

Envisioning the Future—Survey on the IAASB’s Future Strategy

Response ID:739 Data

7. SECTION III: ABOUT THE RESPONDENT

1. From which perspective are you providing this feedback:

The view of an organization.

Please Indicate:

2. Please complete

Name of Organization: : Deloitte Touche Tohmatsu Limited

Name or Person submitting Survey on behalf of the organization: : Melissa Bonsall (on behalf of Calvin Buss)

3. Select from the following options that describe your organization:

Accounting Firm

4. Is this a/an:

[Global network](#) Some audit firms operate internationally through a network of firms. Network firms often share common methodologies and quality control and monitoring policies and procedures. Some networks also share guidance in relation to values, ethics, and attitudes, and have programs to enhance the [knowledge and experience of partners and staff](#). (or firm within such a network)

5. Is this response on behalf of the global network?

Yes

Is this response on behalf of a regional or national firm?

Other Firm?

IFAC Member Body or Other Professional Organization

National auditing standards same as, or based on, the IAASB’s current International Standards on Auditing

Please specify which standards are used:

Other national standards same as, or based on, IAASB’s other standards (i.e., assurance, related services and reviews)

Please specify which standards are used:

Are you a listed or non-listed entity?

[Small or Medium-Sized](#) The concept of ‘smaller or less complex entities’ varies country by country, but ordinarily exhibits one or more of the following characteristics:Concentration of ownership and management in a small number of individuals.One or more of the following:Straightforward or uncomplicated transactions.Simple record keeping;Few lines of business and few products within business lines;Few formal internal controls; Few levels of management with responsibility for a broad range of controls; orFew personnel, many having a wide range of duties.

.Entity?

Please Indicate:

Do you apply International Standards of Supreme Audit Institutions (ISSAIs) for financial audits

Those Charged with Governance

Private Sector

Please specify in the box below.

Are you any of the following?

6. Please select the geographical region where you are based:

North America

8. SECTION IV - QUESTIONS FOR RESPONDENTS ABOUT THE IAASB'S STRATEGY FOR 2020-2023

7. 1. In your view, will the strategic environment affecting the needs of the IAASB's stakeholders look like in 2020 onward and what will be the impact on the IAASB's International Standards (for example, will the audit market change significantly; will other services dominate stakeholders needs – including what the needs may be for different types of evolving services; how evolving technologies, such as cryptocurrency, artificial intelligence or blockchain , will impact the environment in which the IAASB's stakeholders operate, etc.).

In DTTL's view, key matters impacting the strategic environment over the next few years and related implications for the IAASB's standards include:

- Increasing demands for assurance over reporting on key performance indicators and other non-GAAP measures;
- Continuing and accelerating technological changes, such as artificial intelligence, digital ledgers (e.g., block chain), cryptocurrencies, and beyond, including potential consideration of alternative forms of assurance;
- Implications of a more data driven, highly automated audit – e.g., an enhanced ability to perform continuous auditing and access more publicly available "big data," questions as to whether the traditional sequential audit processes still remain effective (e.g., performing risk assessment procedures prior to further audit procedures), implications for reporting if more audit testing is performed on 100 percent of a population;
- Evolving engagement team structures, with increasing use of service delivery centers;
- Ongoing calls from stakeholders to collaborate with other standard setters, especially the PCAOB, to avoid unnecessary differences in standards that will lead to increased complexity for firms in developing methodologies, training personnel, and performing consistently high-quality audits;
- Ongoing requests from practitioners for support in performing audits of small and medium-sized entities;
- Increasing focus on group audit considerations and related implications for revisions to ISA 600;
- Evolution of internal control, particularly automated controls, and the impact on the audit; and
- Evaluating the need for guidance with respect to areas currently considered expert/specialist areas that may become essential characteristics of the "auditor of the future" (e.g., data extraction and analysis; enhanced ERP/IT capabilities).

DTTL sees the audit market continuing to evolve to take account of these matters and trends. While the IAASB's International Standards are principles based and therefore capable of being adapted to evolving circumstances, there will be increasing calls for the standards to be updated to better reflect evolving technologies and changes in the way in which audits are being performed. We also see that there will be increased calls for guidance on how to apply the standards to new situations and subject matter.

1. In your view, will the strategic environment affecting the needs of the IAASB's stakeholders look like in 2020 onward and what will be the impact on the IAASB's International Standards (for example, will the audit market change significantly; will other services dominate stakeholders needs – including what the needs may be for different types of evolving services; how evolving technologies, such as cryptocurrency, artificial intelligence or blockchain , will impact the environment in which the IAASB's stakeholders operate, etc.). - Text Analysis

8. 2. Section II. Describes the additional challenges and opportunities that the IAASB has identified relating to its people, processes and technology, including possible changes that may arise from the MG consultation. In your view, as the IAASB develops its Strategy for 2020–2023, what are the:

- (a) Key challenges and other factors that may impact the IAASB’s activities and focus; and**
- (b) Main opportunities for changing the way it undertakes its activities.**

Your response may include views about the matters identified by the IAASB as set out in Section III, but any views about matters that have not been mentioned are particularly welcome.

