



International Auditing and Assurance Standards Board
529 5th Avenue
New York, New York 10017
USA

April 11, 2023

Comments to IAASB's Consultation Paper on Proposed Strategy and Work Plan for 2024-2027

The Nordic Federation of Public Accountants (NRF) is pleased to provide comments to the IAASB's *Consultation Paper on Proposed Strategy and Work Plan for 2024-2027*.

The proposed Strategy and Work Plan (the Plan) covers an important period of time. Not only can we expect increased legal and regulatory actions, but it is also a time during which the implementation of the Monitoring Group reforms is supposed to be finalized. Given the latter and especially the consequences of a different board composition, we would like to emphasize the need to ensure that the entire spectrum of audit and assurance engagements that will be affected by the work of the IAASB, including in particular SMEs/SMPs, will continue to be taken into account when developing new and revised standards.

In recent years some key standards have been significantly revised: ISA 315, ISA 540, and ISA 600. ISQC1 has been replaced by a new quality management system (ISQM). The IAASB is also about to finalize some other major projects on sustainability assurance, going concern, fraud and the LCE standard. At the same time there is a global decrease in terms of adoption and implementation rates of revised ISAs.

Although IAASB's objective is to provide high-quality standards in the public interest, we are convinced that the overarching public interest that all relevant stakeholders should agree upon and aim for, is high-quality audit and other assurance *engagements*. High-quality standards are a fundamental prerequisite, but timely and proper implementation of the standards is crucial for a successful end result. Therefore, in addition to focusing on key matters when drafting new or revising current standards, it is important that sufficient time and guidance material is provided to facilitate and ensure appropriate and consistent implementation. Moving forward, we believe all stakeholders, including both regulators and the IAASB, need to focus even more on the importance of the implementation phase in the standard setting process.

Nordic Federation of Public Accountants
c/o FAR, Box 6417, 113 82 Stockholm, Sweden
Visiting address: Fleminggatan 7, Telephone: +46 70 834 53 05
Email: info@nrfaccount.org

NRF

Yours sincerely,

A handwritten signature in black ink, reading "Helene Agélii". The signature is written in a cursive style with a prominent flourish at the end.

Helene Agélii
Secretary General and CEO
Nordic Federation of Public Accountants

About NRF

NRF is a separate legal institution, founded in 1932, acting on behalf of and under the direction of the recognized audit and accounting institutes in the Nordic region (DnR in Norway, FAR in Sweden, FLE in Iceland, FSR – danske revisorer in Denmark and Suomen Tilintarkastajat ry – in Finland).

DETAILED COMMENTS

1. Do you agree with Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition?

NRF broadly agrees with IAASB's *Proposed Goal, Proposed Keys to Success and Stakeholder Value Proposition*.

However, the *Proposed Goal* includes a reference to "trust in markets". In our view, this gives the impression of a PIE engagement focus when in reality most audit engagements globally relate to SMEs and engagements outside public markets. We believe some adjustments are needed to ensure that the entire spectrum of audit and assurance engagements is being covered by the *Proposed Goal*.

On the same theme, we believe "*Our Stakeholder Value Proposition*" would benefit by further emphasizing the importance of drafting principles-based standards, which is a precondition to the application of scalability and proportionality.

2. Do you agree with Our Proposed Strategic Drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal?

In general, we agree with the proposed strategic drivers.

3. Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions?

Performing high-quality *engagements* and delivering opinions that are trustworthy must be the ultimate aim for all relevant stakeholders: clients, investors, auditors, standard-setters, and regulators. Providing high-quality standards is an important component in achieving this objective. However, it is timely, proper, and consistent implementation of the standards that is crucial to achieve high-quality engagements.

In recent years there have been substantial changes to ISA 315, ISA 540 and ISA 600. ISQC1 has also been replaced by a new quality management system (ISQM). These ISAs and the QMSs are voluminous and complex. At the same time recent studies from IFAC (International Standards 2022 Global Adoption Status) show a decrease in adoption of the latest version of the ISAs and an alarming increase of only partial adoption. We would also like to note that implementation challenges are not only a concern for the audit firms and the auditors. Many regulators and oversight bodies are also struggling with tight resources.

In our view these factors, in combination with IAASB's ongoing projects, show a need for the IAASB to address these issues and to clarify its future role in supporting and facilitating implementation both in terms of timeliness of issuing new or revised standards and effective dates, but also in producing implementation material.

Proposed Strategic Objective 1 refers to both first-time implementation support materials and post-implementation reviews. The IAASB's reference to "complexity" as a new area along with sustainability and technology, and the decrease of practitioners on the Board, are additional factors that show a need for both implementation support activities and due consideration of allowing sufficient time for implementing the standards. Issuing a new or revised standard, when they need to be translated, is time consuming and requires considerable resources to be achieved. The workload to implement the standards into practice requires even more resources for both PAOs and the audit firms.

We suggest that matters regarding both first-time implementation guidance and post-implementation reviews should be included in the project proposals as default components. This would ensure that there are necessary resources throughout the entire project, but it could also serve to clarify at an early stage whether implementation material is expected to be provided by the IAASB or by others (e.g. IFAC) or in collaboration with others.

We believe post-implementation reviews are an integrated part of a project, or more specifically; the measures that need to be undertaken as a response to the feedback provided in the reviews. Therefore, when undertaking such a review, the IAASB must allow time in a near future to take actions and respond to the feedback, when necessary. This is especially important when considering starting new projects within the same series as the one which has been subject to a post-implementation review.

