based on the views of respondents to this CP about the merits of the suggestions for additional projects, and available resources. For new assurance standards, because of differences in legal and regulatory frameworks around the world, consideration of whether it is feasible to develop international standards in certain of these areas will be necessary, in particular if established accepted criteria do not exist.
70. In addition, the IAASB is currently revising ISAE 3000 (Ref: Project A.6), the overarching standard to be applied when assurance engagements other than audits or reviews of historical financial statements are conducted by practitioners. It may be the case that the improvements made to this standard during the revision process will allow for practitioners to better interpret and apply the requirements of the overarching standard in a consistent manner for particular circumstances, alleviating the need for the IAASB to develop topic-specific standards in these emerging areas.

*Developing Guidance for the Audits of Banks* (Ref: Project C.1)

71. A number of regulators expressed particularly strong views for the IAASB to update guidance contained in IAPS 1004, *The Relationship between Banking Supervisors and Banks' External Auditors*, and IAPS 1006, *Audits of the Financial Statements of Banks*. In their view, this guidance remains useful and should be supplemented with lessons learned in addressing financial crisis issues. They also believed including a program on the IAASB's agenda would address concerns of audit regulators, audit firms and supervisory agencies that audit procedures may need to be strengthened in areas such as risk assessment, impairments, disclosures, and going concern. NSS, however, have previously indicated the view that developing international guidance in a highly nationally-regulated industry (on in other specialized industries, such as insurance) may not be possible.
72. At its June 2010 meeting, the IAASB agreed to a proposal to withdraw all of the extant IAPSs, including IAPS 1004 and IAPS 1006, given that they are out-of-date, subject to the views of stakeholders on consultation.<sup>25</sup> As explained in the public consultation document, while IAPSs do not establish additional requirements beyond those in the ISAs, auditors should determine whether any IAPS is relevant to the circumstances of the audit and, if so, obtain an understanding of its content. This consultation also proposes IAPSs only be developed in particular circumstances, by outlining a number of factors the IAASB intends to consider in the future in determining whether to develop a new IAPS. In addition, due to the specialized nature of the topic, the inclusion of this project on the IAASB's work program would be contingent upon the assistance that can be given by the

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<sup>25</sup> The IAASB is currently exposing proposals relating to the withdrawal of the six extant IAPSs, and clarification of the status and authority of new IAPSs. Further information can be found at [www.ifac.org/Guidance/EXD-Details.php?EDID=0143](http://www.ifac.org/Guidance/EXD-Details.php?EDID=0143).

banking regulators and supervisors, as well as firm experts. The IAASB has noted that, if undertaken, this would be a complex and resource intensive project.

*Considering Whether a New Standard or Guidance Is Necessary to Address the Auditor’s Responsibilities Relating to Preliminary Announcements* (Ref: Project C.2)

73. In discussing the scope of the revisions to ISA 720 (Ref. Project A.1), the IAASB considered whether to include preliminary announcements in the ISA. At its September 2010 meeting, the IAASB concluded that, while preliminary announcements were not to be included in the scope of revised ISA 720, it was likely necessary to consider whether it would be appropriate to address these issues in a separate standard or guidance. In addition, it has also been suggested that work on the broader topic of auditor association may be appropriate. Accordingly, the Task Force intends to further consider how best to proceed on these matters.

*Monitoring the Impact of Developments in Integrated Reporting* (Ref: Project C.3)

74. The IAASB’s discussions to date on auditor communications have highlighted the increasing demand on corporate entities to widen the reporting of information of relevance to users, covering more than the information currently presented as part of the financial statements. The formation of the International Integrated Reporting Committee (IIRC)<sup>26</sup> by the Prince of Wales’ Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI) highlights the momentum in this important area. The IIRC’s remit is to create a globally accepted framework for accounting for sustainability: a framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format – put briefly, in an “integrated” format. The intention is to help with the development of more comprehensive and comprehensible information about an organization’s total performance, prospective as well as retrospective, to meet the needs of the emerging, more sustainable, global economic model.
75. While the discussions are indeed broader than auditing, the IAASB believes it is important to monitor the impact of developments in this area and participate, as necessary, in any audit- or assurance-related outcomes. Matters that may need to be considered relate to the auditor’s responsibilities to report on integrated reporting and, if so, what form such reporting might take, as well as the nature of such procedures (for example, whether ISAE 3000 as revised can be applied in the circumstances if assurance is required on information other than historical financial information). In addition, consideration of issues related to integrated reporting may also overlap with other suggested initiatives to explore assurance on sustainability, corporate governance, and internal control, as discussed further below.

