

International Auditing and Assurance Standards Board
Proposed IAASB Strategy and Work Program for 2012-14

response to consultation paper

04 April 2011

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/110404 SC0157
James Gunn
Technical Director
International Auditing and Assurance Standards Board
Submitted electronically
04 April 2011

Dear James Gunn

IAASB Consultation Paper

Proposed IAASB Strategy and Work Program for 2012-14

CIPFA is pleased to present its comments on this consultation paper, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

CIPFA responded in May 2010 to the Board's online questionnaire on 2012-14 strategy and work program.

We are pleased to observe that several of the projects discussed in IAASB's earlier consultation have already been commenced, including a project on audit quality and new guidance on the audit of disclosures. The Board's work in this area is important, especially as it reinforces the message that professional scepticism is embedded in the principled and objective focussed approach of ISAs and other IAASB pronouncements. We are also pleased that the Strategy explains the helpful interaction between INTOSAI and IAASB.

We agree that it is important that IAASB provide input to the IASB and monitor developments in IFRS particularly as they relate to verifiability and auditability. As noted in our response to the online questionnaire, it would also be helpful if the Board recognised developing aspects of public sector financial reporting which are relevant to audit and assurance. Some issues arise from the adoption of IFRS by governments. Perhaps more significantly, the International Public Sector Accounting Standards Board (IPSASB) is in the process of developing a conceptual framework for public sector general purpose financial reporting, and in so doing has identified a number of areas where reporting standards or other guidance will cover matters which are public sector specific and on subjects such as long-term fiscal sustainability which present new issues for auditors, or at least require very careful consideration in the light of existing guidance.

Answers to the specific questions noted in the Guide to Respondents are attached. If you have any questions about this response, please contact Steven Cain (e: steven.cain@cipfa.org.uk, t: +44(0)20 7543 5794).

I hope this is a helpful contribution to the Board's planning process.

Yours faithfully

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Comment on IAASB Questions

1. Whether the IAASB’s three areas of strategic focus noted in paragraphs 7–11 remain appropriate.

We are content that IAASB’s three areas of strategic focus noted in paragraphs 7–11 remain appropriate.

2. Whether the list of anticipated projects likely to commence in 2012–2014 (Column B) adequately address issues currently facing the accounting and auditing professions, in particular:

(i) Whether respondents support the IAASB undertaking work in these areas and, if not, the reasons why a particular project(s) would not be supported;

(ii) Whether respondents believe these projects are consistent with the IAASB’s three areas of strategic focus; and

(iii) How these anticipated projects should be prioritized in light of the current projects (Column A).

We have no objection to any of the projects listed in column B. We would note that projects B2 and B3 are not particularly relevant to the public sector audit context. The work on prospective financial information may become more relevant in future depending upon developments in public sector financial reporting.

In our view, the projects are consistent with the areas of focus.

While we note that some of the projects in column A relate to the development of new or substantially revised standards, in general we suggest that further IAASB development concentrates primarily on measures designed to assist implementation of ISAs and other standards, informed by such information that IAASB can obtain on standards implementation.

3. With respect to the additional projects (Column C):
(i) Which of the suggestions, if any, should be considered for inclusion on the future work program, and how should these be prioritized in light of the current projects (Column A) and anticipated projects likely to commence in 2012–2014 (Column B); and
(ii) Whether any particular project(s) in Column C would not be supported;

Potential project C3 relates to monitoring the impacts of developments in integrated reporting. The formation of the International Integrated Reporting Committee (IIRC) may have significant effects on the reporting packages within which financial statements are produced, affecting the context within which the auditor’s responsibility for ‘other information’ is discharged, and possibly stimulating demand for additional assurance products. While the effect of this may not be significant in the short term, we agree that it would be sensible to monitor the position.

Potential project C4 relates to the development of an ISAE on sustainability. While we know that there is a demand for assurance products relating to sustainability, we suggest that the Board should determine the timing of any development work in the light of progress made on the ISAE 3000 framework and the proposed ISAE 3402 on greenhouse gases statement assurance.

4. Respondents are specifically asked to select the top three projects either from, or in addition to, the list of suggestions for additional projects (Column C) that they believe would best meet the IAASB’s public interest mandate.

Having regard to CIPFA’s concentration on matters relating to public sector audit rather than as part of the financial reporting chain for capital markets, C3 and C4 as noted above.

5. Whether there are additional actions or projects that respondents believe should be addressed, and, if so, how these should be prioritized in relation to the projects identified in Columns B and C.

We suggest that the Board should monitor developments in public sector financial reporting inasmuch as these raise auditability and verifiability issues. This will become more important as the IPSASB completes its conceptual framework for public sector financial reporting, and new standards and other guidance are developed in line with that framework.

6. It would also be helpful to understand which one project (either from Column B, Column C or an additional action not included in either column) respondents would identify as the IAASB's top priority, in order for the IAASB to consider how each of the three areas of strategic focus would be addressed in the future Work Program.

We have no observations to make on this.

Additional matters on which the IAASB would welcome comments from respondents

7. What types of publications or further implementation guidance may be of most use to facilitate the adoption and implementation of the IAASB's pronouncements.

We have more comment to make on the type of guidance than the content.

As noted in our response to the Board's consultation on the status of IAPs, we support the clear statement that these pronouncements outside of the main run of 'standards' do not impose additional requirements or documentation requirements. CIPFA also suggested that the Board might consider representing such material as rigorously developed educational or explanatory material, rather than (as the IAPs Exposure Draft suggested) taking the approach that because IAASB pronouncements are 'authoritative' they are more than just 'educational'.

More generally, we consider that the Board should develop IAPs and other material

- where there is a pressing need
- in the particular case of IAPs, with a clear process for update and maintenance.
- having regard to providing something which is applicable on a standalone basis, while also providing a basis for localised guidance in jurisdictions where the regulator or other bodies have the capability and capacity.

8. What opportunities may exist for the IAASB to partner with others to facilitate implementation of the clarified ISAs (for example, IFAC member bodies, NSS, training organizations, and others)?

We note and approve of the Board's beneficial liaison with INTOSAI, which serves both to inform the development of high quality standards which are applicable in both public and private sector contexts, and which serves to promote ISAs and other IAASB standards in the public sector context.