



IAASB Current Projects & Recent Updates

Flexible Online Training



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WEBINAR AGENDA

01 IAASB Future Work Plan (2021-2023)

02 Fraud & Going Concern


03 ISQM and ISA 220 (Revised)

04 Audit Evidence

05 LCE Audit

06 Technology

IAASB FUTURE WORK PLAN (2021 - 2023)



Code	Product	Price	2014	2015	2016	2017
T0001	RICE	120	1200	1320	1440	1560
T0002	PORK	100	1000	1100	1200	1300
T0003	COCONUT	45	450	500	550	600
T0004	PEANUT	150	1500	1650	1800	1950
T0005	CHICKEN	180	1800	1980	2160	2340
T0006	CONDANUT	120	1200	1320	1440	1560
T0007	MANGOS	150	1500	1650	1800	1950

Work Plan – Transitioning to A New Strategy

Setting the Foundation (2015 - 2019)

Risk Identification and Assessment

Auditing Accounting Estimates

Group Audits

Auditor Reporting Standards

Quality Management Standards

Implementation Activities

Agreed-upon Procedures

Maintaining Relevance / Public Interest (2020 - 2023)

Going Concern and Fraud

Audit Evidence

Post-implementation Reviews


Addressing Complexity, Understandability, Scalability
and Proportionality of our Standards

Non-Financial Reporting
- Extended External Reporting

Technology / Disruptive Technology

The IAASB strategy provides a clear vision for navigating the challenges identified, a lens for prioritization, and a mechanism to provide public accountability for achieving its goals.

FRAUD & GOING CONCERN



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T0007	MANGO	200	2000	2200	2400

FRAUD & GOING CONCERN

- KEY PUBLIC INTEREST TOPICS

Fraud

Explore **auditor's responsibilities** for detecting fraud

- Expectation gap
- Does the auditor need to do more – if so, what? e.g., forensic mindset / procedures

- Is more **transparency** needed about what has been done

FINANCIAL REPORTING ECOSYSTEM

Entity and its management (i.e. preparers)

Boards and audit committees

External Auditors

Governments, regulators, professional bodies, and standard-setters

Investors, analysts, lenders, consumers, the public, and other stakeholders (i.e., users)

FRAUD & GOING CONCERN

- KEY PUBLIC INTEREST TOPICS

Going Concern

- » Challenges around **inherent material uncertainties**
- » Expectations around **different concepts of resilience**
- » More **transparency** needed in auditor's report?

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Fraud and Going Concern – LCE Focused Roundtable: What Was Mentioned

Fraud

Many aspects not unique to LCE's

Areas identified that may need further consideration:

- Types of fraud
- Drivers of owner manager behaviors
- Long-term trusted employees / bookkeepers – segregation of duties

Some requirements in ISA 240 less relevant – there are other areas that should be focused on

Caution about requirements for forensic specialists to be used – availability and accessibility

Going Concern

Less formal forecasts – more guidance on what needs to be done


- Often a lack of comparable information

Unique key dependencies

Challenges around when material uncertainty re going concern is triggered

Period of going concern assessment

ISQM & ISA 220 (Revised)