*Evaluating Whether to Develop a New ISAE Addressing Sustainability Reporting* (Ref: Project C.4)

76. The 2009–2011 Work Program contemplated that the IAASB would review Royal NIvRA’s assurance standard on sustainability reporting to determine whether it was an

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<sup>26</sup> The IIRC brings together a cross section of representatives from the corporate, accounting, securities, regulatory, non-governmental organizations (NGO), international governmental organizations (IGO), and standard-setting sectors. More information on the IIRC can be accessed at [www.integratedreporting.org](http://www.integratedreporting.org).

appropriate basis for the development of an international standard. The IAASB's work in developing proposed ISAE 3410 has highlighted the difficulties in developing assurance standards when established accepted criteria do not exist, in particular when the demand for assurance is emerging and may differ in various jurisdictions.

77. Ongoing work in accounting for sustainability via the IIRC is likely to further assist the IAASB in evaluating whether and, if so, when developing a topic-specific assurance standard in this area may be appropriate. Respondents are invited to share views on their experiences with standards that may exist in their particular jurisdictions and views as to how a potential project on sustainability should be prioritized, if at all.

*Evaluating Whether to Develop a New ISAE Addressing Assurance on Corporate Governance Statements* (Ref: Project C.5)

78. A number of respondents were of the view that the global financial crisis has demonstrated that robust, transparent governance practices need to be embedded in all organizations, along with a re-evaluation of remuneration structures, board level expertise and training, and risk management. Corporate governance statements, providing increased transparency for investors and other stakeholders, have gained in importance in the aftermath of the crisis. Assurance by independent qualified accountants is seen to enhance the credibility of the information.
79. IFAC and the United Nations Conference on Trade and Development (UNCTAD) recently hosted a meeting<sup>27</sup> of accountancy leaders from around the world to discuss next steps for global corporate governance reforms and agreed the accountancy profession has a key role to play in strengthening corporate governance and facilitating the integration of governance and sustainability into the strategy, operations and reporting of an organization.
80. As this is an area which is of public interest and is a global topic that is becoming more relevant to those charged with governance demonstrating responsibilities for monitoring and risk assessment, in particular as a means of helping prevent future financial crises, the IAASB believes it should continue to monitor developments in this area, as the topic is interrelated to both audit quality and auditor communications. Doing so will allow the IAASB to evaluate whether and, if so, when developing a topic-specific assurance standard in this area may be appropriate.

*Evaluating Whether to Develop a New ISAE Addressing Assurance on Internal Control* (Ref: Project C.6)

81. A number of respondents to the survey also indicated that internal control over financial reporting and an entity's risk management processes are key factors of corporate governance, and there may be an increased role for practitioners to report on these areas. While the audit of internal control over financial reporting is not required by regulation in

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<sup>27</sup> More information on the conference is available at [press.ifac.org/news/2010/10/accountancy-summit-on-corporate-governance-reform-looks-beyond-the-global-financial-crisis](http://press.ifac.org/news/2010/10/accountancy-summit-on-corporate-governance-reform-looks-beyond-the-global-financial-crisis).

many jurisdictions,<sup>28</sup> some respondents were of the view that there will be a growing demand for this service. As those charged with governance become more aware of their own responsibilities in this area, respondents predicted that they might voluntarily turn to their auditors for independent assurance in this area. Others believed the global financial crisis has also highlighted the need for auditors and users of financial statements to have an in-depth understanding of an entity’s risk management processes in place to identify, classify, and account for transactions. Regulators in particular indicated a desire for a standard to address this topic. At this stage, it is not envisioned that, even if a new standard were to be developed, this would become part of the ISAs (that is, the IAASB does not propose moving towards an integrated audit model) absent broad regulatory requirements to do so.

