

4 June 2019

To: Professor Arnold Schilder
The Chairman
International Auditing and Assurance Standards Board
529 5th Avenue 6th Floor
New York 10017
United States of America

Submission via IAASB website

Submission on IAASB's Proposed Strategy for 2020-23 and Work Plan for 2020-21 (Strategy and Work Plan)

This submission is made jointly by Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA) under our strategic alliance.

ACCA and CA ANZ created a strategic alliance in June 2016, forming one of the largest accounting alliances in the world. It represents 800,000 current and next generation accounting professionals across 180 countries and provides a full range of accounting qualifications to students and business. Together, ACCA and CA ANZ represent the voice of members and students, sharing a commitment to uphold the highest ethical, professional and technical standards. More information about ACCA and CA ANZ is contained in Appendix B.

Ensuring that the global audit profession remains a viable and high quality profession is vitally important to our current and future members. We are therefore grateful for the opportunity to support the board by providing feedback to this consultation.

We agree that the board has clearly defined and articulated the goals, objectives and keys to success that will underpin the effective achievement of this strategy for 2020-23. We are therefore pleased to be able to support the general direction of the board's endeavours to achieve these outcomes.

However, in our view, this strategic period needs to be one of consolidation and implementation support, rather than of significant new directions. The changes arising from the board's audit quality enhancement projects need ongoing post-implementation support and then review in this time period, in order to ensure they are achieving the desired outcomes (e.g. audit quality is actually improving).

In particular, we believe it is of very high importance that over this strategic period the IAASB prioritizes:

- Focusing on the time and resources to support the effective implementation of all its audit quality related projects

- Prioritising the work in the “Less Complex Entities” project, which we see as a crucial part of the next stage of the board’s ongoing implementation work because of critical need in the SMP space.
- Maintaining its existing standards in other areas such as audit evidence in light of significant environmental change and public expectations.
- Performing implementation activities for the new ISRS 4400 which is also of considerable importance for our SMP members.

In achieving all its outputs, we believe it is important that the board ensure that the pervasive nature of technology and professional scepticism is fully embedded in each of its projects, rather than seeking to producing discrete outputs for these two important topics.

Our detailed comments and recommendations are enclosed in Appendix A. Should you have any queries about the matters in this submission, or wish to discuss them in further detail, please contact Jeanette Dawes Senior Policy Advocate- Reporting and Assurance at CA ANZ via email; jeanette.dawes@charteredaccountantsanz.com and Antonis Diolas, Manager Audit and Business Law at ACCA via email antonis.diolas@accaglobal.com

Yours sincerely

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Appendix A

Goals and objectives

1. Do you agree with *Our Goal, Keys to Success and Stakeholder Value Proposition* (see page 6), as well as the *Environmental Drivers* (see page 7).

Goals

We agree that the goal statement adequately reflects what we see as the IAASB's key objective.

Keys to success

We consider that the board's "keys to success" statement adequately covers the necessary important concepts.

Stakeholder value proposition

We agree that the stakeholder value proposition articulates all of the benefits that we believe the IAASB should be offering all its varied stakeholders.

However, we would prefer that the order of the elements was changed with "stakeholder engagement" moving to position 2, "our standards" to position 3 and "implementation support" to position 4. This order better reflects the importance of the board's accountability to its stakeholders for its standards in this rapidly changing world. Work plans, methods and collaboration can then follow as important ways of ensuring stakeholders receive the value they expect from the standards the board is setting.

Environmental drivers

We agree that the IAASB has appropriately identified the key environmental drivers that are currently impacting the profession and so should be shaping the board's strategy for the next three years.

However, we recommend that the "changing expectations" driver includes a reference to greater public expectations around ethics. The board is clearly aware of this as a driver given the reference to its intention to improve collaboration with IESBA referred to elsewhere in the strategy document (see strategic action theme B).

Strategy and focus

2. Do you agree with *Our Strategy and Focus and Our Strategic Actions for 2020–2023* (see pages 8 to 13).

We agree that the board's activities need to be public interest and future focused and that the five strategic themes identified are all essential to achieving this objective.

We also recognise that the specific work associated with each of these themes are areas of real need. However, noting that the board has limited resources, we would prefer these strategic actions to be prioritised differently. We set out below our preferred order of priority (numbering

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each theme in order below) and have also included suggested changes to the discussion about those themes in the strategy document where we feel this is necessary.

1. Theme A – Completing the audit quality enhancements

We support the board's view that work on theme A should be of high priority in this strategic period, given the importance of these projects to audit quality worldwide.

2. Theme C – Addressing complexity

We support the board's view that work on theme C should be of high priority in this strategic period as the complexity of standards such as ISA 315 and 540 have clearly highlighted the challenges small and medium practitioners worldwide now face effectively implementing them.

3. Theme E – Deepen connectivity and collaboration

We agree that effective collaborations with stakeholders is essential to effective standard setting. We consider that the strategy document (page 13) identifies all the appropriate sources of collaborative opportunities. However we consider it would be helpful to group these under the following headings:

- public interest (CAG, regulators);
- users (firms, IFAC, IASB); and
- effective workload management (standard setters, IESBA, advisory panels).

