

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

Ms. Kathleen HEALY

Technical Director IAASB

Submitted via e-mail to:

KathleenHealy@iaasb.org

Posted as comment on:

www.ifac.org

May 13th, 2016

Dear Ms. Healy,

Re : IAASB Invitation to Comment, *Enhancing Audit Quality in the Public Interest*

The *Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren* ("IRE-IBR") is pleased to have the opportunity to provide its comments on the Invitation to Comment, *Enhancing Audit Quality in the Public Interest*, issued by the International Auditing and Assurance Standards Board (IAASB).

Overall, we are supportive of IAASB's exploring on how to enhance audit quality as response to stakeholders' demands. However, IRE-IBR is concerned that due to the length of the document covering a lot of topics and general questions, the value of the responses IAASB will receive might vary.

Furthermore, we are not favoring an extensive addition to the standard's application material and we suggest IAASB to focus more on providing guidance on how to implement the standards, especially for SMEs/SMPs.

Please find below our detailed comments on the questions raised by the IAASB, thereby articulating our underlying reasoning in relation to these matters.

Sincerely,



Thierry DUPONT



President

Bld E. Jacqmainlaan 135/1

B-1000 Bruxelles/Brussel

TEL.: 02 512 51 36

FAX: 02 512 78 86

e-mail: info@ibr-ire.be

Bank/Banque:

IBAN: BE 11 0000 0392 3648

BIC: BPOTBEB1

INVITATION TO COMMENT

GENERAL QUESTIONS

G1. Table 1 describes what we believe are the most relevant public interest issues that should be addressed in the context of our projects on professional skepticism, quality control, and group audits.

In that context:

- (a) Are these public interest issues relevant to our work on these topics?
- (b) Are there other public interest issues relevant to these topics? If so, please describe them and how, in your view, they relate to the specific issues identified.
- (c) Are there actions you think others need to take, in addition to those by the IAASB, to address the public interest issues identified in your previous answers? If so, what are they and please identify who you think should act.

- (1) Yes, IRE-IBR believes the issues raised by IAASB are in the public interest and are relevant to IAASB's work on professional skepticism, quality control and group audits.
- (2) We especially would like to stress the importance for IAASB to continue to promote a principle in order to allow the scalability of the ISAs and promote an even more principles-based approach (vs. rules-based). The public interest requires quality audits and the IAASB should avoid any confusion regarding the concept of "an audit is an audit". However, the scalability remains an issue for auditors and could consequently affect the communications of the interactions with the stakeholders. (see G2)
- (3) Furthermore, we believe many challenges regarding professional skepticism are related to the context of accounting estimates. Therefore, the revision of ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, is important and relevant to the topics discussed in the ITC.
- (4) Topics we believe the IAASB should consider are the following.
 - a. *Fostering an appropriately independent and challenging skeptical mindset of the auditor* – IAASB raises in Table 1 *Our Views on the Most Relevant Public Interest Issues Related to Professional Skepticism, Quality Control and Group Audits* the question on how to better articulate how auditors, especially engagement partners, should appropriately apply professional skepticism. The phrase “especially engagement partners” doesn't seem appropriate, as the partner involvement usually represents maximum 5 to 10% of the audit time engagement. Professional skepticism has to be an attitude applied throughout the whole career, i.e. from junior auditor function on. By focusing on the engagement partner, there is a risk to not take into account the relevance and importance of the role of others in the engagement team. We also suggest IAASB reconsiders the use of wording as "to appropriately apply professional skepticism". We believe professional skepticism to be a matter of attitude, human character, training, etc. and not a mere matter of application.
 - b. *Enhancing documentation of the auditor's judgments* – we believe the ISAs already contain sufficient documentation requirements.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

- c. *Keeping ISAs fit for purpose* – The ISAs are intended to be "principles based" as opposed to "rules based". When one reads the ISAs, this approach is questionable because many paragraphs are leaning towards a "rules based"-approach. These "rules" could generate too much audit work effort on "basic" audit procedures and obscure the importance of risk assessment of material misstatement in the financial statements taken as a whole and of the significant risks. These last two elements are essential in the auditor's risk assessment and responses to the identified risks. Scandals encountered in recent years seem to be related to these audit phases of risk assessment and responses and are not related to "basic" audit procedures. We suggest IAASB in developing ISAs to focus more on the major areas of risks of material misstatement.
- d. *Encouraging proactive quality management at the firm and engagement level* – We believe any initiative taken should focus on effectively embedding quality considerations in the firms' management, quality management procedures and execution of the audit.
- e. *Exploring transparency and its role in audit quality* – In Belgium there are already significant obligations with respect to the transparency report. Developing disclosures in the transparency report on key considerations with respect to quality management such as the key features of the quality management system and procedures and the KPI's used to assess quality could provide useful insights to the readers of the transparency report. *Focusing more on firms (including networks) and their internal and external monitoring and remediation activities* – We believe the ISAs contain sufficient requirements in this regard.
- f. *Reinforcing the need for robust communication and interactions during the audit* – The current requirements are sufficient to meet the communication and interactions needs during the audit. Any additional requirements should carefully consider its usefulness and effectiveness for the execution of the audit vs. the added administrative burden for the engagement team. .

