



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

18 October 2016

Ref: 16/36

Prof. Arnold Schilder
Chairman, International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, New York
10017 U.S.A.

Re: IAASB's Consultation on its Strategic Objectives & Work Plan for 2017-18

Dear Prof. Schilder,

The International Association of Insurance Supervisors (IAIS) welcomes the opportunity to provide feedback on the IAASB's *Strategic Objectives and Work Plan for 2017-18* consultation.

As mentioned in previous letters, we have a strong interest in promoting high quality audits and are very supportive of the IAASB's efforts to enhance auditing standards.

IAASB's strategic objectives for 2015 – 2019

The IAIS agrees with the three strategic objectives, and in particular, the IAASB's priority attention given to the first objective ensuring that ISAs continue to form the basis for high-quality, valuable and relevant audits. However, we also view outreach and collaboration with key stakeholders as essential to the standard setting process and, therefore, believe that the third objective should occur alongside the first objective and be moved up in priority.

Top priorities for the IAASB's work plan for 2017 - 2018

While the IAIS supports the initiatives undertaken by IAASB to improve the audit quality of the financial statements, we express caution on the ambitious work plan for 2017 – 2018 given resource and capacity constraints. We suggest the IAASB focus efforts on high priority projects and finalise those standards according to schedule. We believe the following projects should be given highest priority:

1) ISA 540 - Auditing accounting estimates

ISA 540 revisions should be the highest priority and must remain on schedule for completion, with a timely effective date in order to provide the audit community with a high quality auditing standard needed for insurance liability estimates and IFRS 9 expected credit losses. The revisions to ISA 540 are important to audits under current and revised accounting standards and therefore a timely effective date would be of utmost importance.

Although we appreciate that ISA 540 applies to all accounting estimates and is principles-based, the revisions must be sufficient to deal with insurance estimates and expected credit losses to support high quality and consistent audits within the insurance sector.

2) *Initiatives for Enhancing Audit Quality in the Public Interest*

We encourage the IAASB to propose concrete enhancements in the areas covered by its recent *Invitation to Comment (ITC) - Enhancing Audit Quality in the Public Interest*, these being quality controls, group audits and professional scepticism. The IAASB should also link work on professional scepticism to other relevant areas such as ISA 500 Audit Evidence. We welcome enhancements to professional skepticism that will serve to support the auditor in challenging management's models, assumptions and inputs.

3) *ISA 315 - Identifying and assessing the risk of material misstatement*

The audit of insurance activities often requires significant focus on internal controls, and in particular on IT general controls (ITGC). The IAIS believes the need for an adequate response to assessed risks in internal controls could be addressed as part of revisions to ISA 315.

However, the later timing for the ISA 315 project should not be an excuse to exclude consideration of internal controls and reliance and testing of controls into ISA 540 revision work, and we would welcome such material being included within a revised ISA 540 even if it might be better relocated to a revised ISA 315 at a later date. This way, the need for adequate procedures in response to internal control risks is addressed specifically for accounting estimates, while not risking delay of finalizing ISA 540.

Other topics for consideration for the IAASB's 2017-2018 work plan

We believe the IAASB should consider the following activities to be of moderate priority and suggest the IAASB pursue some or more of them only if resources permit and it is clear that doing so will not impede the timely completion of high priority projects:

- Effects of technology on the audit (data analytics);
- Using the work of an auditor's expert (ISA 620), which can be linked to ISA 540 work;
- Audit Evidence (ISA 500), which can be linked with work on professional scepticism;
- Analytical procedures and audit sampling, in conjunction with work on data analytics;
- Materiality and evaluating misstatements (ISA 320 and ISA 450), if intended to complete earlier considerations relating to the disclosure initiative; and
- Going concern (ISA 570), including further actions related to auditor reporting.
- Auditor Reporting (design of the post-implementation review); and
- Innovation working group (monitors developments in emerging areas).

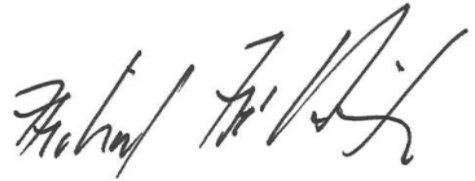
For other activities currently identified within the IAASB's 2017-18 work plan, we do not view them as a priority, and we encourage the IAASB to not devote further resources to any of those projects if there is not a clear public interest demand for the work to be done.

If you have further questions, please contact Mark Causevic at the IAIS Secretariat (tel: +41 61 280 8323; email: mark.causevic@bis.org) or Markus Grund, Chair of the IAIS Accounting and Auditing Working Group (tel: +49 228 4108 3671; email: markus.grund@bafin.de).

Yours sincerely,



Victoria Saporta
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