

March 30, 2023

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**Re: Consultation Paper of January 2023: The IAASB's Proposed Strategy
and Work Plan for 2024-2027**

Dear Tom,

We would like to thank you for the opportunity to provide the IAASB with our comments on the "Consultation Paper of January 2023: The IAASB's Proposed Strategy and Work Plan for 2024-2027", hereinafter referred to as "the Consultation Paper".

In the appendix to this letter, we respond to the individual questions posed in the Request for Comments in the Consultation Paper. In addition to these responses, we have a few strategic issues that we would like to address in this letter.

Over time, we have observed the tendency of IAASB standards becoming increasingly lengthy and complex (good examples thereof are ISAs 315 (Revised 2019) and 540 (Revised)). We also note that at the same time the speed at which fundamental revisions are being made to standards over time appears to have increased.

We believe that rules-based standards are not necessarily conducive to high-quality audits or assurance engagements. Ultimately, rules-based standards provide greater opportunity for circumvention and for formal, rather than substantive, compliance and will not lead to standards that foster confidence in

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the long run. Furthermore, complex rules-based standards are becoming increasingly difficult to understand for firms, audit oversight authorities and audit regulators without a large technical department, which endangers global application and the credibility of the IAASB.

Furthermore, in our view, there needs to be some recognition that both auditors, and audit oversight authorities and regulators, require time and resources to appropriately deal with fundamental changes in standards, which is why seeking stable platforms for longer periods of time is important. The ability of the largest and most well-resourced audit firms, audit oversight authorities and audit regulators should not represent the benchmark for the time needed to deal with changes in standards. There is a public good in having standards represent a stable platform over time rather than being subjected to continual fundamental change, which engenders both increased implementation costs and increases the risks of inappropriate implementation compared to when major changes are required in stages over longer periods of time. This issue is connected to the robustness of standards over time – that is, standards should be written in a principles-based manner so that they stand the test of time and are less subject to disruption.

While there is a case to be made for continual improvement of standards over time, we believe that once the current projects related to the ISAs regarding going concern and fraud are completed, the question arises whether major projects in relation to audits of financial statements may be reaching a stage of diminishing returns for each incremental improvement in the standards. Unless indubitable cases of audit failure can be clearly related to deficient auditing standards rather than deficient application of auditing standards, as an issue of public policy the IAASB may need to consider whether the public interest benefits of major changes to standards are worth the additional costs borne by society for audits. If so, then consideration may need to be given to providing more standard-setting resources to other assurance and related services engagements of importance for the future. To this effect, we applaud the IAASB undertaking a major project to develop, within a comparatively short period of time, a comprehensive standard for assurance on sustainability information but see the need to consider developing standards for other assurance and related services engagements outside of audits of financial statements.

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We would be pleased to provide you with further information if you have any additional questions about our response and would be pleased to be able to discuss our views with you.

Yours truly,

Melanie Sack
Deputy CEO
Executive Director

Wolfgang Böhm
Technical Director Assurance Standards,
Director, International Affairs

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**Appendix: Responses to the Questions Posed
in the Request for Comments**

1. Do you agree with Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition (see pages 5–6)?

We agree with the Proposed Goal, which is significantly improved compared to that set forth in the previous IAASB Proposed Strategy for 2020 – 2023 and Work Plan for 2020 – 2021. We support the Proposed Keys to Success as set out in the Consultation Paper. We also agree with the Stakeholder Value Proposition with the exception of the narrative in Our Work Plan.

We believe that the narrative in Our Work Plan is incomplete. We agree with the statement that timeliness and quality need to be balanced, but there are also other issues that need to be taken into account. In particular, there is a public good in having standards represent a stable platform over time rather than being subjected to continual fundamental change, which engenders both increased implementation costs and increases the risks of inappropriate implementation compared to when major changes are required in stages over longer periods of time. This issue is connected to the robustness of standards over time – that is, standards should be written in a principles-based manner so that they stand the test of time and are less subject to disruption. If they do not, then this is an indication that such standards are too granular and no longer principles-based.

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 (see pages 7–9)?

We largely agree with the description of the Proposed Strategic Drivers but have identified the following matters with which we take issue.

