

11 April 2023

Tom Seidenstein
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: Consultation Paper, *The IAASB's Proposed Strategy and Work Plan for 2024-2027*

Submitted via IAASB website

Dear Mr Seidenstein:

The International Association of Insurance Supervisors (IAIS) welcomes the opportunity to comment on the recent International Auditing and Assurance Standards Board's (IAASB) Consultation Paper, *The IAASB's Proposed Strategy and Work Plan 2024-2027* issued in January 2023.

The IAIS is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions. The mission of the IAIS is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe, and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

Established in 1994, the IAIS is the international standard-setting body responsible for developing principles, standards, and other supporting material for the supervision of the insurance sector and assisting in their implementation. The IAIS also provides a forum for Members to share their experiences and understanding of insurance supervision and insurance markets.

The IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators and assists in shaping financial systems globally. In particular, the IAIS is a member of the Financial Stability Board (FSB), member of the Standards Advisory Council of the International Accounting Standards Board (IASB), and partner in the Access to Insurance Initiative (A2ii). In recognition of its collective expertise, the IAIS also is routinely called upon by the G20 leaders and other international standard-setting bodies for input on insurance issues as well as on issues related to the regulation and supervision of the global financial sector.

The IAIS is very supportive of the IAASB's proposed strategy and workplan as it emphasises standards that enable performance of high-quality audit engagements leading to increased trust in the markets and evolve in a timely manner to meet rapidly changing public interest demands.

As the IAASB works on developing its Strategy and Workplan for 2024-2027, you may wish to consider the following points:

General Comments

Coordination with other stakeholders: Overall, the IAIS supports the IAASB's continued engagement with the International Ethics Standards Board for Accountants (IESBA) to align definitions as closely as possible and its close collaboration with other international standard setters including the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB).

Sustainability reporting: The IAIS recognizes that sustainability reporting is rapidly becoming a topic of global importance and that its reliability is a key issue for diverse stakeholders. The IAIS understands that one of the significant issues in this project is timeliness, especially in the context of requirements for sustainability assurance that will be recognised in the near future. Therefore, the IAIS encourages the IAASB to continue to move the sustainability project forward at a steady pace by allocating sufficient resources to it.

Having a diverse board representing the range of participants¹, right skills and resources to execute the strategy and workplan: The IAIS commends the work of the IAASB in diversifying the Board and Staff as it addresses the changing demands to your ways of working.

Specific questions

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

The IAIS supports the proposed goal especially as it focuses on developing globally accepted and leading audit, assurance, and related service standards that are aimed at enabling the performance of high-quality engagements that enhance trust in markets. The IAIS agrees that keys to success will include fostering confidence in the quality of the IAASB's processes and the relevance and credibility of standards. Implementing the monitoring group reforms will be an important element of that, together with continued efforts to enhance processes and standards in the public interest.

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?

The IAIS agrees that changing demands to the IAASB's ways of working are an important strategic driver, including as a result of the need to implement the monitoring group reforms.

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

¹ Range of participants can include: corporate preparers, board directors, investors, auditors and assurance practitioners, standard setters, regulators and others

The IAIS generally agrees with the strategic objectives, including the importance of creating more agile, innovative ways of working in line with the monitoring group's reform vision.

The IAIS supports the IAASB's efforts to perform post-implementation review of new or revised standards as appropriate. In particular, ISA 540 (Revised), "Auditing Accounting Estimates and Related Disclosures", could be a useful topic to include in the post-implementation review project during the work plan period of 2024-2027. This standard is crucial to the financial statements of insurance companies due to significant judgements and estimates required in implementing IFRS 17 *Insurance Contracts*.

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

The IAIS is of the view that the themes proposed for the upcoming work plan as set out in Table B within the area of audits and reviews are relevant.

The IAIS considers the revision of ISA 330 "Responding to Assessed Risks of Material Misstatements" to be a priority to drive more consistent appropriate responses provided by auditors facing similar circumstances. In particular, it is important that ISA 330 is revised in light of amendments made to ISA 315 "Risk assessment" and other standards as changes in proposed ISA 500 (Revised) "Audit Evidence" and ISA 240 "Auditor's Responsibilities Relating to Fraud in the Audit of Financial Statements". With the use of technology by entities and automated tools and techniques by auditors, the modernization of ISA 330 will need to consider relevant technological considerations.

