

International Auditing and Assurance Standards Board  
International Federation of Accountants  
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Via IAASB website at [www.iaasb.org](http://www.iaasb.org)

Dear Board Members and Staff:

Grant Thornton International Ltd appreciates the opportunity to provide input on the International Auditing and Assurance Standard Board's (IAASB) Proposed Strategy for 2020-2023 and Work Plan for 2020-2021 (Proposed Strategy).

Overall, we are supportive of the IAASB's proposals and, in particular, the proposal to develop a Framework for Activities that dedicates resources to the appropriate research of issues. We believe this activity will lay the foundation for developing the most appropriate response to address each issue assessed during this phase.

However, we do note that limited consideration is given to the current Monitoring Group Consultation on strengthening the governance and oversight of international audit-related standard-setting. We recommend that consideration be given to ways in which the IAASB is able to continue to respond to the Monitoring Group's criticisms within its current construct.

We also highlight the need for collaboration with National Standard Setters to identify opportunities to minimize the differences between the International Auditing Standards and locally adopted standards, thus maintaining the value of International Auditing Standards.

We respectfully submit our detailed responses to the Proposed Strategy, which elaborates on the points highlighted above. We would be pleased to discuss our comments with you. If you have any questions, please contact Sara Ashton at [sara.hm.ashton@uk.gt.com](mailto:sara.hm.ashton@uk.gt.com) or at +1 646 825 8468.

Sincerely,



Anthony Nettleton  
Global Leader – Quality and Risk Management  
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Enc: Appendix A: Response Proposed Strategy for 2020-2023 and Work Plan for 2020-2021

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

The following provides our detailed response to the IAASB's request for comments on the IAASB's Proposed Strategy for 2020-2023 and Work Plan for 2020-2021

**Q1. 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)?**

Overall, we agree with the Goal, Keys to Success and Stakeholder Value Proposition as well as the Environmental Drivers. We do, however, have the following additional suggestions for consideration by the IAASB.

*Response to new and emerging issues* – It is important that the IAASB responds promptly to new and emerging issues, if a suite of global standards is to maintain its value. Already, there are examples of local regulators starting to incorporate local enhancements into the ISAs. For example, in the UK, the Financial Reporting Council (FRC) has recently published for comment, an exposure draft proposing a number of additional requirements to ISA 570.<sup>1</sup> There are also discussions on the future of audit<sup>2</sup> and increasing interest in reporting graduated audit findings rather than providing a binary opinion.<sup>3</sup>

The IAASB could develop a framework, to identify, assess and filter emerging trends to determine how the IAASB should respond to these emerging trends. For example, the framework could help determine the most appropriate action or actions, such as:

- Promoting awareness of the matter through means such as IFAC articles or NSS publications;
- Performing a deeper analysis of the matter to highlight the potential impact on the audit and considerations for an appropriate response, through means such as papers issued by jurisdictional member bodies; and/or
- Developing new or amending existing standards; or providing formal guidance in the form of practice notes as appropriate.

*Collaboration* – As noted above, there is the risk of increasing divergence between International Standards and local standards. The divergence between the standards issued by the Public Company Accounting Oversight Board (PCAOB) and the IAASB is of particular importance, as this affects many large international group audit engagements, and consequently impacts firms' methodologies. A recent example of this is the IAASB's revised auditor reporting standards that introduced extended auditor reports, including Key Audit Matters (KAM). This extended form of external reporting had been introduced in the UK a number of years prior to the development of the international standards. Although the requirements in the international standards are similar in many respects, they are less extensive and use different terminology to that used in the UK. For example, UK standards include requirements to report on key observations and to report on planning and scoping matters and include the concept that a KAM is the "most significant assessed risk of material

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<sup>1</sup> ISA 570, *Going Concern*

<sup>2</sup> For example, the Business, Energy and Industrial Strategy Committee (BEIS) recently concluded its inquiry into the Future of audit

<sup>3</sup> Sir John Kingman's Independent Review of the Financial Reporting Council

misstatement.” Another example is the PCAOB’s recently revised auditor reporting standards that introduced Critical Audit Matters (CAM). The standards are sufficiently different such that it appears possible that a matter could meet the definition of a KAM but does not meet the definition of a CAM. For example, because the matter is not viewed as relating to accounts or disclosures that are material to the financial statements. Such differences are confusing for many stakeholders and result in conclusions that appear illogical. Better collaboration between National Standard Setters (NSS) and the IAASB, working together to identify areas where differences can be eliminated, is essential to maintaining the value of International Standards.

