

4 April 2011

Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, NY 10017

Via web site www.iaasb.org

Re: Consultation Paper IAASB Strategy and Work Program for 2012–2014

Members of the International Auditing and Assurance Standards Board:

We very much appreciate the opportunity to provide comments and recommendations to the International Auditing and Assurance Standards Board Consultation Paper IAASB Strategy and Work Program for 2012–2014. These comments and recommendations are offered on behalf of both ISACA[®] and the IT Governance Institute[®] (ITGI[®]), international, independent thought leaders on information technology (IT) control, security and assurance, and governance of enterprise IT.

We are responding primarily from an IT perspective. We believe the proposed IAASB Strategy and Work Program for 2012–2014 will be useful to both member bodies and practicing external auditors and congratulate the IAASB on its accomplishment. Our general comments are provided in the following section of the letter and our responses to IAASB questions are included in Attachment A.

General Comments

We are very supportive of the IAASB Strategy and Work Program for 2012–2014. However, we offer the following suggestions:

- ***Additional Implementation Guidance***—We believe that many IAASB standards would benefit from additional implementation guidance. Although it may be desirable for such guidance to be developed and promulgated by the IAASB, we recommend consideration of other approaches.
 - The IAASB could significantly leverage its efforts to improve implementation of its standards by initiating a project to:
 - (1) Identify useful guidance developed by member bodies and others (much of this may be available from the major accountancy institutes, the Institute of Internal Auditors, ISACA, etc.)
 - (2) Develop a brief explanation regarding how such guidance may be applied (for example, pointing out those portions of the guidance that relate solely to national requirements or that are outside the scope of the related IAASB standards)

- (3) Establish partnering relationships where needed to facilitate this process
- (4) Communicate such information to member bodies and to practitioners (particularly SMPs). For example, ISACA has extensive guidance on auditing of IT controls, which could be very helpful in implementing IAASB and related national standards.
- The IAASB might partner with a member body or other organization to develop guidance relevant to an ISA, ISAE, etc., with any national or non-IAASB-related material highlighted or segregated. This guidance could then be used by both that member body and by others.
- **Internal Control Reporting**—We expect increasing regulatory requirements to report on internal-control-related matters. These requirements are likely to include both internal control over financial reporting and other types of controls, such as controls over security, confidentiality and privacy. Given the relatively long project cycle required for development of ISAs and ISAEs, it would be very helpful if the IAASB took the lead by having a relevant reporting standard available that could be adopted by a national standard-setting body or institute when needed. For example, there is increasing business and regulatory demand for auditors' reports on controls related to security and privacy from service organizations, particularly with the growth of so-called "cloud computing." This suggests consideration of a parallel standard to ISAE 3402 covering reporting on controls at service organizations related to security, availability, confidentiality, processing integrity and privacy (we understand the AICPA is developing guidance, which could provide a useful starting point).

* * * *

As the worldwide leading independent thought leaders on IT risk, governance and controls, we are eager to assist the IAASB in accomplishing its mission. We would be pleased to consider joint projects or other initiatives with the IAASB, such as those discussed above, to help the IAASB achieve its strategies.

Please feel free to call on our organizations if we can be of assistance in any way on further deliberations, task forces or committees.

Again, we appreciate the opportunity to comment on the IAASB Strategy and Work Program for 2012–2014.

Respectfully submitted,



Everett C. Johnson, CPA
Chair, Professional Issues Task Force
Past International President, 2005-2007
ISACA (www.isaca.org)
IT Governance Institute (www.itgi.org)

About ISACA and ITGI

With 95,000 constituents in 160 countries, ISACA (www.isaca.org) is a leading global provider of knowledge, certifications, community, advocacy and education on information systems (IS) assurance and security, enterprise governance and management of IT, and IT-related risk and compliance. Founded in 1969, the nonprofit, independent ISACA hosts international conferences, publishes the *ISACA[®] Journal*, and develops international IS auditing and control standards, which help its constituents ensure trust in, and value from, information systems. It also advances and attests IT skills and knowledge through the globally respected Certified Information Systems Auditor[®] (CISA[®]), Certified Information Security Manager[®] (CISM[®]), Certified in the Governance of Enterprise IT[®] (CGEIT[®]) and Certified in Risk and Information Systems Control[™] (CRISC[™]) designations. ISACA continually updates COBIT[®], which helps IT professionals and enterprise leaders fulfill their IT governance and management responsibilities, particularly in the areas of assurance, security, risk and control, and deliver value to the business.