With respect to the issue of “Heightened supervisory scrutiny” under “Increased and More Diverse Demand for Our Standards”, we note that the assertion is made that regulators and oversight bodies are asking for more specificity of requirements in standards for increased enforceability to help drive improved performance and to keep pace with increasing complexity of the business environment, and financial and other external reporting frameworks. We also note that the issue of “Diverse demands across the spectrum of stakeholders reflecting the breadth of the global economy” addresses the fact that

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stakeholders are asking for new or enhanced standards with more granular requirements and application material.

We are concerned with the view that increasing complexity is a driver for more complex standards. We believe that increases in complexity ought to be a driver for more principles-based standards that stand the test of time, rather than seeking to address every eventuality in standards where such eventualities may change rapidly over time. In line with our comment letter to the previous IAASB Proposed Strategy for 2020 – 2023 and Work Plan for 2020 – 2021, we continue to believe that the IAASB will also need to develop a mechanism to address the continued pressure from regulators, audit oversight authorities, and other stakeholders towards rules-based standards to facilitate formal enforcement or address methodology issues, since we believe such rules-based standards are not necessarily conducive to high-quality audits or assurance engagements. Ultimately, rules-based standards provide greater opportunity for circumvention and for formal, rather than substantive, compliance and will not lead to standards that foster confidence in the long run. Furthermore, complex rules-based standards are becoming increasingly difficult to understand for firms without a large technical department, which endangers global application and the credibility of the IAASB. Rules-based standards are also less robust over time because they are more susceptible to disruption through changing circumstances. In particular, standards should not become so granular such that they slide down the slippery slope into dealing with methodology questions.

The item under the bullet point “Impact of and reasons for jurisdictions developing their own audit and assurance standards” within “Confronting ‘headwinds’ to global adoption of standards” refers to the fact that jurisdictions develop their own standards due to timeliness, political or other jurisdictional pressures or to respond to a specific jurisdictional need. We are not convinced that national standards necessarily represent “headwinds” to global adoption of IAASB standards in many instances. In many cases, national assurance and related services standards deal with local circumstances that are not of interest internationally or deal with matters that are not yet of international importance. In the latter circumstances, national standards would often form a useful basis for the future development of international standards and then thereby provide a subsequent basis for national standards to build upon existing IAASB standards. In some cases, international standards need to be augmented to deal with national circumstances: without such augmentation, international standards may not be operable in a national environment. In this sense, there is a symbiotic relationship between national and international standards. However, to the extent that a matter is of common international importance, we recognize the

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primacy of international standards to avoid fragmentation. In any case, the symbiotic, rather than adversarial, nature of the relationship between national and international standards should be emphasized more.

3. Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions (see pages 10–14)?

We agree with the Proposed Strategic Objectives as set forth in the Consultation Paper and with the exception of the matters we address immediately below, the Proposed Strategic Actions set out in that paper.

Our concern relates to the fourth bullet point under Proposed Strategic Objective 1 and the third bullet point under Proposed Strategic Objective 2, both bullet points of which relate to the issue of first-time implementation support materials. We believe that if the IAASB needs to prepare detailed implementation support, then the standards lack the clarity needed to have been issued as standards in the first place. It is another matter for the IAASB to contribute to implementation support prepared by national standard setters, IFAC member bodies, or IFAC when these deem such support to be helpful in their jurisdiction. We recognize that both bullet points also refer to facilitating or supporting action by others. However, we believe the focus of the IAASB in the first instance needs to be on spending more time on “getting the standards right” so that they are principles-based, less complex and more understandable, than immediately afterwards spending time and resources on developing implementation support to mitigate complex, unclear standards.

The second sub-bullet of the sixth bullet under Proposed Strategic Objective 1 addresses implementation challenges but does not deal with one of the major implementation challenges resulting from continual fundamental changes to standards – standards overload. There needs to be some recognition that both auditors, and audit oversight authorities and regulators, require time and resources to appropriately deal with fundamental changes in standards, which is why seeking stable platforms for longer periods of time is important. The ability of the largest and most well-resourced audit firms, audit oversight authorities and audit regulators should not represent the benchmark for the time needed to deal with changes in standards.