*Redrafting the Standard Dealing with Reviews of Interim Financial Information in the Clarity Format* (Ref: Project C.7)

82. Subject to the IAASB’s agreement to revise ISRS 4400, ISRE 2410<sup>29</sup> would then be the only IAASB standard not currently presented in the Clarity format. Because this standard is currently used in practice and is important in a number of engagements, in particular in relation to publicly listed entities, there may be merit in redrafting it in accordance with the Clarity conventions, in order to ensure it is applied consistently. Doing so also would allow the IAASB, if considered necessary, to better explain the distinction between an interim review and reviews as envisioned by revised ISRE 2400, in particular as regards the auditor’s report on an interim review engagement. Should this project be added to the IAASB’s future Work Program, a more substantive revision of ISRE 2410 would not be contemplated, as it is generally used in practice without significant difficulties.

*Considering Further Actions to Assist in the Implementation of ISQC 1* (Ref: Activity C.8)

83. Respondents explicitly suggested that the ISA Implementation Monitoring work should also seek to obtain feedback from SMPs regarding their adoption experiences, in particular with respect to ISQC 1. The standard has raised concerns for SMPs particularly with regard to cost constraints and availability of technical resources and expertise to conduct engagement quality control reviews. Although the SMP Committee has provided guidance material on the topic, the IAASB will consider what further action could be taken to encourage knowledge-sharing and partnership by SMPs as part of their obligation to comply with the standard. For example, it has been suggested that a publication similar to the Staff Q&A publication, *Applying ISAs Proportionately with the Size and Complexity of an Entity*, could be developed to explain how ISQC 1 can be applied proportionally in audit engagements, as well as assurance and related services engagements.

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<sup>28</sup> China, Japan and the U.S. have already implemented requirements for auditors to report on internal control over financial reporting.

<sup>29</sup> ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

**The IAASB’s International Pronouncements**

<b>Type of Pronouncement</b>	<b>Authority</b>	<b>Catalogue of Existing Pronouncements and Those under Development</b>
<b>International Standards on Auditing (ISAs)</b>	Applied in the audit of historical financial information	<p>The year 2009 marked the completion of the IAASB’s Clarity Project, which involved the application of new drafting conventions to all ISAs, either as part of a substantive revision or through a limited redrafting, to reflect the new conventions and matters of clarity generally.<sup>30</sup></p> <p>The suite of 36 newly updated and clarified ISAs and a clarified ISQC became effective for audits of financial statements for periods beginning on or after December 15, 2009.</p>
<b>International Standard on Quality Control (ISQC)</b>	Applied for all services falling under the ISAs, ISAEs and ISRSs	<i>ISQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i>
<b>International Standards on Review Engagements (ISREs)</b>	Applied in the review of historical financial information	Proposed ISRE 2400 (Revised), <i>Engagements to Review Historical Financial Statements</i>
		ISRE 2410, <i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>

