

IAASB
International Federation of Accountants (IFAC)
Attention Prof. Dr. A. Schilder
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Date	RE	Reference	Attachment(s)	Direct Dial
8 April 2014	IAASB Strategy and Workplan 2015-2019	KvH	-	+31 20 3010399

Dear prof. Schilder

The NBA appreciates the opportunity to comment on the IAASB Consultation Paper "The IAASB's Proposed Strategy for 2015-2019 and The IAASB's Proposed Work Program for 2015-2016" (hereafter respectively IAASB Strategy and Work Program). The profession is rapidly changing as a result of changing stake holders' demands and therefore it is essential that the IAASB, as a facilitator for good practice, responds to this changing landscape.

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General comments

We welcome the IAASB Strategy and Work Program. First of all, we would like to respond to the mandate, the commitment and the focus areas of the IAASB.

Mandate

As described in the consultation paper, high quality standard setting in the public interest is the essence of the mandate of the IAASB. We feel that timeliness is a key aspect to setting standards in the public interest.

Based on its current resource constraints, the IAASB has decided to postpone important projects on ISA 315 and ISA 600 until 2017. Postponing these projects does not seem to be in the public interest. Those standards need revision to improve the audit quality and therefore the IAASB should commence projects regarding those important standards as soon as possible.

We are convinced that the current rapidly changing environment in which the IAASB sets its standards will continue in the next decades as well as the need to improve audit quality. That is why we expect the resource constraints will continue in the near future. Hence, the IAASB needs to extend its resources or it should work with others in order to fulfill its mandate.

Since National Standards Setters (NSS) have the same mandate within their own jurisdiction we expect that they are willing to work with the IAASB to resolve the budget or resource constraints. This would not impair the due process of the IAASB and does not

jeopardize the mandate of the IAASB to set high-quality international standards independently and under its own authority to serve the public interest.

We are aware that the IAASB is evaluating the efficiency of its own processes and is investigating opportunities to apply its available resources satisfactorily. We acknowledge the IAASB for taking this initiative. Nevertheless, we are convinced that this will not resolve the resource constraints of the IAASB.

Commitment

In general we agree to the commitment of the IAASB as described in the consultation paper.

It is also important for the IAASB to contribute to enhanced quality and consistency of compilation engagements or agreed-upon procedures. We encourage the IAASB to make it clear to stakeholders and professionals that the IAASB recognizes the importance of this work to the public interest.

Mandate

The financial crisis in Europe has not only proven that the financial system was vulnerable to disruption caused by financial institutions but also by disruption caused by countries. In both cases financial reporting did not provide early warnings to the problems encountered in the financial crisis. In both cases financial audits might have been instrumental in providing transparency concerning the vulnerabilities.

We would encourage the IAASB to consider to categorize focus areas on 'markets' instead of the current categorization based on the activities of the IAASB. For instance:

- Listed entities and other public interest entities in the private sector;
- Small and medium entities; and
- Public sector.

Response to the questions

Proposed Strategy for 2015-2019

In the consultation paper the IAASB asks the following questions:

The IAASB is particularly interested in respondents' views on:

- (a) Whether the strategic objectives identified are considered appropriate for the period 2015–2019. If not, please explain.
- (b) Whether the factors included in Appendix 2 on page 19 represent a reasonable basis for the IAASB to use in developing its Work Programs beyond the Work Program for 2015–2016.

Ad. a

Whether the strategic objectives identified are considered appropriate for the period 2015–2019. If not, please explain.

Firstly, it seems that all the objectives set by the IAASB overlap. Without collaboration and cooperation with contributors to the Financial Reporting supply chain it is almost impossible to develop and maintain high quality ISAs. Also, in order to ensure the relevance of the ISAs it is necessary to develop and maintain high quality ISAs.

Secondly, it seems that the IAASB's focus lies primarily on the ISAs. Although we fully appreciate that the ISAs are the flagship of the profession, other standards are equally important, especially in this rapidly changing environment.

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Regarding the objectives we have the following observations and suggestions to make the objectives more ambitious and concrete:

Regarding: Develop and Maintain High-Quality ISAs that Are Accepted as the Basis for High-Quality Financial Statement Audits:

We are convinced that High-Quality Financial Statements Audits are not a goal in itself. Stakeholders are interested in the contribution of Audits to transparent, relevant and reliable Financial Statements. Therefore we feel that it is important that:

- The IAASB performs activities to restore the confidence in audits by showing the value of an audit in transparent reporting.
- The IAASB does not only issue standards, facilitate or monitor the implementation.
- The IAASB investigates if new IT developments are reflected in the ISAs. High quality audits should be effective and efficient and thus effectively embrace opportunities for new audit procedures that result from new developments.
- The maxim of 'an audit is an audit' should not prevent discussions on the scope of the audit. The nature of the financial statements has changed in the last decades. It started as a retrospective document and is far more forward looking nowadays. In order for audits to be high quality and relevant, those audits might need to change their scope to respond to the public interest. At the same time it should be clear what the boundaries for an audit contain. (Inherent limitations, such as not being able to detect all frauds or to evaluate strategic risks.)

Regarding: Ensure the IAASB's Suite of Standards Continues to Be Relevant in a Changing World by Responding to Stakeholder's Needs

We feel that the second objective could be written more concretely by taking the following into account:

IAASB needs to assess various developments, such as IT (social media, big data, cloud) and the impact they have on the audit profession.