Also, not allowing sufficient implementation time or not providing timely first-time implementation guidance will in turn impact the quality of the feedback to the post-implementation reviews.

We strongly recommend focusing on narrow-scope projects moving forward, i.e. focusing on revisions that truly aim to drive changed behavior.

Proposed Strategic Objective 1 also refers to the CUSP drafting guidelines and principles. The importance of drafting standards in a way that addresses complexity, understandability, scalability and proportionality cannot be stressed enough. These guidelines need to be incorporated early in the process.

The CUSP drafting guidelines were created as a response, together with the drafting of an LCE standard, to comments received on the Discussion Paper "Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs". Many respondents highlighted that regardless of the creation of a separate standard for LCEs, the length, volume and complexity in the ISAs also had to be addressed. Therefore, we would encourage the IAASB to provide opportunities for stakeholder feedback regarding how the application of these guidelines have addressed the expressed concerns.

In terms of *Proposed Strategic Objective 4*, we strongly support the IAASB's use of reference groups in connection to the projects. In particular, we encourage the IAASB to ensure that these groups will include the entire spectrum of practitioners, and especially SMP representatives, in order to provide input on the practical consequences of considered revisions.

4. Do you support the identified possible new standard-setting projects as set out in Table B within the area of audits and reviews (numbered A. to K.)?

We note that many of the suggested projects relate to either the ISA 300 or the ISA 500 series. Since the implementation of both ISA 315 (Revised 2019) and ISA 540 (Revised) have caused significant challenges, we strongly recommend post-implementation reviews of those two standards before initiating any new projects within those series. Such an order would be valuable to ensure that further changes within these series are based on learnings from the feedback of post-implementation reviews of ISA 315 (Revised 2019) and ISA 540 (Revised).

In terms of the suggested projects in these two ISA series, we would suggest prioritizing ISA 501, which could be a narrow-scope project. We strongly agree that there is a need to modernize the standard to reflect current methods for inventory counts. We also believe there is a need for alignment with the risk-based approach in ISA 315 (Revised 2019).

Overall, we would also like to stress the importance of focusing on narrow-scope projects.

In terms of a new project regarding *Using the Work of an Auditor's Expert (Revision of ISA 620)*, we would encourage the IAASB to consider the importance to address this matter not only from a financial audit perspective but perhaps even more urgently from the perspective of sustainability assurance engagements. The latter is an area where we believe the use of work of an auditor's expert will become increasingly important and relevant, including in relation to SMPs undertaking these kinds of engagements.

5. Do you support the identified possible new standard-setting projects as set out in Table B within the area of sustainability and other assurance engagements (numbered L. and M.)? Topic L., Further Standards for Assurance on Sustainability Reporting, would involve addressing multiple topics (as part of possible multiple projects).

We strongly support global standards regarding sustainability assurance engagements, and we believe the IAASB has a key role to play in this regard. This is however a new area, and therefore to some extent difficult at this point in time to anticipate what the most appropriate next step should be. We encourage a regular dialogue and outreach activities with different stakeholder groups to be able to understand where the greatest public interest need is.

Given the differences in national legal requirements both in terms of joint audit and XBRL, we do not suggest prioritizing these suggested projects within this timeframe.

6. Are there other topics that we should consider as new standard-setting projects? If so, please indicate whether any such topics are more important than the topics identified in Table B, and the needs and interests that would be served by undertaking work on such topic(s).

We would not suggest any other topics as new standard-setting projects. Rather, we would strongly encourage the IAASB to focus its resources on facilitating the implementation of recent revisions and those revisions that will be finalized during this time period.

7. Our proposed Strategy and Work Plan emphasizes the importance of close coordination with our sister-Board, IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for joint or complementary actions that would better serve the public interest?

We support close coordination with the IESBA. Given the interrelationship between the work performed by the two standard setting boards, we especially encourage increased coordination with the Boards' Strategy and Work Plans in terms of aligning projects at an early stage.

In terms of coordination related to actual drafting we encourage the use of same definitions for critical terms.

Given that PAOs as well as practitioners will need to comply with both revisions in the ISAs/ISSAs and in the Code of Ethics, we also recommend the Boards to take into account each other's issuance of exposure drafts, consultation papers etc., and effective dates for finalized projects. There is a risk with having several open consultations at the same time in that it might impact the ability for stakeholders to provide well-considered views. Similarly, timeliness is also of importance when it comes to setting the dates for entry into force of the revisions.

8. Are there any other matters that we should consider in finalizing our Strategy and Work Plan?

The IAASB's work on an ISA for LCEs is not included in the Plan on the basis that it is supposed to be approved later this year, i.e., before the timeframe covered in this Plan. The only mentioning of the ISA for LCEs is in relation to *Proposed Strategic Objective 1* in terms of: "Promoting the effective implementation of the International Standards on Auditing (ISAs), International Quality Management Standards (ISQMs), and the proposed ISA for Audits of Financial Statements of Less Complex Entities".

We think "promoting the effective implementation" needs to be further clarified, since it is unclear what kind of first-time implementation guidance etc., the IAASB will publish.

Also, since the ISA for LCEs will be a voluntary standard, it will be important to ensure that the scalability and proportionality of the ISAs will continue to be taken into account when revising standards or working on new ones. Given the implementation of the Monitoring Group reforms, and in particular the new board composition, there is a concern that moving forward there will be an increased PIE focus at the expense of SME/SMP perspectives and consequences. We encourage the IAASB to ensure that the SMEs/SMPs perspectives will continue to be firmly included throughout the standard setting process.