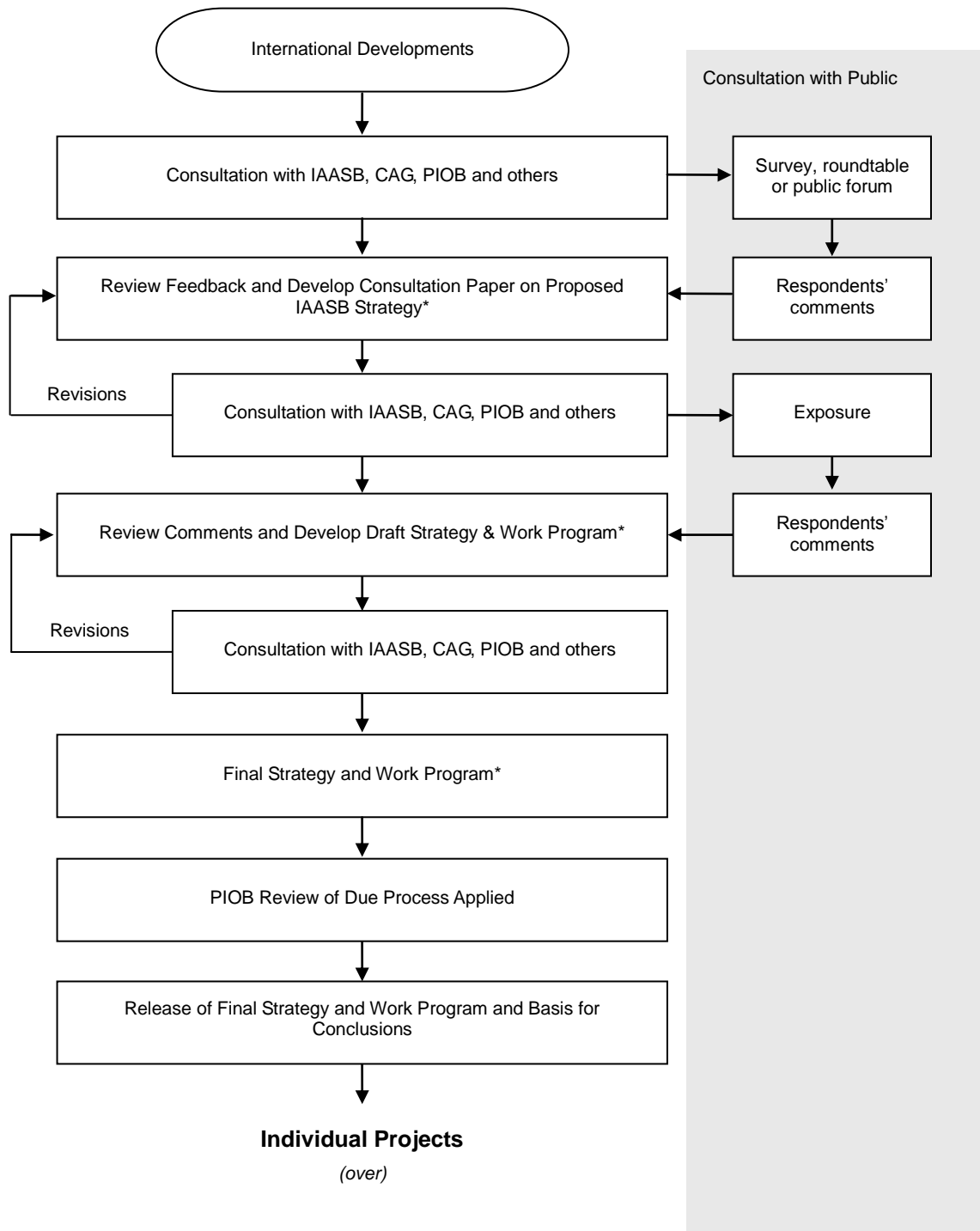
<sup>30</sup> A listing of all the clarified ISAs, their full text, and other useful information about the development of the clarified ISAs, including the improvements arising from the Clarity Project, can be accessed at [www.iaasb.org/clarity-center](http://www.iaasb.org/clarity-center).

<b>Type of Pronouncement</b>	<b>Authority</b>	<b>Catalogue of Existing Pronouncements and Those under Development</b>
<b>International Standards on Assurance Engagements (ISAEs)</b>	Applied in assurance engagements dealing with subject matters other than historical financial information.	Proposed ISAE 3000 (Revised), <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>
		ISAE 3400, <i>The Examination of Prospective Financial Information</i>
		ISAE 3402, <i>Assurance Reports on Controls at a Service Organization</i>
		Proposed ISAE 3410, <i>Assurance Engagements on Greenhouse Gas Statements</i>
		Proposed ISAE 3420, <i>Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus</i>
<b>International Standards on Related Services (ISRSs)</b>	Applied to compilation engagements, engagements to apply agreed-upon procedures to information and other related services engagement as specified by the IAASB	ISRS 4400, <i>Engagements to Perform Agreed-upon Procedures Regarding Financial Information</i>
		Proposed ISRS 4410 (Revised), <i>Compilation Engagements</i>
<b>International Auditing Practice Statements (IAPSs)</b> <sup>31</sup>	Issued to provide practical assistance to auditors in implementing ISAs and to promote good practice	Proposed IAPS 1000, <i>Special Considerations in Auditing Complex Financial Instruments</i>

