

4 June 2019

Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York, 10017 USA

RE: Consultation Paper - The IAASB's Proposed Strategy for 2020 - 2023 and The IAASB's Proposed Work Plan for 2020 - 2021

Dear Mr. Botha,

BDO International Limited¹ is pleased to have the opportunity to respond to the International Auditing and Assurance Standards Board's (IAASB or Board) Consultation Paper, *The IAASB's Proposed Strategy for 2020-2023 and The IAASB's Proposed Work Program for 2020-2021* (paper or proposal).

We appreciate the effort that has gone into the development and revisions of ISA 315 and the Quality Management standards and recognise that these will continue to be important activities of the IAASB for the next few years. Overall, we are supportive of the proposed strategy and work plan, and we have highlighted below a few areas where we feel emphasis should be placed. In particular, we appreciate the intention to focus on ensuring the standards are scalable and practical for audits of non-complex entities and look forward to guidance on the use of automated tools and techniques by auditors in obtaining audit evidence.

We present our responses to each of the specific questions raised below and we also recommend further consideration by the Board of longer implementation periods for both the revision of ISA 315 and the Quality Management standards.

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

Goal, Keys to Success and Stakeholder Value Proposition

Yes, we agree with the Goal, Keys to Success and Stakeholder Value Proposition as outlined by the Board. We also believe that in order to meet the Goal, some flexibility in the Board's work plan in terms of time and staff resources would be beneficial should there be any additional or unforeseen issues arise that need to be addressed on a timely basis.

Environmental Drivers

Yes, we agree with the list of Environmental Drivers. We believe the two most significant drivers are the 'advancement in, and use of, technology' and the 'environment for small- and medium-sized entities' and believe that related scalability and proportionality considerations should underpin all future activities of the IAASB.

In addition, we believe that 'extensive disclosures' should be an additional consideration added to the 'increasing complexity and its implications' driver and we encourage the IAASB to liaise

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with the International Accounting Standards Board (IASB) as outlined in Theme E in order to contribute to the quality of financial reporting.

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

Yes, we agree with the strategy, focus and strategic actions. We agree with all of the strategic actions outlined for each of the five themes and note the following:

- Theme A - we agree all of these actions are critical
- Theme B - we support all of the actions and believe emphasis should be placed on evolving technologies and automated tools and techniques being used by auditors to perform risk assessments and obtain audit evidence. We also support looking at the changing corporate reporting environment and consideration of relevant reports (e.g. sustainability)
- Theme C - we support all of the proposed actions and we are particularly interested in maintaining the scalability and proportionality of the standards to allow for more directed audits of smaller or less complex entities
- Theme D - we agree the actions outlined here are key to meeting the 'timely' aspect of many of the points set out in the Stakeholder Value Proposition
- Theme E - we support all of the proposed actions and believe that working closely with the IASB to develop joint practical guidance would be beneficial to the profession on various initiatives, including disclosures.

(3) 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).

Yes, we support the proposed Framework for Activities. We believe the Framework and the accompanying Detailed Descriptions appear to be well thought out and should assist the IAASB in decision making, planning and directing resources appropriately. In particular, we support the path that considers timely responses to emerging issues. We note that:

- If there is a way to shorten due process when making limited scope revisions to standards, all stakeholders will benefit, and
- If non-authoritative practical guidance can be provided in a timely manner, we believe that can improve the quality of implementation of the standards.

(4) 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?

Generally, we support the actions identified in the detailed Work Plan. We do however ask that a longer implementation period should be considered for the Revised Quality Management Standards and ISA 315 (Revised) to allow firms to sufficiently incorporate the requirements into methodologies, perform pilots, develop policies and provide training to personnel. We realise that the proposed Work Plan does not extend beyond 2020, and we have outlined our reasons for extending the implementation period beyond the proposed 18 months in our detailed response to the Quality Management EDs that will be submitted in July 2019.

We also believe that automated tools and technologies should be at the forefront of the Audit Evidence project. There are differing views and practices developing among firms and regulators and timely guidance in this area would be (1) beneficial for more consistent application and (2) will allow firms to develop policies and procedures that will eventually be in line with any updated requirements. Enabling auditors to gain an insight into increasingly large datasets provides them with another way to view the transactions and activities of an audited entity - letting them 'see' the business from a different perspective. It would be in the public interest to

enhance audit quality by providing guidance related to automated tools and techniques in the Audit Evidence project.

- (5) **There are 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 agree with the list of proposed topics, and do not have any additional topics to recommend regarding development of content. We believe that focusing on fewer projects can lead to better implementation of comprehensive and sometimes challenging standards by providing more timely guidance to assist auditors and practitioners in interpreting the standards. We would ask that the IAASB, working with IFAC staff and the other standards setting boards, work to:

- Enhance the IAASB website so that information is more readily available to users. We understand that there is an established project to reform all the standards setting boards’ public websites during 2019. We would strongly support this and ask that the IAASB consider how to make the standards and associated implementation support materials as accessible as possible to its stakeholders, including practitioner end-users.
- Despite extensive efforts during the clarity project and recent revisions of standards performed by the IAASB, the suite of standards is now lengthier, more integrated and more complex. We understand that this is an inevitable consequence of the need to continue to drive audit quality and deal with the increasing complexities of audits. However, we would also ask that the IAASB itself focus on new automated tools and techniques to innovate how the standards are presented and accessed by users so that this can be performed in a more integrated manner. For example, the current PDF vehicle does not lend itself to use of hot-spot, hover or overlaid content - all of which could enable users to ‘see’ how the standards fit together and could aid access and application.

We also believe the IAASB should allow for some flexibility in the Work Plan for unforeseen issues that, if addressed on a timely basis, would benefit stakeholders more than some of the other planned projects.

We support the overall vision and objectives of the proposed strategy and work program and appreciate the opportunity to provide input into the IAASB.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,

BDO International Limited

Chris Smith

Global Head of Audit and Accounting