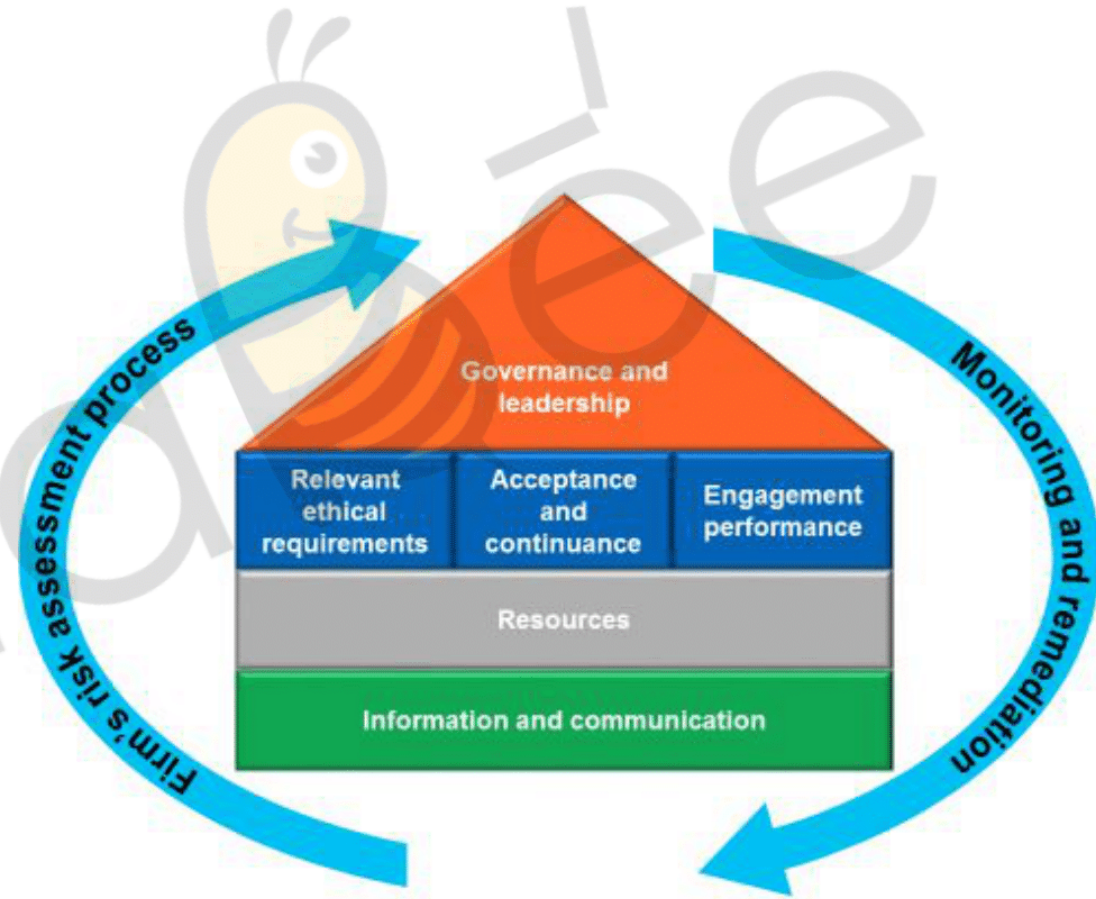
The image shows a business meeting with people reviewing financial data. A hand with a pen points to a table of product prices. The table includes columns for Code, Product, Price, and years 2014, 2015, and 2016. The background features a window with a bee logo and the word 'Lead' overlaid.

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ISQM 1: THE COMPONENTS



A **system of quality management** is a **continual and iterative process** and is **responsive to changes** in the nature and circumstances of the firm and its engagements. It also **does not operate in a linear manner**.



ISQM 1: Key Changes in Finalizing the Standard

Added a **specified response** to **address external communication**

- Required to communicate with those charged with governance about the **System of Quality Management (SOQM)** for audits of listed entities
- Firm's **policies or procedures** required to address when it is otherwise **appropriate to communicate with external parties**

Enhanced the **focus on the public interest** and consistent performance of **quality engagements** in the context of the objective of the standard

ISQM 1: Key Changes in Finalizing the Standard

Further clarifications to address

- The **firm's role** relating to human resources, including component auditors
- The firm's **risk assessment process** (included simplifying the process)
- **Monitoring and remediation**
- **Evaluation of the SOQM - annually**



ISQM 1: Considerations for smaller SMPs

Further revisions to ISQM 1 continued to have **scalability front of mind**

- E.g., new requirement to communicate with TCWG only applies to audits of listed entities

Further refinement and clarification undertaken in **finalizing standard** - in particular

- The firm's **risk assessment process** – **simplified process of identifying and assessing quality risks**
- **Deficiencies & RCA** – improved clarity

Read Para 34 – Specific Responses

ISQM 2: Key Changes in Finalizing the Standard

Key changes in finalising the standards

- » Alignment with the revisions to the IESBA Code relating to the **objectivity of engagement quality (EQ) reviewers**
- » **Linkages with ISQM 1**

