

Prof. Arnold Schilder  
Chairman  
IAASB

Submitted via website

Brussels, 4 June 2019

**Subject: Proposed Strategy for 2020–2023 and Work Plan for 2020–2021**

Dear Sir,

Accountancy Europe is pleased to provide you with its comments on the proposed IAASB strategy for 2020–2023 and work plan for 2020–2021.

We broadly support the proposed strategy and focus, and the strategic actions for 2020-2023.


Nevertheless, we have concerns on the deadlines announced that seem unrealistic. We suggest reviewing the deadline proposed considering a ‘worst case scenario’. For example, for such an important standard as ISA 315, sufficient time should be dedicated to address the issues raised by stakeholders in the consultation period.

Additionally, theme C should be given more prominence. This theme reflects one of the main strategic issues that the IAASB is currently facing. We think that addressing it is vital for the public interest. If the IAASB fails to find a solution, it will threaten global adoption and proper application of international standards, and potentially endanger the IAASB’s aims of enhancing audit quality.

Finally, we are all aware about the current Monitoring Group project which objective is to reform the independent standard-setting boards operating under the auspices of IFAC. This project is not mentioned in the IAASB proposed strategy and work plan as it is outside the IAASB’s remit and should not refrain the IAASB from advancing its standard-setting activities. Nevertheless, should this reform go through, a significant impact on the IAASB workload should be expected. This is why we think that the currently debated Monitoring Group project should be mentioned as an external factor to inform all stakeholders about it.

For further information on this letter, please contact Noémi Robert on +32(0)28933380 or via email at [noemi@accountancyeurope.eu](mailto:noemi@accountancyeurope.eu) or Hilde Blomme on +32(0)28933377 or via email at [hilde@accountancyeurope.eu](mailto:hilde@accountancyeurope.eu).

Sincerely,



Olivier Boutellis-Taft  
Chief Executive

#### **ABOUT ACCOUNTANCY EUROPE**

Accountancy Europe unites 51 professional organisations from 36 countries that represent **1 million** professional accountants auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

## APPENDIX

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### Question 1

*IAASB Goal, Keys to Success and Stakeholder Value Proposition (see page 6), as well as the Environmental Drivers (see page 7)*

We support the IAASB goal, keys to success and stakeholder value proposition, as well as the environmental drivers. These are very well thought-through and are difficult to argue against.

On the value proposition and the implementation support on major new and revised standards, the IAASB will have to find the right balance. We support truly principles-based standards rather than the more prescriptive standards development that we have witnessed lately. Nevertheless, as standards become more complex, requests for implementation support is likely to become more and more recurrent. While the role of the standard-setter should be limited in this area, coordination with national standard-setters will be the key to success.

On the environmental drivers, it is important to make sure that this analysis is connected to the actions that are proposed further in the consultation. In some instances, this connection may have been lost, for instance on 'advancement in, and use of, technology' or on 'changing reporting needs of stakeholders'.

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### Question 2

*IAASB Strategy and Focus and IAASB Strategic Actions for 2020–2023 (see pages 8 to 13)*

We generally support the proposed strategy and focus and the strategic actions for 2020-2023, but have the following comments to be considered per theme proposed:

#### *Under theme A*

This theme makes sense and is the one where stakeholders expect the IAASB to deliver on.

#### *Under theme B*

Whilst legislators define the scope of audit, the IAASB is an important participant and should do all within its remit, not only to optimise audit quality, but also to optimise the audit model. The IAASB should also monitor what is happening around the world in order to be ready to react at international level if necessary, but it is not in the IAASB's remit to set nor to amend the scope of audit at global level.

We think that XBRL or iXBRL should be mentioned to illustrate the changing corporate reporting environment, as there is currently an expectation for the auditor's involvement on iXBRL filings (called the European Single Electronic Format (ESEF)) for listed companies in the European Union.

#### *Under theme C*

In general, theme C should be given more prominence. This theme reflects one of the main strategic issues that the IAASB is currently facing. We think that addressing it is vital for the public interest. There is a significant number of SMEs around the world that are subject to audit in which international auditing standards are used. The reliability of these financial statements often underpins efficient allocation of capital and supports societal development and economic growth. If the IAASB fails to find a solution, it will threaten global adoption and proper application of international standards, and potentially endanger the IAASB's aims of enhancing audit quality.