With respect to the second bullet point under Proposed Strategic Objective 2, we note the implicit commitment to initiate further standards on sustainability assurance. Even if the selection of new topics is subject to the criteria set out in the Framework for Activities, we are hesitant about supporting the initiation of

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projects for further sustainability standards because we believe that once ISSA 5000 has been issued in final form, the IAASB needs to allow some time for implementation as well as for a few years' experience of application of the standard before commencing a post-implementation review of the application of the standard. Only once such a post-implementation review has been undertaken would the IAASB be able to use the results of this review to determine whether additional standards, if any, might be needed.

4. Do you support the identified possible new standard-setting projects as set out in Table B (see pages 20–22) within the area of audits and reviews (numbered A. to K.)? Please share your views on the individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction.

In our view, the IAASB needs to focus its resources with respect to standards relating to audits of financial statements on those areas where the age of the standards has led to the standards no longer being fit for purpose, rather than concentrating on standards that are not “broken” and where improvements are therefore not essential in the short run. Based upon this criterion the standard that is the oldest and most in need of improvement related to audits is ISRE 2410 on the review of interim financial information, which has never been revised since inception nor clarified using the clarity format. ISRE 2410 is also no longer technically consistent with developments in relation to limited assurance since the issuance of ISRE 2410 that had taken place in ISAE 3000 (Revised) and ISRE 2400. For these reasons, we believe that the space for the one new project in 2024 should be reserved for a project to revise ISRE 2410.

Based upon the results of the post-implementation review of the revised auditor reporting standards, the review of which identified implementation issues and challenges, including the potential need for a fundamental revision, the only other standard for which a revision would be critical is ISA 720 (Revised). For this reason, we believe that one of the spaces for the two or three projects in 2025 should be reserved for a project to revise ISA 720 (Revised).

The other matter that we regard to be of importance in relation to standard setting for audits of financial statements is the updating of the ISAs for the impact of technology. For this reason, we believe that two out of the three spaces for projects in 2025 should be reserved for an omnibus project on technology issues that deals not only with the standards set forth in C. to G., but also the revision of ISA 330 in relation to technology.

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We are not convinced that ISAs 320 (A.), 330 (B.) and 620 (H.) are in dire need of revision other than in relation to the impact of technology. In relation to ISA 320, we do not believe that greater consistency in the determination of materiality and performance materiality is necessarily desirable, since the former represents an auditor's consideration of a user-driven concept and the latter is a matter that depends upon the expected risks of material misstatement and the extent to which audit work is performed on financial statement items separately (the underlying cause of aggregation risk): consistency may in fact be counter-productive. It is also unclear what is meant by "the application of these concepts within a risk-based audit".

Likewise, if technology-related issues are dealt with in an omnibus project as described above and given the fact that the revision of ISA 315 also led to conforming and consequential amendments to ISA 330, we do not see the need for a project to revise ISA 330. Likewise, given the fact that ISA 620 should have been subject to conforming and consequential amendments from ISAs 540 (Revised) and ISA 220 (Revised), we believe that there is no real case for suggesting that ISA 620 is broken and therefore in dire need of revision.

The standard for which we see the least need is a standard on joint audits (K.). Even if many countries that do not require joint audits permit them, in these jurisdictions joint audits are exceedingly rare. Other than France, there are no major developed countries that require joint audits and only a limited number of developing nations require joint audits for certain sectors. Joint audits are therefore not an issue of global relevance and are therefore not a matter that ought to be dealt with by the IAASB unless circumstances change.

5. Do you support the identified possible new standard-setting projects as set out in Table B (see pages 20–22) 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). Please provide your views about likely candidate topics for further standards.

We believe that considering further standards for assurance on sustainability reporting (L) is very premature because, until the ISSA 5000 is completed and has been implemented over a number of years so that a reasonable post-implementation review can be performed, the IAASB will not be in a position to determine whether further standards are necessary, if any, and if so, which ones.

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With respect to assurance on XBRL (M.), based upon our experience in writing our national IDW standard for assurance on the European Single Electronic Format – ESEF – (which covers both the conversion of financial statements and management report into XHTML and their tagging with iXBRL), we have come to the conclusion that the nature of the assurance conclusion and therefore the nature and extent of the assurance work depends largely upon how local legislation designs the requirements for both the technology that reporting entities are to apply and the nature of the assurance conclusion to be given by practitioners. For these reasons, we do not believe that it is possible to design an international standard for this area that is both “framework-neutral” and “jurisdiction-neutral”, which, in our view is a prerequisite for an assurance standard at an international level.