ISQM 2:

Key Changes in Finalizing the Standard

SMP's Concern:

» **Cooling-off period** may have a **disproportionate impact** on SMPs due to relatively **small pool of eligible EQ reviewers**

On balance, the Board believes **concerns were addressed considering**

- EQ reviews are **not required for all engagements**
- Firm responses to address **quality risks** may include other types of reviews
- » Firm may determine that there are **no engagements** for which an EQ review or another form of review is an appropriate response
- Cooling-off period is only **mandated for EQ reviewers previously serving as the engagement partner**

ISA 220 (Revised): Key Changes in Finalizing the Standard

- » The **engagement partner's responsibilities**, including managing and achieving quality and determining that sufficient and appropriate resources are available
- » **Upward scalability** of the standard for **larger audits**
- » **Linkages with ISQM 1**

ISA 220 (Revised): Key Changes in Finalizing the Standard

» Including **component auditors (CA)** in the engagement team may **disadvantage market for SMPs** as CAs

On balance, the Board believes concerns were addressed considering

- »
- **Major focus of project:** Aligning the direction, supervision and review across the team
 - **Guidance** that the firm's policies and procedures may need to be **adapted** in such cases
 - Engaging of CAs is often done by **local management and subject to rotation rules**

Effective Date and Implementation Activities (QM)

» Effective Date December 15, 2022

» Basis for Conclusions

Implementation Plan

- »
- First-time Implementation Guide
 - Frequently Asked Questions
 - Fact Sheets
 - Videos

AUDIT EVIDENCE



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AUDIT EVIDENCE

- » **Completed targeted outreach**
 - General consensus about issues identified

Board supported project to **revise ISA 500**, including **conforming and consequential amendments**

- »
 - Other issues identified will be dealt with by other TFs/WGs, as appropriate (eg. materiality, samplings)

- » **Approval of project proposal** in December 2020
IAASB Meeting

- » **Project update issued** in September 2020



AUDIT EVIDENCE - TECHNOLOGY

- » Distinguishing **“information” versus “audit evidence”** (eg, picture from a drone doing stock-take)
- » Considering how **technology affects evaluation of audit evidence obtained from risk assessment** vs. **further audit procedures** – what’s the different between system testing and substantive testing?
- » Over reliance on technology, including:
 - **Understanding algorithms used**
 - Control over **preparation of information** (eg, reliability, accuracy, completeness)
- » Analysis of **larger population** – investigate all exceptions or sample



AUDIT EVIDENCE

- Nature & Sources of Information

Evolution in **nature, sources and volume of “information”** including:



- **Big data**, internet (google)
- **News** and other media, including social media
- **Analysts**, credit agency etc

Affects:



- Manner in which entities **obtain, process, manage, use and communicate information**
- **How and from where** auditors obtain audit evidence



AUDIT EVIDENCE - PROFESSIONAL SCEPTICISM

Based on the ITC 2015, PS is an **important** consideration

- » **Attitude and behavior**
- » **Sufficient knowledge** about entity enhances ability to exercise PS
- » **Guidance** on exercising PS in practice will be helpful

- » Could ISA 500 be more **robust** in addressing PS about **sufficiency of appropriate AE** and the **reliability of info** to be used as AE

- » What about the **bias of seeking evidence** to support management's assertions (consistent or corroborating evidence)

