

# Envisioning the Future—Survey on the IAASB’s Future Strategy

Response ID:745 Data

## 7. SECTION III: ABOUT THE RESPONDENT

### 1. From which perspective are you providing this feedback:

The view of an organization.

**Please Indicate:**

### 2. Please complete

Name of Organization: : Royal NBA

Name or Person submitting Survey on behalf of the organization: : Anton Dieleman (Chair of the Ethics and Assurance Standard Setters Board) / Marco van der Vegte (Chair of the Royal NBA)

### 3. Select from the following options that describe your organization:

National Standard Setter

**Is this a/an:**

**Is this response on behalf of the global network?**

**Is this response on behalf of a regional or national firm?**

**Other Firm?**

**IFAC Member Body or Other Professional Organization**

### 4. National auditing standards same as, or based on, the IAASB’s current International Standards on Auditing

Yes

**Please specify which standards are used:**

### 5. Other national standards same as, or based on, IAASB’s other standards (i.e., assurance, related services and reviews)

Yes

**Please specify which standards are used:**

**Are you a listed or non-listed entity?**

**Small or Medium-Sized** The concept of ‘smaller or less complex entities’ varies country by country, but ordinarily exhibits one or more of the following characteristics: Concentration of ownership and management in a small number of individuals. One or more of the following: Straightforward or uncomplicated transactions. Simple record keeping; Few lines of business and few products within business lines; Few formal internal controls; Few levels of management with responsibility for a broad range of controls; or Few personnel, many having a wide range of duties.

**.Entity?**

**Please Indicate:**

**Do you apply International Standards of Supreme Audit Institutions (ISSAIs) for financial audits**

**Those Charged with Governance**

**Private Sector**

Please specify in the box below.

Are you any of the following?

6. Please select the geographical region where you are based:

Europe

## 8. SECTION IV - QUESTIONS FOR RESPONDENTS ABOUT THE IAASB'S STRATEGY FOR 2020-2023

**7. 1. In your view, will the strategic environment affecting the needs of the IAASB's stakeholders look like in 2020 onward and what will be the impact on the IAASB's International Standards (for example, will the audit market change significantly; will other services dominate stakeholders needs – including what the needs may be for different types of evolving services; how evolving technologies, such as cryptocurrency, artificial intelligence or blockchain , will impact the environment in which the IAASB's stakeholders operate, etc.).**

Audit and audit quality remain important topics, not only on the agenda of the regulators and audit firms, but also for standard setters. We would like to stress that the audit failures should not lead to overregulation. If there is insufficient regulation, incidents are likely to occur. However, if there is too much regulation incidents are also likely to occur because then the regulation is not adhered to anymore. Instead, more focus should be given to behavioral aspects. These do not only impact the control environment when performing an audit, but also impact the audit firms themselves. The behavior and culture including tone at the top of both audit clients as well as audit firms should be taken into account.

Although the concepts of an audit might not change, technological developments will have an impact on the execution of an audit. Data analytics and machine learning are tools that can improve the audit and the audit quality, but they might also raise some issues. For example how does data analytics provide audit evidence and how to take responsibility for the tools used? The Standards do not hinder the use of data analytics, but do not encourage them either. We cannot oversee the true impact on the Standards, but recommend to provide guidance to help the implementation of technology in practice.

We consider Emerging forms of External Reporting (EER) an important development. The amount and importance of non-financial information and forward looking information is growing. The role of the auditor is evolving as the need for assurance in other areas than the traditional financial reporting is growing.

**1. In your view, will the strategic environment affecting the needs of the IAASB's stakeholders look like in 2020 onward and what will be the impact on the IAASB's International Standards (for example, will the audit market change significantly; will other services dominate stakeholders needs – including what the needs may be for different types of evolving services; how evolving technologies, such as cryptocurrency, artificial intelligence or blockchain , will impact the environment in which the IAASB's stakeholders operate, etc.). - Text Analysis**

**8. 2. Section II. Describes the additional challenges and opportunities that the IAASB has identified relating to its people, processes and technology, including possible changes that may arise from the MG consultation. In your view, as the IAASB develops its Strategy for 2020–2023, what are the:**

- (a) Key challenges and other factors that may impact the IAASB's activities and focus; and
- (b) Main opportunities for changing the way it undertakes its activities.

*Your response may include views about the matters identified by the IAASB as set out in Section III, but any views about matters that have not been mentioned are particularly welcome.*

A strategic review of the Standards would be a challenge, but is necessary in our view. We have concerns about the legibility and understandability of the Standards. The Standards are lengthy and very complex

and aimed at large companies in an international environment. We recommend to use more plain English and use easier constructs.

The MG consultation is both a challenge as well as an opportunity. If the Board becomes more strategically oriented, more technical work could be done by more Staff. Also, the due process might be organized differently.

Current capacity of the IAASB seems to be a bottleneck for taking all relevant developments into account. More staff should become available for realizing strategically important projects.

**9. 3. Are there specific initiatives within the stakeholder group to which you belong, or of which you are aware, that you believe the IAASB should actively monitor in light of their potential to inform the IAASB's future agenda? If so, what are they, and why do you think they are relevant to the IAASB?**

In the Netherlands, the NBA has published the "Renewal Agenda". We believe that renewal is necessary to remain relevant for the public interest. Five themes are identified: relevance for the public interest, undisputed quality, innovation, learning profession and the professional title as a strong brand. These themes are further detailed into various projects. IAASB should also consider how renewal could become part of their agenda.