Consequently, we do not believe that the projects referred to in either L. or M. should be planned to be undertaken at this time. We refer to our response to question 6 below as to other areas within the assurance and related services space for which projects may be of greater importance at an international level.

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 (see pages 20–22), and the needs and interests that would be served by undertaking work on such topic(s).

We believe that there are a number of topics of international relevance that ought to be considered by the IAASB for inclusion on its list of potential projects.

In particular, we note that in our jurisdiction, and we surmise that in many other jurisdictions, assurance engagements are performed on prospective (i.e., forward-looking) information. This includes both forward-looking financial information and forward-looking non-financial information of various types. We believe it would be advantageous for the IAASB to undertake a survey to determine whether statutory or voluntary assurance engagements are performed on such information in enough jurisdictions to warrant considering whether a project to revise ISAE 3400 would be desirable. However, given the experience of the IAASB in developing ISAE 3420, we would recommend that forward-looking information in prospectuses be excluded from the scope of any such project because of the differing regulatory regimes in this respect. We note that current ISAE 3400 provides an excellent basis upon which to build for such a project but would also like to point out that ISAE 3400 has not been revised since 1995 and was never converted into clarity format. It is the oldest and most

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outdated standard in the IAASB's suite of standards but is nevertheless used directly or indirectly as a basis for national standards and guidance in this area for lack of another international standard. For these reasons, we believe that time should be set aside for a potential project in this matter in 2026 or 2027. Consideration could also be given to drawing upon the resources of national standard setters to assist in performing such a project.

We also believe that there are other assurance and related services engagements (beyond agreed-upon procedures engagements and compilation engagements) performed by practitioners across national boundaries that may be considered for future projects. These may include engagements for:

- Assurance engagements in relation to IT (e.g., cybersecurity, data protection, and safeguarding essential IT infrastructure),
- Direct engagements under ISAE 3000 (Revised), which are very common in the public sector, but are also becoming increasingly more common in the private sector,
- Exploring the differences between certifications under ISO standards and assurance engagements,
- The issue of “blended engagements” (and in particular, reporting for these), when many different kinds of information and assurance and related services engagements are performed on such information in one engagement and provided in one report,
- Other related services engagements, such as
 - Expert opinions,
 - Agreed-upon assurance procedures engagements (not to be confused with agreed-upon procedures engagements, since unlike the latter, the former involves considerable practitioner judgment with respect to extent of procedures, and in some circumstances, timing thereof).

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? Suggestions could entail standard-setting work, engagement with stakeholder groups, and improved ways of working, among others.

Overall, our experience has been that cooperation between IESBA and the IAASB has greatly improved compared to previous years. However, we believe

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that greater cooperation is needed in circumstances when one board addresses definitions that are set forth in the requirements of another board. Given the impact of changing definitions, we believe it is not sufficient for staff alone to be informed about contemplated changes. To prevent a project from moving along with unintended consequences for the other board, once a task force has identified that it intends to consider changing definitions that are common to both boards, then both boards should be informed of such considerations within the same meeting quarter so that potential impacts can be discussed at an early stage.

In addition, there needs to be a clearer delineation between the responsibilities of both boards. For example, while the competence of a professional accountant is an issue covered by ethical principles, the work effort related to considering the competence of experts whose work is being used by practitioners is a quality management and engagement performance issue, for which each Board may have different terminology (e.g., the use of words in CUSP) and is properly within the remit of the IAASB for practitioners. Another example is reporting by practitioners to third parties, including the public, where IAASB and IESBA need to coordinate closely, in particular prior to IESBA considering such reporting responsibilities for practitioners. The boards need to properly delineate their respective remits and ensure that one board does not encroach upon the remit of another. To this effect, draft project proposals from each board should be made available to the other prior to approval so that the other board can ascertain whether the remit of the project proposal aligns with the remit of the respective boards.

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

We have no other matters for your consideration in finalizing your Strategy and Work Plan.