- » **Documentation?**



LCE AUDIT



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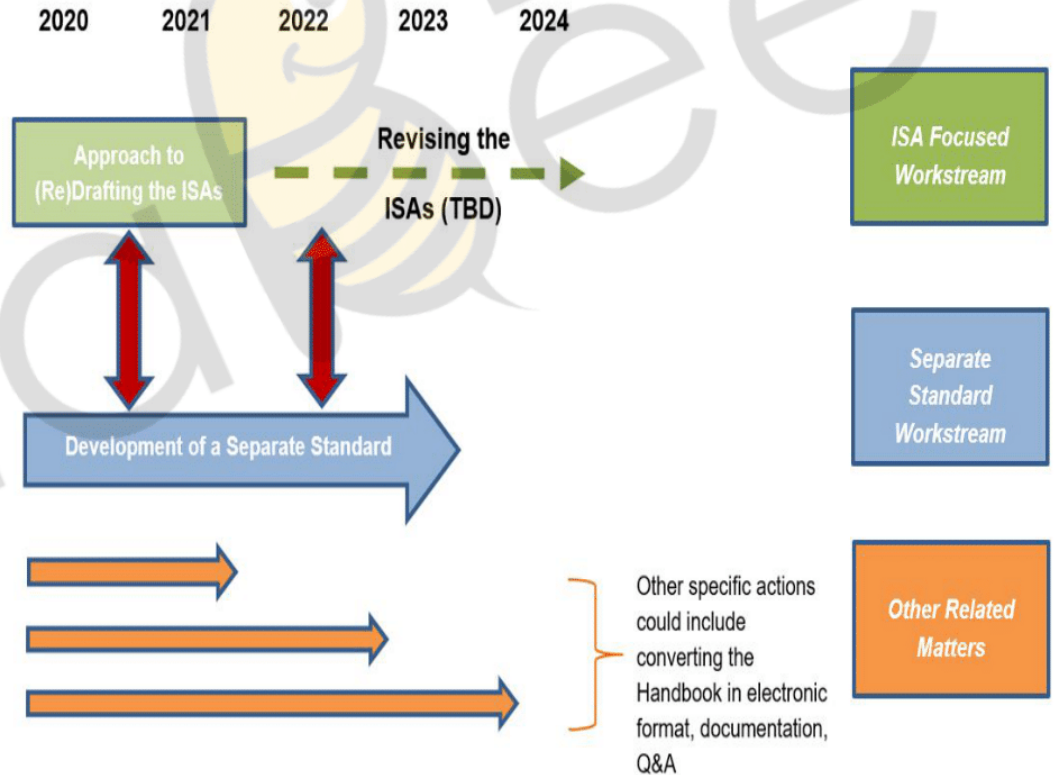
Less Complex Entities (LCE)

– Approach to Addressing the Challenges and Issues

Direction is **two-fold** (IAASB agreed):

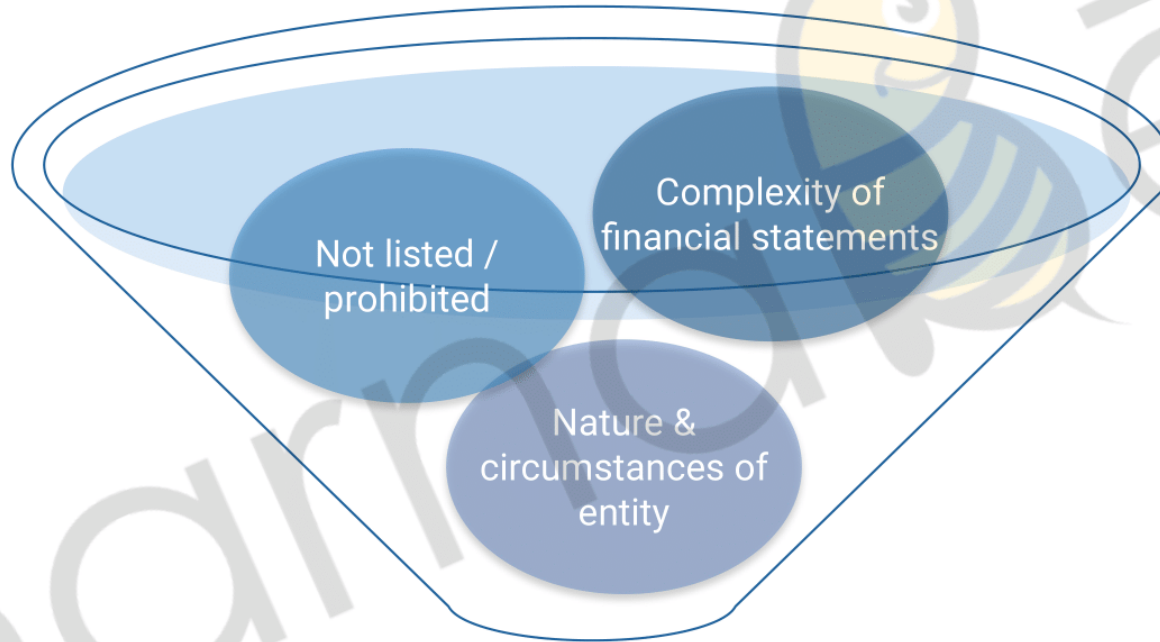
- Broader approach** to drafting the ISAs – drafting principles and guidelines to address complexity, understandability, scalability and proportionality (CUSP)
- Separate standard** – currently developing fundamental principles
- Focus areas in **both** include documentation