The IT Governance Institute[®] (ITGI[®]) (www.itgi.org) is a nonprofit, independent research entity that provides guidance for the global business community on issues related to the governance of enterprise IT assets. ITGI was established by the nonprofit membership association ISACA in 1998.

Attachment A—Responses to IAASB Questions

Our responses to the IAASB's questions are based on our review of the Consultation Paper IAASB Strategy and Work Program for 2012–2014 and are included in italics below.

15. The IAASB invites comments on any aspect of the proposed strategy and possible actions to implement the proposed strategy. In particular, it would be helpful if respondents' comments could include the following:
- (a) Whether the IAASB's three areas of strategic focus noted in paragraphs 7–11 remain appropriate; *Overall, we believe they are appropriate. However, consistent with our general comment above, "Additional Implementation Guidance," we suggest that IFAC consider further broadening or extending its partnerships and use of guidance from member bodies and other organizations, such as ISACA. These organizations have developed standards, guidelines, and practice aids that would be helpful to IAASB's stakeholders as they focus on complying with the IAASB standards. The strategy should be one of collaboration with these organizations that will provide stakeholders with additional guidance and direction.*
 - (b) 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; *These projects appear appropriate. One suggestion would be to broaden B.5 to expand the feedback being obtained around ISAE 3402, focusing in particular on what services provided by third-party service organizations that users were requesting assurance around that could not be addressed by ISAE 3402. This would prove helpful when considering project C.6.*
 - (ii) Whether respondents believe these projects are consistent with the IAASB's three areas of strategic focus; and *Yes, we concur that they are consistent.*
 - (iii) How these anticipated projects should be prioritized in light of the current projects (Column A). Decisions on the scope and planned output of each of the projects listed in Column B would be undertaken following the development and approval of a project proposal, with full IAASB and IAASB CAG consultation in accordance with the IAASB's due process and working procedures. *We have no recommendation in this regard.*
 - (c) 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 *We believe the following should be given higher priority (i.e., moved from the C column to the B column or in the case of C.6., possibly moved to the A column):*
 - *C.1.—This is recommended because of the role of the banking system in the recent financial crisis and its importance and the scrutiny it will likely have in the future.*

- C.5.—*This is recommended because of the importance of governance; however, it is difficult to promulgate a standard in this area without general agreement on measurement criteria.*
- C.6.—*As discussed in our general comments above, “Internal Control Reporting,” there is increasing regulatory interest in reporting on controls over security, availability, processing integrity, confidentiality and privacy, as well as internal control over financial reporting. IAASB is in a position to influence guidance that is being developed by IFAC members, similar to what it did with ISAE 3402.*

(ii) Whether any particular project(s) in Column C would not be supported; and
We have no recommendation in this regard.

- (d) 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 believe the IAASB should initiate a partnering program such as that described under “Additional Implementation Guidance” in our general comment above.

16. The IAASB intends to devote the majority of its efforts on the projects in Column A through 2011 and into 2012 and beyond to progress these projects on a timely basis. If respondents support commencing the majority of the anticipated projects (Column B), the IAASB currently anticipates it will have resources and time to commence 3 further new projects, although substantive activity for these new projects would not be expected to commence before 2013.

Respondents are therefore 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. However, outreach activities, the findings of the ISA Implementation Monitoring project, the fundamental debates about the role of the auditor, and unforeseen events beyond the IAASB’s control may require the IAASB to amend its Work Program or reprioritize its agenda.

C.6, B.5 and development of implementation guidance (preferably through some sort of partnering program)

17. The IAASB notes that, depending on the priorities identified by respondents, the balance of the IAASB’s future time spent on auditing and implementation of the ISAs as compared to development of new assurance standards may vary significantly. For this reason, 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.

C.6. The rapid growth of so-called “cloud computing” is affecting SMEs as well as larger organizations, yet issues such as security, privacy and other controls often are afterthoughts. IAASB has an opportunity to provide leadership to its member bodies in addressing the increasing business and regulatory reporting requirements for providing assurance and reporting on such matters.

18. In addition, the IAASB would welcome comments from respondents as to the following:

- (a) What types of publications or further implementation guidance may be of most use to facilitate the adoption and implementation of the IAASB's pronouncements; and
We believe the IAASB should consider developing a parallel standard to ISAE 3402 covering reporting on controls over security, availability, processing integrity, confidentiality and privacy at service organizations for the reasons set forth in our general comment above, "Internal Control Reporting."
- (b) 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 believe the IAASB should initiate a partnering program such as that described under "Additional Implementation Guidance" in our general comment above to allow the IAASB to leverage its efforts to improve the understanding and implementation of its standards.