This would also be an opportunity to address the lack of clarity in ISA 330 on the level of internal control testing that is a particularly important subject for the IAIS, especially when substantive testing alone is not sufficient.

While the revisions to ISA 500 Revised are still under exposure, the IAIS supports revising and updating the other standards in the ISA 500 series as reflected in Table B. The revisions to audit evidence standard ISA 500 alone will not address all of the concerns regarding the evaluation of the sufficiency of audit evidence. Therefore, the IAIS supports prioritizing the revision and updating of the other ISA 500 series standards, especially ISA 530, "Audit Sampling", so that the potential benefits of new technologies can also be incorporated into these standards.

The IAIS supports work on ISA 620 "Using the Work of an Auditor's Expert", as it is crucial for insurance companies' audits and contributes to the provision of sufficient appropriate audit evidence in the insurance sector. Revision of ISA 620 to appropriately align with the concepts in the recent ISA 540 (Revised) and amendments to the proposed ISA 500 (Revised) is important, as is clarification of certain concepts in an environment where entities' financial reporting reflects more complex business models, activities, and transactions, as is the case in the insurance industry.

The IAIS supports revision of ISA 720 "Auditor Responsibilities Relating to Other Information" to clarify concepts underlying auditors' responsibilities as well as addressing implementation issues and challenges highlighted as part of the post-implementation review of the revised audit reporting standards. Such a review would be especially relevant given the increasing importance and prominence of information outside of the financial statements (eg. relating to sustainability issues). The IAASB should consider clarifying the auditors' responsibilities over such information as well as ensuring that the auditors take full account of links that such information has with the financial statements in their audit work.

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?

The IAIS supports the IAASB's focus on the timely development of a set of standards for assurance on sustainability reporting. The IAIS fully encourages the IAASB to deliver a set of high-quality assurance on sustainability reporting standards that would lead to globally consistent and comparable application of sustainability reporting by the end of 2024.

The IAASB should be aware that the sustainability reporting standards can be implemented on a stand-alone basis and should be implementable by all assurance practitioners.

6. Are there any other topics that we should consider as new standard-setting projects?

None.

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 and complimentary actions that would best serve the public interest?

The IAIS recognizes the importance of efforts to foster coordination and cooperation in setting auditing, assurance and ethics standards and encourages the IAASB to continue these efforts. The IAIS believes that stakeholder's involvement will be specifically important for building a robust sustainability assurance standard in the coming years, since this engagement may involve both auditors and non-audit practitioners.

The IAIS recognizes that the IAASB and IESBA coordinates with stakeholders via the Consultative Advisory Groups (CAGs) and many other forms of outreach. With the transition to the Stakeholder Advisory Council (SAC), it is difficult to comment on whether this new structure will enhance the very impactful stakeholder engagement that was associated with the interaction with the CAGs. We understand that the goal of the reorganization is to allow for continued broad-based stakeholder engagement. It is our understanding that SAC membership will move away from an organization-based composition and that engagement will be narrowed to focus more on strategy, prioritization, and key project decision points. It will be important that the views of these organizations previously affiliated with the CAGs, including the IAIS, are not lost in this transition. In addition, there must be a balance such that input on active projects is not at such a high level that it leads to diminished usefulness. It is also noted that SAC membership may differ from that of the CAGs in that membership terms will be shorter and favour those that hold leadership roles in their organizations. The CAGs operated at a somewhat technical level where members often were involved over longer spans. Moving the group away from technical membership and longer tenures could lead to changes in the nature and utility of the input and feedback that the CAGs provided.

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

In the process of operationalizing and implementing the reforms led by the Monitoring Group, the IAIS emphasizes that the IAASB will need to allocate sufficient resources to the important projects underway to ensure their timely completion.

This comment letter was prepared on behalf of the IAIS by its Accounting and Auditing Working Group (AAWG) in consultation with IAIS Members. If you have further questions regarding this letter,

please contact Lydia Kimumwe at the IAIS Secretariat (tel: +41 61 280 8679; email: lydia.kimumwe@bis.org) or Markus Grund, Chair of the AAWG (tel: +49 228 4108 3671; email: markus.grund@bafin.de)

A handwritten signature in blue ink, appearing to read "Victoria Saporta".

Victoria Saporta
Chair, Executive Committee

A handwritten signature in black ink, appearing to read "Matt Walker".

Matt Walker
Chair, Policy Development Committee