Both streams expected to inform each other



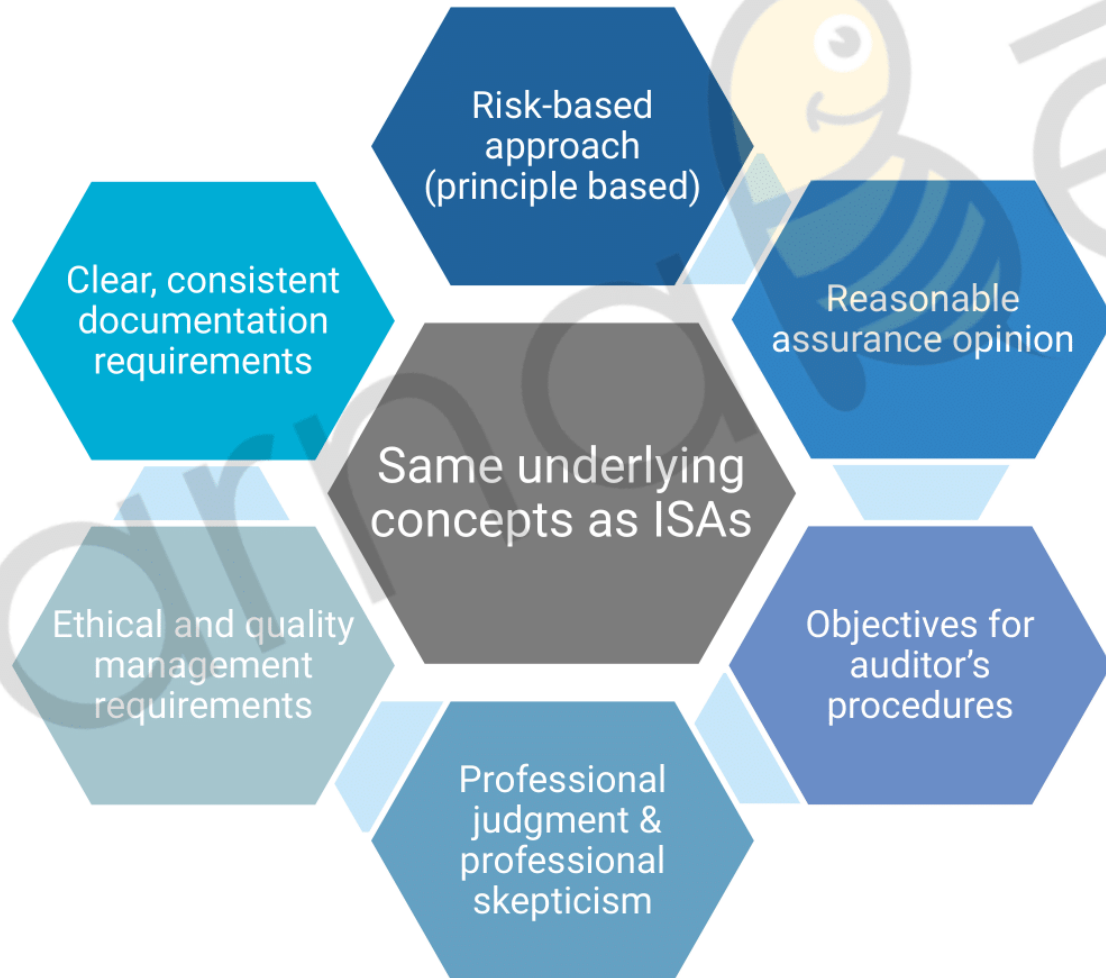
LCE Separate Standard

– Overarching Principles



**Appropriate to use
new separate standard**

LCE Separate Standard – Overarching Principles



Overall Structure of Separate Standard (Proposed)



