

April 11, 2023

International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 5th Avenue, 6th Floor  
New York, NY 10017, USA

**Comments on  
Consultation Paper “*The IAASB’s Proposed Strategy and Work Plan for 2024–  
2027*”**

The Japanese Institute of Certified Public Accountants (JICPA) is grateful for the opportunity to comment on the Consultation Paper “The IAASB’s Proposed Strategy and Work Plan for 2024–2027”.

The attached are our comments on “Request for Comments.”

We hope that our views will be of assistance to the IAASB.

Sincerely yours,

Hidehiko Yuki  
Executive Board Member - Auditing Standards  
The Japanese Institute of Certified Public Accountants

## Questions

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

Comments:

We agree with the proposal.

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)?

Comments:

We agree with the proposal.

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

Comments:

We agree with the proposal.

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.

Comments:

We support the possible new standard-setting projects as set out in Table B. We believe that (1) Revision of ISA 320 “Materiality in Planning and Performing an Audit”, (2) Various Standards in the ISA 500 series, and (3) Revision of ISA 720 (Revised) “The Auditor’s Responsibilities Relating to Other Information” have higher priority and should be addressed in that order for the following reasons.

### (1) Materiality (Revision of ISA 320)

The auditor’s determination of materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of the users of the financial statements (ISA 320, paragraph 4). However, extant ISA 320 provides a specific example of the materiality (five percent of profit before tax) for a profit-oriented entity in a manufacturing industry but does not provide any other specific benchmark or percentage example for other profit-oriented entities, so we have seen pervasive use of five percent of profit before tax in practice.

For example, in the case of banks or other companies with a large amount of balance sheet items or

other income statement items compared to profit before tax, it may be more appropriate to use other benchmarks than five percent of profit before tax because the profit structure is very different from that of typical manufacturing entities. Although extant ISA 320 provides some direction on choosing a benchmark and determining the percentage to be applied, we believe examples and guidance are not sufficient. Therefore, we suggest that examples and specific guidance be added so that the auditor would be able to make more appropriate judgment and consistent judgment would be applied among auditors in similar situations.

In addition, since ISA 320 has not been revised for a long time, we think references to other ISAs are limited, and it is difficult to read from ISA 320 that materiality and performance materiality affect audit procedures, for example, tolerable misstatement in paragraph A3 of ISA 530 “Audit Sampling” is related to performance materiality.

## (2) Various Standards in the ISA 500 series

We understand that the project to revise ISA 500 “Audit Evidence” addresses not only the changing nature and sources of information used by auditors, but also rapidly evolving technology. We believe that there is an opportunity to make financial statement audits more effective and efficient, by conducting technology related projects in Table B, particularly the revisions to ISA 520 “Analytical Procedures” and ISA 530 or Technology targeted or omnibus project(s). We heard strong desire from the practitioners regarding the auditor’s use of technology in ISA 520 and ISA 530. For example, in order to perform audit procedures more effectively and efficiently, some practitioners use technology to perform meticulous analysis and risk assessment on the entire population to narrow down the items to be selected from the population for tests of details. However, since the ISA 500 series do not take into account such use of technology, we have seen practices that the practitioners perform further audit procedures using a traditional audit sampling approach for the entire population without the use of technology in addition to the audit procedures with the use of technology. Such practices may pose challenges to audit efficiency and may be a barrier to further development in technology-based audit procedures.

Moreover, since ISA 520 and ISA 530 have not been revised for many years, in addition to addressing technology, we suggest that the IAASB investigate whether there are any other practical issues around these ISAs, for example, relating to investigation on amounts of difference of recorded amounts from expected values, and if so, to address those issues as well.

Furthermore, as stated in the Consultation Paper, we support that the IAASB will revise ISA330 “The Auditor’s Responses to Assessed Risks” taking account of the development of technology in conjunction with the revision of the ISA 500 series.