We are concerned that the wording used does not sound very ambitious with forms of words such as ‘commit to continue considering’. Additionally, working on the accessibility and ease of use of the standards is important, but this aspect should not distract the IAASB from the real challenge of addressing complexity, while maintaining scalability and proportionality.

#### *Under theme D*

The IAASB should be more transparent on the work performed under the research phase. Furthermore, we wonder how this theme is translated into the work plan.

Regarding outreach, we think that it should be clear that the IAASB should enter effective two-way communication, but also balanced communication. It would be counterproductive for the IAASB’s efficiency to only outreach to certain categories of stakeholders and be less and less inclusive.

Additionally, collecting feedback in roundtables and outreach meetings is important, but may sometimes focus on perceptions and high-level considerations. In any case, it should not shadow the consultation process that offers detailed and through analysis from all interested stakeholders.

#### *Under theme E*

We support closer coordination between the setting of auditing and ethical standards in their standard setting activities and in the alignment of their strategic process, without losing focus of speed to market. Ethics though is not only about independence and not only relevant to audit and assurance engagements. A single and clear set of ethical principles applies to all professional accountants.

Although we understand that the IAESB has recently been under strategic review, it is important that the IAASB does not lose connection to the strategic issues included in education and develops working relationship with the newly created body that will follow this agenda.

It may be worth for the IAASB to map out activities of other standard setting bodies such as ISO to understand the landscape of alternative types of assurance standards and the societal needs the IAASB should address. There may be links to the core activities of the IAASB.

The standard-setting process should support greater innovation in audit practice by keeping the pace with the increased use of technology. From an IAASB’s internal perspective, we fully support the Board to leverage the use of technologies to enhance the standard-setting process. An example in this respect is the implementation of an interactive handbook to support the scalability of the standards.

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### Question 3

*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)*

The framework for activities is not included in the work plan and we encourage the IAASB to do so.

We support the development of a process for ‘limited-scope’ revisions to standards with proportionate due process. We are not convinced by the implementation of an ‘interpretations’ mechanism as described. The two important points here are (i) to ensure adequate and proportionate due process to get to standards that are nimble, effective and relevant; and (ii) to avoid overload of consultations and exposure drafts if the IAASB is serious about collecting qualitative feedback.

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#### Question 4

*IAASB's 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 have serious concerns on the deadlines announced that seem unrealistic. We suggest reviewing the deadline proposed considering a 'worst case scenario'. For example, for such as important standard as ISA 315, sufficient time should be dedicated to address the issues raised in the consultation period. Another example is ISA 600 where stricter requirements may not be the only solution as many of the issues come from differences in application and interpretation of the standard, and not from the standard itself.

As far as the implementation activities are concerned, we are not clear on what the green colouring means. In addition, as included in our response to question 1, we support principles-based standards that stand on their own. Nevertheless, as standards become more and more complex, it is inevitable that the IAASB will be more and more requested for implementation support. The IAASB will have to find the right balance between making sure that a new standard is well understood and keeping its role focused on international standard-setting.

We think that looking at post-implementation for the new standards on auditor reporting already in 2019 may be seen as too early in several countries in Europe. In some jurisdictions, such as the UK and the Netherlands, there may have been sufficient time and experience for such a review to be performed while others are only in their second year of implementation. Rather, looking at the post-implementation of ISA 720 could be informative at this stage, as we are aware that there are practical issues in determining the scope of other information.

Projects such as research for audit evidence, professional scepticism and less complex entities take a lot of time. We do understand that adequate research is necessary, but we recommend thorough monitoring on the progress. Additionally, the research phase for the project on the audits of less complex entities seems very long in the diagram. On this specific project, stakeholders expect a work plan more focused on delivery. The IAASB needs to be sensitive to the stakeholders' perception in this context as the IAASB could be seen as doing too little too late.

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#### Question 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)*

We have not identified other topics that should be considered by the IAASB.