Within Accountancy Europe there is an initiative regarding simplifying auditing Standards for small or non-complex initiatives. Accountancy Europe calls on the IAASB to explore the best solution to address the issues with using the ISAs in small or non-complex entity audits.

## 9. THE FOCUS OF THE IAASB'S ACTIVITIES IN 2020–2023

**10. 4. Section II illustrates that the IAASB has, and will continue to, focus a significant part of its efforts in 2015–2019 on revising and developing standards addressing the audit of historical financial information and quality control. With respect to new standard-setting projects for the period 2020–2023, in light of where you believe IAASB actions are needed and to continue to serve the public interest, in your view what proportion of effort should the IAASB allocate to each of the following? (Allocation should total 100%)**

Quality control : 0%

Audits and reviews of historical financial information : 30%

Other assurance- [EER](#) Emerging Forms of External Reporting (EER) refers to emerging forms of external reporting by entities that increasingly provide non-financial information that goes beyond the traditional (financial statement) focus on the entity's financial position, financial; performance and impact on its financial resources. engagements : 20%

Other assurance (and [related services](#) Related services pronouncements include: ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (currently being revised); ISRS 4410 (Revised), Compilation Engagements.) - other than EER engagements : 10%

Professional skepticism : 10%

Matters relating to audits of smaller and less complex entities : 30%

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Total : 100%

**Comments:** We do have the following order in priorities: 1. SMEs. We question whether or not the ISAs are still fit-for-purpose for smaller entities. The ISAs are becoming more complex and are aimed at large companies in an international environment. We recommend adapting the ISAs for SMEs (see also answer to question 3). 2. Audits and reviews. We consider simplifying the Standards of high importance, in connection with adapting them for SMEs as mentioned as first priority (see also answer to question 2). 3. EER. The role of the auditor is evolving and assurance needs towards non-financial information are growing (see also answer to question 1). 4. Other. ISRS 4400 should be revised amongst others to provide more clarity about this Standard. This Standard is often misunderstood. 5. Professional skepticism needs to

be considered. This determines the approach and the amount of work to be done. 6. Quality control: once the Standards relating to quality control are finished next year, this should be sufficient for a while. We consider the Standards relating to the subject matters themselves (direct) as more important as Standards around these subject matters (indirect).

**11. Please provide relative %; for each option by category to total 100%**

	(i) Developing new or revised standards	(ii) Undertaking implementation activities	(iii) Apply efforts to both
Quality control	30%	70%	
Audits and reviews of historical financial information	80%	20%	
Other assurance – EER engagements	90%	10%	
Other assurance (other than EER engagements) and <a href="#">related services</a> <a href="#">Related services pronouncements include: ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (currently being revised); ISRS 4410 (Revised), Compilation Engagements.</a>	80%	20%	

**Comments:** We believe that in general the main focus should be on developing standards. However, also some time should be spent on implementation as often findings relating to audit failures relate to the application of the standards. If work is done on the implementation, this might also show areas for improvement of the standards. 1. Quality control: after the standards have been revised, implementation activities are important to understand the issues relating to quality control. 2. Audits and reviews: strategic focus on revising the standards is the most important. Implementation activities might show how technology is used in audits. 3. EER: As there is no standard or guidance yet, the main focus should be on developing guidance as outlined in the project. 4. Other: The main focus should be on revising ISRS 4400.

**12. 6. In relation to the development of new, or the revision of extant, standards as noted in Question 5, and in keeping an open mind as to the impact of the evolving environment and the challenges and opportunities for the IAASB in 2020–2023, should the IAASB, in your view:**

- (a) Focus first on a strategic review of extant standards (for example, consider how the standards could be better structured or presented in light of evolving technologies) before prioritizing projects on new topics. Please provide an explanation for your view.
- (b) Prioritize projects on new topics (as determined by the consultation on the IAASB’s future strategy and priorities). Please provide an explanation for your view.
- (c) During implementation of the current standards under revision (i.e., those standards that currently have a committed project plan in place), consider a moratorium on developing new or other revised standards? If so, how long should such a moratorium last? Please provide an explanation for your view.
- (d) Undertake other actions related to the development of new, or revision of extant, standards, and/or implementation support. Please describe what these actions should be and provide an explanation for your view.

The IAASB should first focus on a strategic review of extant standards to determine whether they are still fit-for purpose (option A). We recommend to consider how the Standards can be clarified and simplified, not only for SMEs but more in general. Attention should also be given to behavioral aspects. We do not believe that only introducing more requirements will help to improve the quality of the audit.

Secondly, projects on new topics should be prioritized (option B). The IAASB should finish off projects before starting new projects.

**13. 7. If there was a specific topic(s) that, in your view, should be the IAASB's priority(ies) when developing new, or revising existing, standards or related guidance for the period 2020—2023, what would it be, and why?**

**Where applicable, kindly indicate whether in your view the topic(s) (you have indicated) has particular relevance mainly for engagements for listed entities, small- and medium-sized entities (SMEs), or for entities of all sizes. Views in relation to matters of relevance to developing nations and the public sector are also encouraged.**

As mentioned earlier, the IAASB should consider whether the Standards are still fit-for-purpose for SMEs.

**14. 8. Are there any other topics of interest or matters of relevance that you feel the IAASB should consider when conducting its strategic review, including those related to its the way that the IAASB undertakes its activities (e.g., changes to address matters highlighted in the MG review)?**