<sup>31</sup> The IAASB is currently exposing proposals relating to the withdrawal of the six extant IAPSs, and clarification of the status and authority of new IAPSs, including proposed IAPS 1000. Further information can be found at [www.ifac.org/Guidance/EXD-Details.php?EDID=0143](http://www.ifac.org/Guidance/EXD-Details.php?EDID=0143).

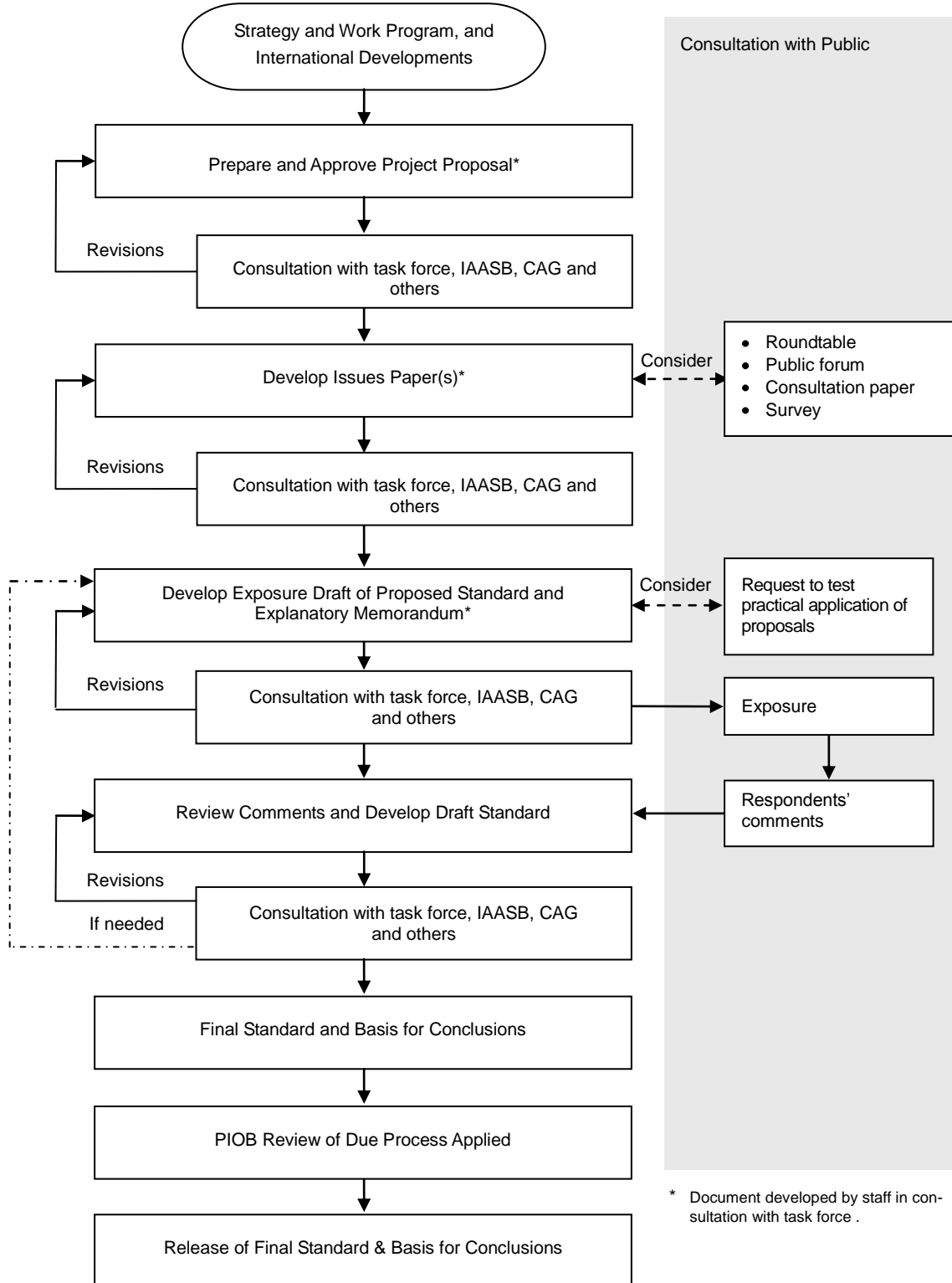


**Key Elements of Due Process**



\* Document developed by staff in consultation with IAASB Steering Committee.

**Individual Projects**



\* Document developed by staff in consultation with task force .

## Inputs to the IAASB's Processes

### Setting the Strategy and Work Program

1. The process of setting the IAASB's future strategy and work program involves a formal survey of the IAASB's stakeholders to obtain views about issues that they believe should be addressed by the IAASB in the immediate future. Accordingly, a public survey was issued in April 2010, the results of which formed the preliminary basis for the IAASB's consideration in developing this CP.
2. This CP forms the most vital stage of the consultation process to set the IAASB's future agenda. It presents the proposed strategy for 2012–2014, possible actions to implement the proposed strategy, and the basis for them. It takes account of:
  - The findings of the strategy review survey in April 2010. 101 responses were received, including responses from IFAC member bodies, regional professional accountancy organizations, organizations representing preparers of financial statements, audit firms and public sector audit organizations, and public authorities and international regulators.
  - Consultation with the IAASB CAG, which has wide representation of those with an interest in auditing and assurance services, including preparers of financial statements and other information, investors, regulators and other users, including SMEs.
  - Consultation at meetings of the IAASB—National Auditing Standard Setters, the IFAC SMP Committee,<sup>32</sup> the IOSCO Standing Committee No. 1 on Multinational Accounting and Disclosure, the Financial Audit Subcommittee of INTOSAI, IFIAR, and the Forum of Firms (Forum);<sup>33</sup> and
  - Other international outreach activities with key stakeholders undertaken by the IAASB's Chairman, Deputy Chair and Staff. During 2010, there were 78 meetings with, or presentations to, stakeholders in 24 countries.