The comments on outreach should then be reallocated to the stakeholder category where they best fit. This will ensure that focus is placed on ensuring the effectiveness of outreach associated with each of these collaborative activities, which will need to be achieved in different ways and for different reasons.

We also consider that Theme E should acknowledge its interrelationship with effectively achieving Themes A and B by adding the text in bold below to its "description" on page 9:

*Leveraging external resources and maintaining and building relationships with stakeholders to achieve globally relevant progressive and operable standards **that are effectively applied and achieve their objectives***

Finally, we recommend that the board reconsider the time that will need to be devoted to this theme in this strategic period in light of the reform proposals of the Monitoring Group and other concerns about the quality of audit practice worldwide. These challenges need to be effectively addressed in a timely manner in order to ensure a robust and effective international standard setting framework continues to operate.

4. Theme D – Innovating our ways of working

We support the board in the development of its framework of activities to ensure it does the right work at the right time. With so many important issues and limited resources, it is important to ensure the board's efforts are expended where they will offer maximum stakeholder and public interest benefit. Effectively performing this work will then significantly contribute to ensuring public trust in the profession is maintained and that stakeholders are adequately served, helping to reduce current concerns.

However this theme treats topics of pervasive impact, such as professional scepticism and technology as separate discrete projects, which will diminish the effectiveness of any associated reforms. We therefore recommend that the strategy document make it clearer that these topics are, and should be, embedded in all aspects of the board's work.

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5. Theme B – Challenge and enhance the fundamentals of the standards

We consider that the strategic actions for theme B inadequately draw the distinction between its two separate aspects of:

- maintaining and improving existing standards (the revising aspect of theme B); and
- developing new standards (the developing aspect).

Both are important, but when faced with limited resources, the priority needs to be on essential maintenance.

Given the pace of change, without clarity around the content and objectives of this theme there is a risk that the needs to address future change could draw focus from the achievement of other necessary work within this theme. More importantly such demands could also overtake work on themes A, C, D and E which we see as the more important, and necessary, current priorities for this strategic period.

We therefore recommend that the distinction between maintenance and future focus be more clearly drawn and the focus placed on essential maintenance work in prioritising actions. For this reason we support the board prioritising its work on audit evidence as maintenance of the standards in this area is crucial in light of changing technology and professional scepticism expectations. However we do support the completion of the “extended external reporting” project as a development aspect as this too is an important need for stakeholders at this current time.

We would also prefer that Theme B better articulates the pervasive impact both these forces for change have on all the board's current and ongoing work via a reorganisation of the boards planned actions under these headings. We also consider work in response to IESBA reforms should be similarly categorised and prioritised.

Work on other matters should then only be undertaken in this strategic period if resources exist.

Framework for activities

3. Do you agree with the IAASB's proposed *Framework for Activities*, and the possible nature of such activities (see pages 11 and 12), as set out in Appendix 2 (see pages 19 and 20).

We support the board's intention to provide a more structured approach to its activities (as represented diagrammatically on page 12).

However we consider that, in determining its timely response to emerging issues, the board needs to prioritise narrow scope maintenance of standards over the development of non-authoritative guidance. This is because we consider that maintaining the relevance of its standards must be the board's highest priority.

In addition, the various references in the strategy to work on non-authoritative guidance fail to adequately reflect the need to ensure that such work should only be undertaken when there is significant international professional interest which needs board attention but for which standard setting is inappropriate. The bar for such work should be high to avoid diverting limited resources away from the board's more essential standard setting activities.

We also consider that the board needs to set some time goals on its work that will help more effectively priorities its activities i.e. so that there is a reasonable balance between short term and longer term activities.

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4. Do you support the actions that have been identified in our detailed *Work Plan for 2020–2021* (see pages 15 and 16)? If not, what other actions do you believe the IAASB should prioritize?

We support the board in its planned completion of the quality management and group audit standards, the EER project and the revised ISRS 4400.

However, as discussed above, we believe that insufficient time (and resources) have been allocated to:

- Post-implementation support for all the audit quality enhancement projects.
- Post-implementation support for ISRS 4400, given its importance to the SMP community.
- The “Less Complex Entities” project.
- Ongoing maintenance of its standards and building effective stakeholder relationships to ensure the continued effectiveness of international standard setting.

5. Are there any other topics that should be considered by the IAASB when determining its ‘information gathering and research activities’ in accordance with the new *Framework for Activities*. The IAASB has provided its views on tentative topics to be included in its ‘information-gathering and research activities’ (see page 10).

No, we are not aware of any other topics the board should include.

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Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 121,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

About ACCA

ACCA is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 208,000 members and over 503,000 students in 179 countries, helping them to develop successful careers in accounting and business, with the skills required by employers.

ACCA works through a network of 104 offices and centres and more than 7,300 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

The expertise of our senior members and in-house technical experts allows ACCA to provide informed opinion on a range of financial, regulatory, public sector and business areas, including: taxation (business and personal); small business; audit; pensions; education; corporate governance and corporate social responsibility