G2. To assist with the development of future work plans, are there other actions (not specific to the topics of professional skepticism, quality control, and group audits) that you believe should be taken into account? If yes, what are they and how should they be prioritized?

- (5) If the IAASB wants to defend the concept of "an audit is an audit", something IRE-IBR fully encourages, we stress the importance of clarifying, specifying and concretizing the concept of scalability, by developing, e.g., new guidance and tools. The potential reinforcement of the standards regarding quality control should absolutely take into account the characteristics of non-complex audits.

G3. Are you aware of any published, planned or ongoing academic research studies that may be relevant to the three topics discussed in this consultation? If so, please provide us with relevant details.

- (6) Not in particular.

PROFESSIONAL SKEPTICISM

PS1. Is your interpretation of the concept of professional skepticism consistent with how it is defined and referred to in the ISAs? If not, how could the concept be better described?

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

- (7) Yes, we believe the concept is consistent. However, it could be reinforced and used on a more consistent basis throughout the ISAs. Illustration of the application of the concept throughout the ISAs, as relevant, would improve understanding, awareness and facilitate consistent application of professional skepticism.

PS2. What do you believe are the drivers for, and impediments to, the appropriate application of professional skepticism? What role should we take to enhance those drivers and address those impediments? How should we prioritize the areas discussed in paragraph 37?

- (8) As drivers for the appropriate application of professional skepticism, we see the following:

- Tone at the top: professional skepticism ingrained in all trainings and illustrated in real life;
- Existence of a framework to guide practitioners.

- (9) As impediments, we see the following:

- Lack of understanding of the concept combined with limited guidance to frame the application of the concept in real life, in particular with respect to the steps necessary to structure the exercise professional judgment and the documentation thereof;
- Time pressure to complete the audit ;
- Analysis by management often does not contemplate alternatives and the concept not necessarily “living” with TCWG;

- (10) As professional skepticism is a matter of attitude, mindset and education, we do not believe this concept can be captured in a standard. However, IAASB could develop a professional skepticism/judgment framework to help frame the professional’s exercise of professional skepticism and offer guidance with respect to structure and documentation of professional skepticism”.

- (11) Furthermore, we suggest IAASB provides illustrations throughout the ISAs of “professional skepticism in action” and makes sure the concept of professional skepticism more clearly and more consistently embedded in each ISA as relevant.

PS3. Is the listing of areas being explored in paragraph 38–40 complete? If not, what other areas should we or the Joint Working Group consider and why? What do you think are the most important area to be considered?

- (12) Consideration should be made as to how actions by management and TCWG can enhance the application of professional skepticism by the auditor.

- (13) Actions considered/taken should be actionable and put in practice without increasing the cost of an audit significantly; they should clearly focus on value adding initiatives and be relevant for audits of all types of entities.

PS4. Do you believe the possible actions we might take in the context of our current projects relating to quality control and group audits will be effective in promoting improved application of professional skepticism? If not, why?

- (14) Yes, we believe that taking these possible actions could be effective in promoting improved application of professional skepticism.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

PS5. What actions should others take to address the factors that inhibit the application of professional skepticism and the actions needed to mitigate them (e.g., the IAESB, the IESBA, other international standards setters or NSS, those charged with governance (including audit committee members), firms, or professional accountancy organizations)? Are there activities already completed or underway of which we and the Joint Working Group should be aware?

- (15) These various stakeholders should embed the concept of professional skepticism in their activities. We refer in particular to actions to be undertaken by the IAESB, IESBA and TCWG.

QUALITY CONTROL

QC1. We support a broader revision of ISQC 1 to include the use of a QMA as described in paragraphs 45–67.

- (a) Would use of a QMA help to improve audit quality? If not, why not? What challenges might there be in restructuring ISQC 1 to facilitate this approach?

- (16) IRE-IBR is in favor of introducing a QMA to help enhance audit quality:

- A QMA would make it clear that firm leadership, as part of the firm's governance structure, is responsible for establishing the firm's overall culture and strategy, and thereby accountable for quality overall. This accountability is an important factor in enhancing audit quality.
- It is important that the firm's overall strategy would be required to incorporate its quality objectives.
- "Tone at the Top" is certainly a key element in defining the overall culture of the audit firm.

- (17) While all elements included in table 3 are relevant, and a QMA would be more scalable than the current ISQC1, we believe it is essential that the IAASB clearly articulates the benefits of a QMA for small and medium-size firms and includes sufficient practical illustrations of this scalability in ISQC 1 as it applies to small and medium-sized firms.

