

The Road Forward for International Auditing Standards: *a need for timely and practical guidance*

The Issue

In December 2013 the International Auditing and Assurance Standards Board (IAASB) published a Consultation Paper outlining its proposed strategy and work plan for 2015-2019. International auditing standards are important to Canadian auditors because Canadian auditing standards were conformed to international auditing standards in 2010. We believe the IAASB's strategy and work plan require significant changes to focus on areas that will have the greatest impact on enhancing audit quality including group audits, auditing accounting estimates and providing improved guidance on the application and implementation of existing standards.

Key Highlights:

1. The IAASB's strategy should be forward looking and aspirational.
2. The IAASB needs a rapid response mechanism to address urgent implementation and application issues.
3. Auditing standards need to evolve to respond to changes in emerging technologies.

The Strategy Itself

We believe the proposed strategy should be forward looking and aspirational with a clear view for the end state in 2019.

It should include:

- Clear articulation of the IAASB's vision and strategic priorities.
- The approach to identifying and responding to emerging issues to ensure auditing standards remain relevant in a changing environment.
- Rebalancing the planned efforts to include additional time in monitoring adoption of standards and responding to concerns about their application and implementation.
- Increased engagement with stakeholders in identifying issues including projects to be added to the Board's agenda.

Timeliness of Response to Urgent Implementation Issues

CPAB is concerned that, under the proposed strategy, important issues will not be responded to on a timely basis. We believe the IAASB should place priority attention on projects to revise the auditing standards on group audits (the proposed plan envisions starting a project in 2017 with a standard not expected until 2020 or 2021 – an unacceptable delay) and the audit of accounting estimates. The IAASB has no rapid response mechanism to address urgent standards implementation and application issues with the result that important changes are delayed.

Audit quality would be enhanced through a more balanced approach that includes amendments to auditing standards and the development of application or implementation guidance to support the use of the current auditing standards. Specific areas identified by the IAASB's post-implementation review recommended a focus on a number of standards that are not included in the proposed work plan including the auditor's responsibilities relating to fraud, identifying and assessing the risks of material misstatement, analytical procedures, materiality and using the work of an auditor's expert. We believe these areas need priority attention.

Trends and Emerging Issues

Given the rapidly evolving business landscape, the IAASB should focus on the impact of changes in the environment and ensuring that current auditing standards remain relevant, including changes to how audits are performed, and, in particular, the impact of evolving technologies on audits including the use of data analytics and cloud computing. These changes will transform what is audited and how an audit is conducted, with implications for education, hiring, training, and standards.

Resources

The IAASB needs to identify and appropriately prioritize critical projects. If current resources are a constraint, the International Federation of Accountants (IFAC) and the Public Interest Oversight Board (PIOB) should consider the way the IAASB is funded and operationalized.

We believe the response to these issues could take a number of forms including full scope or limited scope amendments to existing auditing standards and/or development of application or implementation guidance developed together with other parties including National Standard Setters.

The Final Word

The IAASB's strategy for 2015 – 2019 comes at a time when the audit profession is in the midst of a fundamental shift in how external audit is performed and perceived. We believe the IAASB must take a strategic role in responding to emerging trends and urgent implementation issues. Although continuous improvement of the existing audit standards is important, a forward thinking, longer term approach is needed to solve the strategic challenges the audit profession faces.

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