



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

23 August 2018

Senior Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, NY 10017 U.S.A.

Our Ref: 2018/PK/C1/IAASB/..

Envisaging the Future – Survey on the IAASB’s Future Strategy

Dear Sir

The International Organization of Securities Commissions’ Committee on Issuer Accounting, Audit and Disclosure (Committee 1) appreciates the opportunity to provide input on the workplan of the International Auditing and Assurance Standards Board (IAASB) for 2020-2023. As an international organization of securities regulators representing the public interest, IOSCO is committed to enhancing the integrity of international markets through the promotion of high quality accounting, auditing and professional standards, and other pronouncements and statements.

Members of Committee 1 seek to further IOSCO’s mission through thoughtful consideration of accounting, disclosure and auditing matters, and pursuit of improved global financial reporting. Unless otherwise noted, the comments we have provided herein reflect a general consensus among the members of Committee 1. Our comments are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.



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Overall Comments

We believe that the workplan of the IAASB should give priority to improving the standards for audits of public interest entities.

We recognize and support the IAASB's current commitments to the important projects to revise:

- ISA 315 *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*;
- ISA 600 *The Audit of Group Financial Statements (including the Work of other Auditors)*; and
- ISQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (including a new ISQC2 *Engagement Quality Control Review* and revised ISA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*).

For convenience, the table below outlines the collective views of Committee 1 members on other appropriate priorities for the IAASB for the next few years in descending order:

No.	Item	Suggested priority	Examples of key areas to be addressed
1	ISA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	High	Key matters not addressed in the revised standard, including sampling, setting of thresholds for valuation differences, use of experts, and specific guidance for valuation of financial instruments (refer IOSCO C1 comments on exposure draft for further information). At the date of this letter, we have not had the opportunity to review the revised standard and we may identify further areas to be addressed in for a further revised standard.
2	ISA 530 Audit Sampling	High	Determining sample sizes, whether by a statistical sampling method or some other method. Also guidance on addressing exceptions identified when an attribute is tested for entire populations using data analytics. Other issues include setting sample sizes for substantive testing across group entities or collective investment schemes that have separate financial reports.
3	ISA 320 Materiality in Planning and Performing an Audit	High	Better guidance for: <ul style="list-style-type: none"> • Determining planning and performance materiality; and



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			<ul style="list-style-type: none">Addressing qualitative factors as well as quantitative factors in determining whether a matter is material.
4	<i>ISA 520 Analytical Procedures</i>	High	<p>Areas for improved guidance include:</p> <ul style="list-style-type: none">Establishing relationships and developing expectations that make sense and are sufficiently precise;Source data used to be reliable, tested, and produced independently from the population being tested;Setting thresholds, including thresholds for disaggregated components of a population; andCorroborating explanations for variances with sufficient appropriate audit evidence. <p>There should be a clear distinction between substantive and non-substantive analytical procedures in the requirements of the standard.</p>
5	<i>ISA 620 Using the Work of an Auditor's Expert</i>	High	Better guidance on engaging own expert where the auditor has insufficient skills and experience to review the work of the client's expert, including where the audited entity has engaged an external expert. The extent to which the auditor should determine the scope and extent of testing by their expert, and the nature and extent of supervision and review.
6	<i>Impact of new/evolving technologies on audit</i>	High	Guidance on the use of technology in the audit (e.g. data analytics and machine learning), particularly in projects on sampling and substantive analytical procedures. Possible guidance on auditing with new and evolving technologies (e.g. distributed ledgers and blockchain, cryptocurrencies, and financial reports in XBRL format).
7	<i>Internal control</i>	Medium	Better guidance on conducting internal control reviews, including when and how to review IT general controls and the control environment, the effectiveness of high level controls in relation to specific account assertions, and applying system rotation plans.
8	<i>ISA 402 Audit Considerations Relating to an Entity Using a Service Organisations</i>	Medium	Whether substantive testing by a service organisation auditor should be based on assets managed by the service organisation or assets of the customer being audited. Not relying on reports from the auditor of the service organisation that only cover the design of internal controls, other than for planning purposes.
9	<i>ISA 330 The Auditor's Response to Assessed Risks</i>	Medium	The need for substantive testing for a significant assertion for a material account or class of transactions where risk is assessed as low, particularly where it is possible to rely on internal controls.
10	<i>ISA 305 External Confirmations</i>	Medium	There should be guidance for auditors on how to assess the reliability of external confirmations received having regard to the possibility of fraud. There should



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			also be more complete requirements on how auditors should respond where there is no reply to a confirmation request.
11	<i>ISA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>	Medium	The should be clear requirements and guidance in ISA 240 and throughout the standards regarding the exercise of professional skepticism by auditors.
10	<i>Sustainability, climate, integrated reporting (current project)</i>	Low	The Board should monitor developments in the reporting of non-financial information and any demands for independent assurance on that information, but not undertake an active project at this time.
11	<i>Agreed upon procedures (current project)</i>	Low/suspend	We do not see a significant need to revise the current pronouncement. Any work on agreed-upon-procedures should be given a low priority compared to the matters outlined earlier in this table that are particularly important to the quality of audits of financial reports of issuers in capital markets. The Board should suspend this project.

Subject to high priority projects continuing to be adequately resourced and progressed, the work plan should allow some flexibility for resources to be reallocated to address important new issues as they arise.

Thank you for the opportunity to comment on the IAASB's work priorities. If you have any questions or would like to further discuss these matters, please contact Doug Niven on ph. +61 2 9911-2079 (email: douglas.niven@asic.gov.au) or Nigel James at ph. + 1 202-551-5300 (email: jamesN@sec.gov).

Sincerely,

Parmod Kumar Nagpal
 Chair, Committee on Issuer Accounting, Audit and Disclosure
 International Organization of Securities Commissions