(a) DTTL agrees with the matters raised in Section II, with specific recognition of the following key challenges:

- Prioritization of the different and competing calls for action from varying stakeholders;
- Timeliness of standard-setting activities in a continually evolving environment;
- Pace of change in relation to technology, including the increasing technological sophistication of audited entities and auditing firms; and
- Scalability of auditing standards for smaller and less complex entities.

Further, DTTL recognizes the following additional challenges:

- Adequacy of resources to complete standard-setting activities (including finding the right people and the related funding); and
- A growing expectation gap between the auditing profession and the profession's stakeholders in terms of what an audit is and what it entails.

DTTL also recognizes the important public interest role of the IAASB and how public interest considerations need to underpin all of its activities. In seeking to respond to the changing environment, we believe the IAASB should, in accordance with its Audit Quality Framework, more explicitly call out the roles of other stakeholders (particularly preparers) with regard to quality financial reporting. DTTL believes this may involve enhanced interaction with the IASB and also more directly setting forth the expectations and roles for others in the financial reporting supply chain that are necessary to support quality outcomes. It should be more apparent that financial reporting challenges cannot be solved by simply placing more onerous requirements on auditors.

(b) With regard to opportunities for changing the manner in which the IAASB undertakes its activities, DTTL offers the following views:

- The IAASB has formalized due processes that it adheres to when developing standards, to protect the public interest. However, the time taken to follow due process should be balanced with the desire and need to issue timely guidance in a capital market environment where the investor community is faced with rapidly evolving topical and industry-specific issues. The IAASB may consider options for more agile, rapid responses, which may involve developing nonauthoritative guidance or other staff documents to address more immediate issues or comprise an interim step in a more formal standard-setting project. In some cases, guidance may be an appropriate response as opposed to formal standard setting.
- The IAASB should continue to explore ways to optimize leveraging the experiences of the auditing firms as they relate to the evolving trends and advances in auditing techniques, including the use of technology tools. In turn, the Board will then be well positioned to consider the effect of such trends and use of technology tools on its standards and assess the need for any changes.
- With respect to resources, the IAASB may consider exploring alternative resourcing models (e.g., supplementing permanent staff with ad hoc contracting for specialized skills). Further, the use of online collaboration tools may further enhance task group and Board efficiency.

9. 3. Are there specific initiatives within the stakeholder group to which you belong, or of which you are aware, that you believe the IAASB should actively monitor in light of their potential to inform the IAASB’s future agenda? If so, what are they, and why do you think they are relevant to the IAASB?

No items noted.

9. THE FOCUS OF THE IAASB'S ACTIVITIES IN 2020–2023

10. 4. Section II illustrates that the IAASB has, and will continue to, focus a significant part of its efforts in 2015–2019 on revising and developing standards addressing the audit of historical financial information and quality control. With respect to new standard-setting projects for the period 2020–2023, in light of where you believe IAASB actions are needed and to continue to serve the public interest, in your view what proportion of effort should the IAASB allocate to each of the following? (Allocation should total 100%)

Quality control : 5%

Audits and reviews of historical financial information : 35%

Other assurance- [EER](#) Emerging Forms of External Reporting (EER) refers to emerging forms of external reporting by entities that increasingly provide non-financial information that goes beyond the traditional (financial statement) focus on the entity's financial position, financial; performance and impact on its financial resources. engagements : 20%

Other assurance (and [related services](#) Related services pronouncements include: ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (currently being revised); ISRS 4410 (Revised), Compilation Engagements.) - other than EER engagements : 15%

Professional skepticism : 5%

Matters relating to audits of smaller and less complex entities : 20%

Total : 100%

Comments: With respect to new standard-setting projects for the 2020 – 2023 period, DTTL's views with respect to the above allocation of effort are as follows: • Quality control: o Significant revisions to the quality control standards are targeted for completion as part of the 2015 – 2019 work plans; therefore, when compared to other ongoing areas of activities, a lower proportion of effort is allocated to quality control in the 2020 – 2023 period. • Audits and reviews of historical financial information: o Many of the matters raised throughout the survey related to emerging technologies, evolving nature of internal control and its importance, and "big data" will potentially have a significant impact on audit and review engagements, and there will be calls for changes to standards as well as more guidance. • Other assurance — EER and other assurance engagements: o Allocation consistent with the focus on responding to the increasing demands for assurance over information other than historical financial statements. • Professional skepticism: o Consistent with the current approach, matters related to professional skepticism may be integrated as a pervasive consideration when developing new, or revising existing, standards, rather than as a separate standalone project. Further, professional skepticism may be an area in which the IAASB could explore alternate ways to demonstrate how professional skepticism may be demonstrated in applying the requirements of the ISAs, e.g., through ongoing consideration of the development of practical (nonauthoritative) guidance, including examples of what "professional skepticism looks like in practice." • Matters relating to audits of smaller and less complex entities: o Even though the standards are principles based, they can be lengthy, and it can be challenging to apply them in an effective manner to audits of smaller, less complex entities. DTTL is therefore supportive of the IAASB's efforts to explore how best to address these audits.