- (18) In that respect, we believe that the first element of the QMA ("Establish quality objectives") is the key driver for a more proactive model to strengthen ISQC1 and the quality control standards for firms. Establishing quality objectives allows for a more holistic approach to quality and embeds quality more effectively in the audit firm's strategy and day-to-day activities.

The other suggested elements of a QMA are equally relevant although we are concerned about the potential practical issues facing SMPs in designing appropriate responses to the risks identified as well as providing effective monitoring. Guidance will be necessary in those respects.

- (b) If ISQC 1 is restructured to require the firm's use of a QMA, in light of the objective of a QMA and the possible elements described in paragraphs 64 and Table 3, are there other elements that should be included? If so, what are they?

- (19) A topic, which might be relevant, mainly for SMPs, is the position and the role of Equity Partners in the quality monitoring process of the firm (the concentration of firm Leadership and quality monitoring in the hands of one single professional within the firm). We are concerned as to how the use of corporate governance principles would translate in practice for SMPs.

- (20) We support the performance of causal factor analysis which would allow to understand root causes of quality issues and would then be shared with teams managing all engagements, to avoid the

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

repetition of findings. Guidance regarding the extent and documentation of such analysis will be needed to ensure a proportionate application to SMPs so that they can benefit from this approach while not adding an undue burden.

- (21) Again, we emphasize the importance of maintaining ISQC 1 practical and applicable to concrete situations.

(c) In your view, how might a change to restructure ISQC 1 impact the ISAs, including those addressing quality control at the engagement level?

- (22) Any restructuring of ISQC 1 should be reflected in ISA 220.

(d) If ISQC 1 is not restructured to require the firm's use of a QMA, do you believe that we should otherwise address the matters described in paragraph 59 and table 2, and if so, how?

- (23) IRE-IBR is supportive of the use of a QMA.

QC2. Engagement Partner Roles and Responsibilities

(a) Paragraphs 69–86 set out matters relating to the roles and responsibilities of the engagement partner.

(i) Which of the actions outlined in paragraphs 85–86 would be most meaningful to address issues related to engagement partner responsibilities?

- (24) More clarity on what is meant by performance, direction, supervision and review from the engagement partner, as mentioned in paragraph 85, would help auditors apply these principles better in practice and would also help the engagement partner document and demonstrate that these steps have been achieved).

(ii) Why do you believe these actions are necessary?

- (25) These actions would enhance the required experience and direction to the audit and would support a clearer, efficient and risk driven approach, while avoiding an approach that is too standardized.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

(iv) Describe any potential consequences of possible actions that you believe we need to consider further.

- (26) The use of professional judgment should be emphasized in order to avoid a standardized approach and acknowledge that in certain instances a standardized approach may not work due to legal, regulatory or physical constraints but that alternatives may provide equal evidence to the engagement partner..

(b) Do you think it is necessary for the ISAs to include requirements or otherwise address the circumstances described in paragraph 79 in which an individual other than the engagement partner is required to or otherwise customarily sign(s) the auditor's report or is named therein?

If yes, please explain why, and provide your views about how this could be done (including describing the work effort you believe would be necessary for such an individual).

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

(27) IRE-IBR does not think this is necessary,

QC3. Others Involved in the Audit

(a) Paragraphs 87–104 set out matters relating to involvement of others in the audit:

(i) Which of the actions outlined in paragraphs 100–104 would be most meaningful to address issues related to others participating in the audit?

(28) While maintaining the very important principle that the EP remains responsible for the whole, the actions prescribed in the paragraph 100 (specific requirements and application material for other auditors involved in the audit engagement and the evaluation of the sufficiency and appropriateness of the work of these auditors), paragraph 101 (the possible ability to make reference to the report of another auditor) and paragraph 102 (explicit comment in the audit report on nature and extent of involvement of others in the audit) might be worth exploring.

(29) If IAASB believes reference to the work of other auditors in the audit report is needed, this should be well scoped and conditions should be listed so that those references would not lead to misunderstandings from the stakeholders. We also refer to paragraph (94) of this comment letter.

(ii) Why do you believe these actions are necessary?

(30) No particular comment.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

(31) We have not identified other issues that are more relevant than those already included in the ITC.

(iv) Describe any potential consequences of possible actions that you believe we need to consider further.

(32) No particular comment.

(b) Should we develop further requirements or application material for circumstances when other auditors are involved in an audit engagement (i.e., auditors that don't meet the definition of component auditors)?

(33) Clarification would be useful where other auditors are involved (who are not component auditors), as this is not sufficiently clear in the extant standards although further requirements or application material for circumstances when other auditors are involved in an audit engagement are not deemed necessary.