3. The proposed strategy and possible actions, amended in the light of comments received, will form the basis for the *IAASB Strategy and Work Program for 2012–2014*. The strategic plan and work program set the direction and priorities of the activities of the

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<sup>32</sup> Rapid response teams consisting of SMP Committee members endeavor to comment on IAASB's projects at key stages. The IAASB Chairman and other IAASB members may also be invited to SMP Committee meetings to discuss projects with particular relevance to SMPs.

<sup>33</sup> The IAASB consults with the Forum in developing its strategy and work program and also in the context of individual projects. There are currently 21 full members of the Forum. The Transnational Auditors Committee (TAC) is the executive arm of the Forum and a committee of IFAC, providing the official link between the Forum and IFAC. Forum members promote the consistent application of high-quality audit practices worldwide, including the use of ISAs, and support convergence of national audit standards with ISAs. The Forum also discusses "best practices" in areas including quality control, auditing practices, independence, and training and development.

IAASB. They are set within the context of the overall strategy of IFAC, and address significant developments in the environment in which assurance services are performed and in which standards for such services are set.

4. In line with the IAASB's Terms of Reference and as illustrated in Appendix 3, the PIOB will evaluate whether due process used to develop the strategic plan and work program has been followed effectively and with proper regard for the public interest, the appropriateness of items in the work program, and the completeness of the strategy and work program from a public interest perspective. It will also consider whether to recommend, from a public interest perspective, that an item(s) be added to the work program. It is currently envisaged that the strategic plan and work program will be finalized by the fourth quarter of 2011.
5. The commencement of any new project, however, is subject to the IAASB approving a proposal that confirms that the project is an effective and efficient allocation of the IAASB resources. The IAASB is also aware of the need to be flexible in its planning process to be able to respond to new events and circumstances as they arise and the need to alter its work program to address new priorities.