(3) Auditor Responsibilities Relating to Other Information (Revision of ISA 720 (Revised))

In addition to the need for addressing issues and challenges that have been highlighted as part of the post-implementation review of the revised audit reporting standards, we believe that it is also necessary to consider ISA 720 (Revised) in relation to assurance on sustainability reporting, which would be currently one of the highest priority projects within the IAASB. If the annual report contains both the financial statements and the sustainability information, other information identified in the audit and sustainability assurance may overlap with the scope of the audit of financial statements or the assurance of sustainability reporting. In other words, from a perspective of the financial statements audit, information in an entity's annual report other than financial statements and its auditor's report, including sustainability information and its sustainability assurance report, may be identified as other information, and from a perspective of assurance of sustainability reporting, information in an entity's annual report including sustainability information which is not within the scope of assurance, financial statements and its auditor's report may be identified as other information. In addition, in some cases, the auditor of financial statements also performs assurance on sustainability reporting, while in other cases, the auditor and sustainability assurance practitioner may be different. Since the disclosure of sustainability information and the sustainability assurance will become mandatory in several jurisdictions in the near future, we believe that it is necessary to clarify the relationship between other information in financial statements audit and other information in sustainability assurance, including identifying whether there are any other potential issues in these circumstances.

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.

Comments:

We support further standards for assurance on sustainability reporting as the possible new standard-setting project noted in Table B because we recognize that the enhancement of ISSA 5000 “General Requirements for Sustainability Assurance Engagements” series is a very important and high priority project in the 2024-2027 work plan.

Our suggestions for possible new standard-setting projects for Topic L. “Further Standards for Assurance on Sustainability Reporting” are (1) and (2) below.

(1) Development of sustainability-related topic-specific International Standards on Sustainability Assurance and practical guidance

Because ISSA 5000 is an overarching standard for sustainability assurance engagements, more specific

assurance standards and practical guidance that address topic-specific issues need to be developed. Among many topics, we suggest that the IAASB develop assurance standards and guidance related to climate-related information. The reason for this is that climate-related information is considered to be the most important topic, given that IFRS S2 “Climate-related Disclosures” is under development. Also, even if the overarching standard of ISSA 5000 incorporates some of the contents of ISAE 3410 “Assurance Engagements on Greenhouse Gas Statements,” which is currently applied to assurance engagements related to greenhouse gas emissions, it is considered necessary to incorporate a wider range of contents to ISSA 5000 series to ensure a smooth transition from ISAE 3410.

In addition, we think that other individual topics are to be prioritized in line with the progress of the sustainability-related disclosure projects by the International Sustainability Standards Board.

Finally, we would like to add that we have received comments from assurance practitioners that they have high practical needs for standards on assurance engagements for the statement of use of proceeds from the issuance of sustainability bonds and standards on assurance engagements for EU taxonomy information, although these are not topic-specific assurance standards or practical guidance of ISSA 5000.

(2) Items that should be included in ISSA 5000 series

Depending on what is ultimately included or not included in ISSA 5000 which is currently under development, we believe that the following items, for example, are necessary for assurance on sustainability reporting and in order for ISSA 5000 series to be separate, complete and stand-alone standards that are independent of other ISAs and ISAEs, etc. Therefore, we suggest that assurance standards for the below items be developed.

- Connectivity between financial and non-financial information
- Entity’s processes and internal controls to gather and disclose sustainability information
- Future-oriented information
- Fraud risks (e.g. greenwashing)
- Information in other companies within the group or information related to the entire value chain

<p>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 <b>Table B</b> (see pages 20–22), and the needs and interests that would be served by undertaking work on such topic(s).</p>
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Comments:

We do not recognize any other topics that IAASB should consider as new standard-setting projects.

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.

Comments:

We believe that collaboration between the IAASB and the IESBA is very important because the discussions and decisions of the IAASB and the IESBA may influence each other. Although the IAASB and the IESBA are currently working closely, there are challenges when implementing revised audit standards and ethics standards in each country.

For example, ISA 600 (Revised) “Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)” and IESBA’s the International Code of Ethics for Professional Accountants (including International Independence Standards), the Definition of Engagement Team and Group Audits (“ET-GA”), were made effective for audits of group financial statements for periods beginning on or after December 15, 2023. However, it may be difficult to ensure sufficient time for the implementation of ET-GA in the countries because the revision of ET-GA was released on February 28, 2023. If the IAASB and the IESBA decide to use the same effective date, we suggest that the IAASB and the IESBA fully discuss the schedule to ensure that there is sufficient time for the implementation process in each country.

In addition, we believe that close collaboration between the IAASB and the IESBA is particularly important, especially, for the IAASB’s projects in assurance on sustainability reporting, technology, Audits of Less Complex Entities and Listed Entities and PIE.

For projects to proceed smoothly across both the IAASB and the IESBA, we suggest a systematic and organized review process to be established as soon as possible.

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

Comments:

We do not recognize any other matters that IAASB should consider in finalizing the Strategy and Work Plan.