*Technological advances* – The Proposed Strategy identifies advancement in, and use of technology, and its use in audits and assurance engagements. However, such advancements in technology will not only change the way in which an audit is performed, they will also provide the opportunity for assurance engagements on new subject matter information. For example, assurance engagement on the controls in place at a crypto currency exchanges, including when acting as a custodian, or on compliance with the General Data Protection Regulation (GDPR). The IAASB’s Innovation Working Group could explore whether such new types of technology lend themselves to assurance engagements, and if so, the form that such engagements may take.

*Engagement with Stakeholders* – More specificity in this area would be helpful. For example, the IAASB could vary the way in which it engages with different types of stakeholders. This could be based on how the proposals would affect the particular stakeholder group. For example, investors are likely more interested in, and would provide more input into, proposals concerning auditor reporting, than in proposals concerning a technical aspect of auditing, such as auditing accounting estimates. In addition to engagement with auditors, this type of focused engagement with the various stakeholder groups, based on the specific proposal, could be incorporated into the IAASB’s due process, which may help reduce the time to develop new or amended standards or guidance.

*Standards* – It is key that that issues brought to the attention of, or identified by, the IAASB are considered in a strategic manner. Not all issues require that a standard be changed. If a change is warranted, the issues need to be clear for the IAASB process to be efficient and for the change to be effective. As further explained below, we see the research phase of the proposed Framework for Activities (the Framework) as critical to the success of future projects. Specifically, that the cause or nature of the issues is properly identified, and that the resulting solution is both proportionate and responsive.

**Q2. Do you agree with *Our Strategy and Focus and Our Strategic Actions* for 2020-2023 (see pages 8-13)?**

We generally agree with the themes identified as part of the Strategy and Focus and have the following additional comments in relation to these themes:

*Theme B* – It is not clear what is meant by ‘challenging the fundamentals’ of the International Standards. For example, is this referring only to the auditor’s responsibility with respect to evaluating the going concern basis of accounting and fraud risk considerations or are there additional matters that underpin the auditor’s responsibilities that are being contemplated? We believe more context for this theme is necessary to appropriately consider and comment.

*Theme C* – We agree with the importance of addressing scalability and proportionality of the International Standards. However, we note that some of the issues in the context of audits of less complex entities have broader applicability. For example, the audit implications when the entity lacks resources to carry certain accounting processes, such as accounting for complex transactions, or the understanding of relevant controls when it is evident that a purely substantive approach is necessary. We believe that the answers to questions such as these

can help auditors of both complex and less complex entities. Further, in respect of the standards themselves, we note that to address the issues of complexity and scalability, the requirements need to be high level principles-based requirements that are supported by application and implementation guidance.

*Theme C and Theme D* – In these themes, we would also suggest thinking more broadly than the standards themselves, to include other types of guidance, such as non-authoritative guidance. This may also help to alleviate the problem of standards that have a disproportionate volume of application material in support of relatively few requirements. Further, it should be made clear that such guidance is non-authoritative, so it does not become ‘de-facto’ requirements.

*Theme D* – We are of the view that this theme is the most likely to be affected by the results of the current Monitoring Group consultation. As such, we would suggest including considerations of how the IAASB could work collaboratively with the Monitoring Group in enhancing its processes.

**Q3. 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 are supportive of the proposed Framework. In particular, we see the research phase of this Framework as critical to the success of future projects, such that the cause and nature of an issue is fully understood, so the most appropriate response can be identified. We would suggest that it is clarified that the options available after the research phase are not mutually exclusive and that a combination of options may be appropriate in responding to emerging trends and issues.

**Q4. 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 note that detailed Work Plan suggests that professional skepticism will be discussed at every Board meeting through to the end of 2021. While we recognise the importance of professional skepticism, we would suggest that considerations in this area are in support of the existing projects, rather than becoming a project in and of itself.

We also note that resources will be allocated to research, including activities of the Innovation Working Group. It is not clear from the Proposed Strategy, what projects, if any, are expected to result from these activities, or if any other type of output should be expected.

Further, the Proposed Strategy is not clear about the further actions the IAASB expect to take in relation to technology considerations. For example, will it form part of the Innovation Working Group Considerations; will a separate working group, similar to the previous Data Analytics Working Group be formed; or will it just be a specific consideration in each of the current and proposed projects?

We question whether the proposed timeline suggested in the Work Plan for projects such as the finalisation of proposed ISA 315 (Revised) and the quality management suite of standards is achievable. There is a fine balance between meeting a predetermined timetable and issuing a high-quality standard that respond to issues and concerns raised by stakeholders.

**Q5. 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 this ‘information-gathering and research activities’ (see page 10).**

In the research activity of considering further implications on the standards of evolving technologies used by entities and auditors, we would recommend that consideration is given to outreach activities outside of the typical stakeholders consulted. For example, to experts or companies in the various technology fields, professional bodies outside of accounting and auditing, centers of expertise, think tanks and so on. This may identify frameworks or best practices that the IAASB could consider in its standard setting activities, or for use in other types of guidance.