TECHNOLOGY



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Technology–Maintaining Relevance and Innovation

Immediate Response

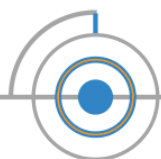


Technology Working Group

Non-Authoritative Guidance

- Audit documentation when using automated tools and techniques (ATT) (April 2020)
- FAQ – Use of ATT in identifying and assessing RoMM
- FAQ – Use of ATT in performing audit procedures

Additional documents to be issued



Current Work plan

- Revision of Audit Evidence standard
- Ongoing consideration in other IAASB projects
- Founder's Intelligence to Understand Current and Future Challenges
- Digital handbook

Long term strategy



Disruption in Audit and Assurance

Redefined Profession of Audit and Assurance

- Continuous and Real Time Audit and Assurance
- Analytics Based Audit and Assurance
- Remote Audit and Assurance

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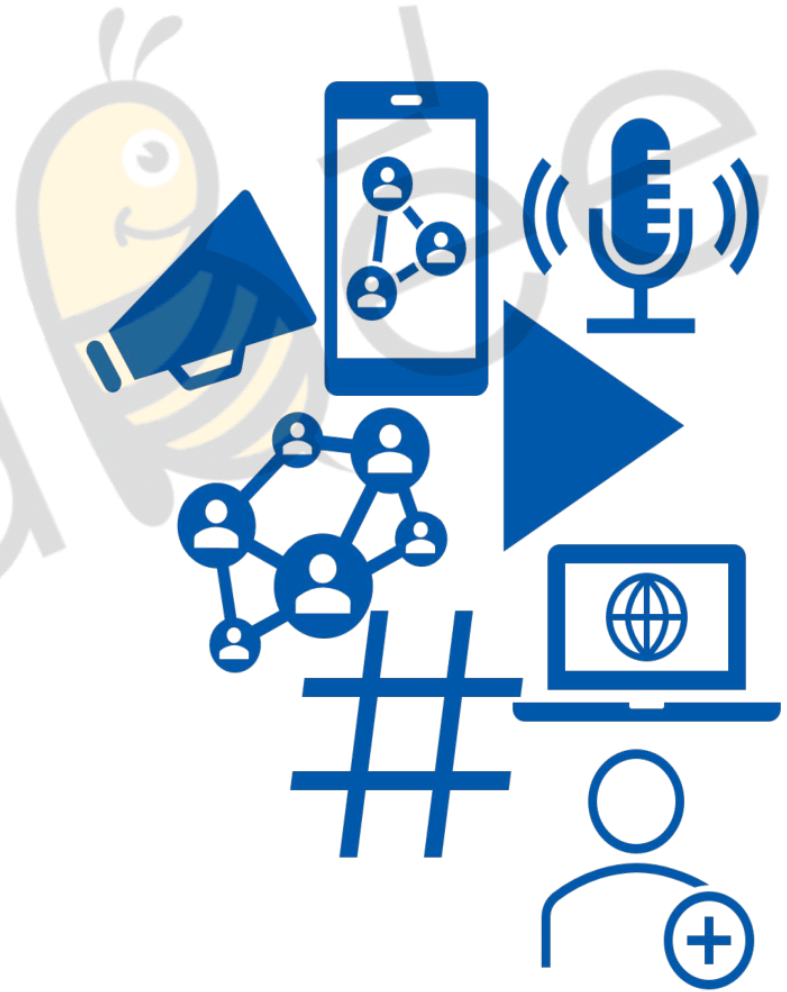


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**Thank
You**



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