

IAASB
Attn. Mr. James Gunn
545 Fifth Avenue, 14th Floor
10017 New York
NEW YORK
USA

P.O. Box 7984
1008 AD Amsterdam
Antonio Vivaldistraat 2-8
1083 HP Amsterdam
T +31 20 301 03 01
nba@nba.nl
www.nba.nl

Date	Re	Our ref	Attachment
28 May 2013	Framework for Audit Quality	KvH	-

Dear Mr. Gunn,

General Response

The NBA appreciates the opportunity to comment on the IAASB consultation paper “A Framework for Audit Quality” (hereafter called “Framework”). Audit quality is very important and the Framework is a useful contribution to making this difficult subject more concrete.

Our general comment is about which status/authority the framework will have. It is mentioned that the framework does not establish additional standards or provide procedural requirements for the performance of audit engagements. In our opinion the framework provides guidance and will generate discussion. But it should be made clear that the framework does not contain additional regulation.

Request for Specific Comments

1. Does the Framework cover all of the areas of audit quality that you would expect? If not, what else should be included?

In our opinion the influencing factors for audit quality are mentioned, but we do miss the weighing and the interdependencies of these factors and we wonder what could be done with the resulting outcome. If for example one of the factors is missing or not adequate, which influence will this have on audit procedures and audit quality? Is it possible to have an adequate audit when one factor is missing or not adequate? How can the model be applied in practice? Although the quality control system within a firm may not be adequate, it is still possible that an individual audit is of sufficient quality (refer ISA 220 A34).

Further, the scope of the framework is limited to the audit of the financial statements. In our view the scope could be broadened to for example other information (e.g. director's report).

Also the international level is missing in the input factors. (International) firms perform international audits and therefore input factors at an international level are relevant.

Some aspects are mentioned, but could be given more attention:

- Innovation is not mentioned as separate aspect. It might be included in IT and future developments. Innovation could be linked to audit quality e.g. the scope could be broadened.
- SMEs/SMPs. Although the framework can be applied to SMEs/SMPs, it is not further specified for this category. We recommend to expand this section and make it more concrete. The framework could also be used in

Nederlandse
Beroepsorganisatie
van Accountants

The logo for the Nederlandse Beroepsorganisatie van Accountants (NBA) features a solid orange horizontal bar above the letters "NBA" in a bold, orange, sans-serif font.

broader perspective and not only for audits but also for other assurance services.

In paragraph 1.1.3 it is mentioned that the engagement team is independent. In our view it should be stated that the engagement is performed independently. This includes the independence of the engagement team.

2. Does the Framework reflect the appropriate balance in the responsibility for audit quality between the auditor (engagement team and firm), the entity (management and those charged with governance), and other stakeholders? If not, which areas of the Framework should be revised and how?

We agree that the framework should state that the responsibility for audit quality is divided.. Audit quality can be enhanced if the entity has adequate procedures to prepare the financial statements. Nevertheless, the auditor is responsible for sufficient audit quality even if the entity does not have adequate procedures. In that case, the auditor should perform additional audit procedures. This should be stated clearly.

More attention could be given to information asymmetry. This relates to the information needs of users, the speed of delivery by the client and the added value by the auditor.

Interactions are only mentioned at the lowest (individual) level and not on the national level e.g. with national standard setters/regulators in the areas of standards for auditing and financial reporting.

3. How do you intend to use the Framework? Are there changes that need to be made to the form or content of the Framework to maximize its value to you?

We would like to use the framework in discussions with stakeholders about the meaning of audit quality and how it can be improved further. However, this will be difficult as the framework is mainly written from the position of the auditor and the framework will be difficult to be applied in practice (see above the answer to question 1). It should be stated explicitly why this framework is useful for stakeholders and how the framework could be used to enhance audit quality.

Furthermore, in our opinion, the framework could be shortened. Especially the area about input factors is very extensive and contains overlap between the various levels (e.g. client acceptance and documentation is mentioned various times). In this way the framework will be easier to read.

4. What are your views on the suggested Areas to Explore? Which, if any, should be given priority and by whom? Are there additional Areas to Explore?

Most areas seem useful to explore, although some of them are already done in practice. In our opinion, the most relevant area is area 6. In that context, the NBA has started a project to learn from errors in other business areas like aviation and medical industry in order to improve the learning ability of auditor. Root cause analyses in our own industry also seem to be very useful.

More in detail:

- Area 1: Agree. Further guidance will help in this area. In the Netherlands we do have the Code for audit firms serving PIE clients.
- Area 2: Agree. There is discussion about the weighing of quality in performance evaluations/remunerations. This is not made concrete yet and it is difficult to measure.
- Area 3: Agree. The NBA is incorporating this in our regulation. It is the question whether the predecessor auditor always timely knows who the new auditor will be.
- Area 4: In Europe, transparency reports are already in place for PIEs. We would encourage convergence in audit inspection reports based on global best practices.
- Area 5: It should be mentioned that countries have different cultures and sanctions.
- Area 6: Agree, but in the current situation root cause analysis should already be performed. It will be difficult to make this transparent for users.

P.O. Box 7984
1008 AD Amsterdam
Antonio Vivaldistraat 2-8
1083 HP Amsterdam
T +31 20 301 03 01
nba@nba.nl
www.nba.nl

Nederlandse
Beroepsorganisatie
van Accountants



- Area 7: Agree, but this is already done (see area 7 p. 65). This is a precondition.
- Area 8: In the Netherlands actions have already been taken and documented in this area.
- Area 9: Agree. However, in our opinion the purpose of the additional information should be clear. Relevant information should be given to the users from the original role and responsibilities of the parties involved.
- Area 10: This is part of corporate governance developments. See also above under 9.

P.O. Box 7984
1008 AD Amsterdam
Antonio Vivaldistraat 2-8
1083 HP Amsterdam
T +31 20 301 03 01
nba@nba.nl
www.nba.nl

Closing remarks

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

Yours sincerely,
Dutch Ethics & Assurance Standards Board of NBA

Originally signed by
Prof. dr. Peter W.A. Eimers RA
Chairman

Nederlandse
Beroepsorganisatie
van Accountants