### **Developing International Pronouncements**

6. The IAASB considers that the core of its mandate is to act in the public interest in all activities it undertakes. When asked what the most important component of the IAASB's work in serving the public interest was, many respondents to the survey cited its areas of strategic focus and felt the IAASB should be seen as acting in the public interest, by operating in a transparent manner following due process and with its members being seen as independent.
7. The IAASB is required to be transparent in its activities, and the development of its international pronouncements is conducted under its [Due Process and Working Procedures](#), which have been approved by the PIOB. Before a final pronouncement can be issued, the PIOB evaluates whether due process has been followed effectively and with proper regard for the public interest. The stages of due process followed by the IAASB in developing an international pronouncement are illustrated in Appendix 3.
8. To a large extent, due process dictates the time it takes to develop an IAASB pronouncement. In following due process, each project takes approximately 36 months to complete, which includes an exposure period of ordinarily 120 days. A significant component of acting in the public interest is ensuring that relevant input is obtained by the IAASB throughout the development of a pronouncement. The IAASB invests significant time discussing issues before an exposure draft is released and considers comments received on exposure at one or more meetings approximately four months after an exposure period ends, which allows the project Task Force to then revise the proposed pronouncement in response to comments.
9. The overall time to complete a project is also dependent on the complexity of the subject matter and planned outreach activities (including the need to hold forums or roundtables). In addition, the IAASB discusses each project with the IAASB CAG a minimum of three times (at the project inception, prior to exposure, and prior to finalization).

## Current (Ongoing) Actions the IAASB Intends to Continue

### Global Acceptance, Convergence and Partnership

- Continue active discussions with the IAASB CAG and NSS (including the PCAOB), public authorities (in particular the EC), audit oversight bodies and international regulators (including the BCBS, European Group of Auditors' Oversight Bodies, International Association of Insurance Supervisors, IFIAR and IOSCO) aimed at achieving common agreement on the content and breadth of any proposed new standards to meet the common needs of all parties and lead to global acceptance and endorsement of the standards.
- Continue to cooperate with INTOSAI, promoting the use of ISAs as the basis for audits in the public sector.
- Continue to seek regular consultation with the IFAC SMP Committee on issues of relevance to SMEs and practices regarding audit and quality control standards.
- Continue to seek regular consultation with the IFAC PAODC on issues of relevance to developing nations regarding audit and quality control standards.
- Continue the IAASB-IASB liaison, aimed at providing the IASB with timely inputs on aspects of its proposed standards that may have potential verifiability or auditability issues and other matters that may affect the pronouncements of the IAASB or create a need for new pronouncements.
- Continue to take steps to address the issues of translation; the frequency, volume and complexity of changes; and the setting of effective dates.

### Communication

- Continue to issue a press release, communicating the approval of each proposed or final IAASB pronouncement and any other major activity of the IAASB.
- Continue to publish an overview for each new final pronouncement to explain its background and scope, provide a summary of its key provisions, and explain the implications for practice.
- Continue to issue IAASB eNews communications (three to four times per year), using these vehicles to encourage responses to the IAASB's consultation and publicize adoption and implementation support vehicles available.
- Continue to publish an annual report written to a broad interested audience on the performance of the IAASB, including a report on progress against this action plan and on how IAASB has complied with its stated due process.
- Continue to promote the activities and publications of the IAASB through the IAASB website (this include agenda material, audio records of meetings, meeting highlights, proposed pronouncements and related comment letters, final pronouncements and bases for conclusions) and evaluate how technology may be better used to reach a broader audience.

- Continue to enhance communications with NSS (including the annual meeting with 13 NSS), regulators, IFAC member bodies, the Forum of Firms, academics and conference organizers.





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