11. *Please provide relative %; for each option by category to total 100%*

	(i) Developing new or revised standards	(ii) Undertaking implementation activities	(iii) Apply efforts to both
Quality control	0%	100%	
Audits and reviews of historical financial information	50%	50%	
Other assurance – EER engagements	20%	80%	
Other assurance (other than EER engagements) and related services Related services pronouncements include: ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (currently being revised); ISRS 4410 (Revised), Compilation Engagements.	50%	50%	

Comments: With respect to the balance between developing new, or revising existing, standards and implementation activities, DTTL's views with respect to the above allocation of effort are as follows:

- Quality control:
 - o With finalization of the revised ISQC 1, ISQC 2, and ISA 220 standards, efforts should be transitioned to implementation activities supporting consistency and effectiveness of their application.
- Audits and reviews of historical financial information:
 - o Allocation recognizes the importance of developing implementation guidance to support the application of newly adopted standards (e.g., ISA 540 and ISA 315), while also recognizing the importance of other significant potential standard-setting projects (e.g., audit evidence, and possibly materiality or use of experts).
- Other assurance — EER engagements:
 - o Allocation supports a continuation of the IAASB's current focus on developing nonauthoritative guidance in this area while also recognizing the potential to develop new standards as matters continue to evolve.
- Other assurance (other than EER engagements) and related services:
 - o Equal allocation proposed as activities dependent upon other upcoming standard-setting activities. In seeking to establish global standards, and in connection with its efforts to collaborate with other standard setters, DTTL believes the IAASB has a role in articulating the differences between its standards and those of other standard setters that may be applied on a global basis (e.g., the IAASB should consider more explicitly identifying differences with the standards of the PCAOB). Further, in evaluating implementation of standards, DTTL believes the IAASB has a role to play in minimizing and resolving issues arising where regulators in different jurisdictions interpret the IAASB standards differently. Further, with respect to implementation activities, DTTL acknowledges the availability of limited resources and supports the IAASB's continued efforts to collaborate with national standard setters to assist with these objectives.

12. 6. In relation to the development of new, or the revision of extant, standards as noted in Question 5, and in keeping an open mind as to the impact of the evolving environment and the challenges and opportunities for the IAASB in 2020–2023, should the IAASB, in your view:

- (a) Focus first on a strategic review of extant standards (for example, consider how the standards could be better structured or presented in light of evolving technologies) before prioritizing projects on new topics. Please provide an explanation for your view.
- (b) Prioritize projects on new topics (as determined by the consultation on the IAASB's future strategy and priorities). Please provide an explanation for your view.
- (c) During implementation of the current standards under revision (i.e., those standards that currently have a committed project plan in place), consider a moratorium on developing new or other revised standards? If so, how long should such a moratorium last? Please provide an explanation for your view.
- (d) Undertake other actions related to the development of new, or revision of extant, standards, and/or implementation support. Please describe what these actions should be and provide an explanation for your view.

With the evolving environment, DTTL recognizes the importance of continuing to build upon the principles-

based nature of the standards by keeping the extant standards "fit-for-purpose" while also embarking upon new projects and new topics, as needed. However, even given the current pace of change, DTTL would caution against successive rounds of changes to the same standards in short order. If the IAASB becomes aware of significant implementation challenges or other issues with respect to recently revised standards, however, DTTL believes it is important for the IAASB to take action on a timely basis to address such matters. Accordingly, DTTL encourages the IAASB to perform post-implementation reviews of recently revised standards within two to three years after they become effective.

With respect to other actions, DTTL recognizes and supports the IAASB's efforts in conducting timely post-implementation reviews on completed projects and responding to matters raised, as appropriate, to further improve the consistency and effectiveness of application.

Further, DTTL recognizes the importance of, and continues to support, the IAASB's collaboration efforts with other standard setters to facilitate consistent and effective implementation of standards on a global basis.

13. 7. If there was a specific topic(s) that, in your view, should be the IAASB's priority(ies) when developing new, or revising existing, standards or related guidance for the period 2020—2023, what would it be, and why?

Where applicable, kindly indicate whether in your view the topic(s) (you have indicated) has particular relevance mainly for engagements for listed entities, small- and medium-sized entities (SMEs), or for entities of all sizes. Views in relation to matters of relevance to developing nations and the public sector are also encouraged.

As an area of significant regulatory focus, and to the extent not finalized in the agenda for 2018 – 2019, DTTL recommends prioritizing efforts relating to ISA 600 within the 2020 – 2023 period.

Further, given the pace of change with respect to technology and its implications for the conduct of audits, as a crossover topic, DTTL recommends prioritizing emerging considerations related to the use of technology, both by the audited entity and the audit firm, when developing new, or revising existing, standards.

14. 8. Are there any other topics of interest or matters of relevance that you feel the IAASB should consider when conducting its strategic review, including those related to its the way that the IAASB undertakes its activities (e.g., changes to address matters highlighted in the MG review)?

While there are many different, competing, and ever-increasing calls from important stakeholder groups, in supporting the broader public interest, DTTL supports the continuing efforts and focus on IAASB outreach activities.