- IAASB does not only respond to (informed) stakeholder's needs but also influences these.

Regarding: Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed

We feel that the third strategic objective could be described as more proactive. Cooperation with and between all actors in the (financial) reporting chain is important. However, in our opinion, audit quality should be improved more actively. Moreover, we consider integrated reporting an important development, something IAASB should take into account.

Ad b.

In our opinion, the factors seem reasonable. We think we could have a more detailed description on how the (potential) stakeholder's needs are considered and balanced. How are they prioritised, e.g. when they are in conflict. It is impossible to respond to all stakeholder's needs which may be contrary as well. To be able to respond to future developments, we suggest IAASB conducts, or sponsors, further research into the effects that future developments can have on the profession.

Proposed Work Program for 2015–2016

The IAASB is particularly interested in respondents' views on:

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- (a) The approach to the development of the Work Program for 2015–2016, in particular the IAASB’s decision to focus on fewer key projects towards the goal of their completion by 2017.

As explained in the introduction, we feel that the IAASB is incorrect in postponing project that in our opinion are essential to high quality audits in the public interest. We agree that the IAASB has been very successful focusing on auditor reporting. At the same time we feel that this concept is not acceptable in the long run since projects that need to start as soon as possible will be postponed.

- (b) The appropriateness of the topics chosen as the focus for the Work Program for 2015–2016 (see paragraph 4 of the Work Program and Table A on pages 26–29) in light of the strategic objectives set out in the IAASB’s Strategy for 2015–2019.

We do not believe that the issue of lack of professional scepticism can be solved by providing more rules. Auditors that are sceptical do not need further guidance. Auditors that are not sceptical enough probably need training rather than reinforcing the concept in the standards.

We wonder whether it is useful to provide special audit considerations relevant to financial institutions in 2015/2016. We have the impression that there already is a lot of local guidance available for audits of financial institutions. NSS might work together to share this information with their professionals and regulators overseeing local financial institutions to decide what is needed in certain jurisdictions.

- (c) Whether there is one or more actions or projects that are included in the Work Program for 2015–2016 which you believe the IAASB should address during that period. For example, should any of the topics in Appendix 1 (on pages 39–41) be prioritized? If so, which initiative(s) identified in Table A (on pages 26–29) do you believe should be replaced by these actions or projects. Please provide an explanation of your views.

Before providing background on specific projects, we feel that there is a more urgent issue for the IAASB to solve. We have experienced the struggle from the IAASB regarding the differences between limited assurance and reasonable assurance in a few projects. Solving these issues and solving the issue of direct reporting versus assertion based reporting is rather important to new projects.

Generally, the changing environment that we are living in will ask different questions from auditors. In order to be able to answer these questions we need to make sure that the fundamentals of our profession are sound. Therefore we encourage the IAASB to revisit the International Framework for Assurance Engagements and make sure that the foundation of our profession is sound.

As explained before, we are of the opinion that important projects such as revising ISA 600 and ISA 315 should start before 2017. These are ISAs relevant to high quality audits and it is in the public interest to start with these projects as soon as possible. For instance, regarding ISA 600 we believe that it is important to provide further guidance with respect to material equity investments and “letterbox audits” as mentioned by the IAASB.

We think that only monitoring the development of integrated reporting is insufficient. More activities should be performed to promote integrated reporting and to develop guidance for the assurance of integrated reporting.

In the work program of 2012-2014 the revision of ISRS 4400 was scheduled to be completed in 2013. In the current proposal the project will commence in 2017. This is an huge delay. As other NSS have already done we will start a project ourselves. This might result in divergence in the global market.

In our view the following topics/projects are worth investigating:

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1. Assurance on risk reporting. In our opinion, this is the most urgent project that is missing as there is a growing need for assurance on risk reporting.
2. Impact of IT on audits. The rapidly changing IT developments has an impact on the audit process. How should we respond to the IT developments such as the cloud, social media, continuous monitoring and how can audit software/CAAS be used? How can 'big data' be applied for analytical review and other audit procedures?
3. The gatekeeper's role of the auditor. The "signalling auditor". According to shareholders' associations in the Netherlands, the auditor should "speak up" if he is aware of is a "relevant issue" at a company. that is not communicated by the company.
4. Broadening the scope of the audit : Providing assurance on narrative information in the annual report.
 5. Hybrid assurance. In a "hybrid" engagement, various types of assurance, such as reasonable assurance and limited assurance, as well as agreed-upon procedures, may be combined in one report.

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- (d) Whether there are alternative approaches for the IAASB to consider in order to enhance the IAASB's ability to address calls from stakeholders for IAASB efforts on a variety of important topics, in light of the constraints of available resources and the need for due process to be applied in the development or revision of standards.

In the outreach and other activities the following could also be considered:

- analysis of developments of the role and responsibilities of the auditor (public opinion), for example by studying (academic) research and articles;
- organizing discussion meetings;
- surveys; and
- dialogue with (associations of) stakeholders and potential stakeholders.

IAASB could also consider to issue other publications than Standards. In this respect, brochures or research papers could also be relevant to meet IAASB's objectives.

Closing remarks

We trust to have informed you sufficiently. If you have any questions, please do not hesitate to contact Karin van Hulsen: k.vanhulsen@nba.nl.

Yours sincerely,
NBA, the Netherlands Institute of Chartered Accountants



Huub Wieleman,
President



Peter Eimers,
Chairman of the Dutch Ethics & Assurance
Standards Board

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