QC4. The Firms' Role in Supporting Quality

(a) Paragraphs 106–123 set out matters relating to networks of firms and use of ADMs.

(i) Which of the actions outlined in paragraphs 114–116 and 122–123 would be most meaningful to address issues related to firms operating as part of a network of firms and firms' changing business models and structures?

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

- (34) Any additional guidance should remain principle based and allow for the fact that laws and regulations will differ between countries. One area where additional clarification would be helpful is the assessment and documentation of how a firm relies on network policies and procedures.
- (35) We fully support the actions suggested in paragraph 122 and 123. However, we re-emphasize the need to remain principle-based and allow for the engagement partner to exercise professional judgment (with additional guidance as to how that judgment can be framed and documented). This would allow to address conflicts in laws and regulations more easily.
- (36) Allowing (but not requiring) networks to rely on network quality control and monitoring policies and procedures in designing policies and procedures to comply with ISQC 1 at the firm level is important. Indeed, describing what the firm is required to do at the firm level, and the engagement level, to appropriately rely on network firm quality control and monitoring policies and procedures would be useful.
- (37) However, IAASB should also consider that legal requirements or data privacy issues might preclude networks to exchange the result of internal or external inspections and this should indeed be considered in the standard.
- (38) The use of the “service organization” concept will create a much higher burden for smaller companies.

(ii) Why do you believe these actions are necessary?

- (39) It is essential for the confidence that stakeholders have in the firms.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

- (40) We have not identified other relevant issues.

(iv) Describe any potential consequences of possible actions that you believe we need to consider further.

- (41) No particular comment.

(b) Specifically:

(i) What could we do to address the issues identified in the context of networks of firms? For example, should we develop more detailed requirements and application material to address reliance on network-level policies and procedures at a firm or engagement level?

- (42) As stated in paragraph 38, allowing but not requiring networks to rely on network quality control and monitoring policies and procedures in designing policies and procedures to comply with ISQC 1 at the firm level is important. Also, the EQC reviewer needs to be able to ensure quality of all parties.

(ii) Do you think it would be feasible for us to develop requirements and guidance for networks? Please provide a basis for your views.

- (43) See paragraph 36 above.

(iii) Paragraphs 117–123 set out matters relating to the use of ADMs and related issues.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

- a. How should our standards emphasize the importance of appropriate quality control processes in relation to use of ADMs?
- (44) We suggest to emphasize that the use of ADMs is only possible to the extent that, at firm level or at the level of the networks or alliances, common policies and procedures for performing the work are in place, as well as quality control procedures and monitoring policies.
- b. Are you aware of ADMs that raise issues not discussed in paragraphs? If so, please provide details.
- (45) We are not aware of other issues in relation to ADMs.

QC5–QC10 address the more significant issues relating to quality control specific matters

QC5. Governance of the Firm, Including Leadership Responsibilities for Quality

- (a) Paragraphs 125–135 set out matters relating to governance of firms, including leadership responsibilities for quality.
 - (i) Which of the possible actions outlined in paragraphs 131–135 would be most meaningful in addressing issues related to firm governance and leadership responsibility for quality?
- (46) In relation to firm governance, it will be helpful to evaluate whether and, if so, how firm governance could be best addressed in ISQC 1, including through the use of a QMA. As stated above, “tone at the top” is key and it is important that the firm leadership sets an appropriate culture for the firm and takes responsibility and be accountable for extending that culture throughout the firm and the quality results of the firm.
- (47) Accountability of firm leadership, or appropriate personnel within firm leadership, for matters related to quality is essential.
- (48) With respect to independence we would caution against relying solely on an individual to address independence concerns. These should clearly remain the responsibility of the engagement teams supported by adequate policies and procedures.
 - (ii) Why do you believe these actions are necessary?
- (49) Addressing the concept of accountability of firm leadership will help leaders understand the importance of the role they are playing in supporting and continually enhancing the audit quality.
 - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (50) We reiterate our view that a QMA would provide an adequate basis to frame the quality issue at firm (and network) level and that the IAASB should consider actions that are principle-based and risk-responsive so that they can be more easily deployed in firms of all sizes.
 - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.
- (51) No particular comment.

(b) Specifically:

(i) Do you believe it is necessary for us to explore how the governance of a firm could be addressed in ISQC 1?

(52) Yes, we fully support the fact that IAASB explores how the governance of a firm could be addressed in ISQC 1, by focusing, however, on the interaction between firm governance and audit quality and the role of the EQC reviewer. In doing this, IAASB should always keep in mind that this should be risk-responsive and not result in burdensome responsibilities. Specific considerations of SMPs' environment and challenges should be included in any guidance issued.

(ii) Should ISQC 1 specifically address accountability of firm leadership, or appropriate personnel within firm leadership, for matters related to quality, including independence-related matters? If so, how should this be done, and what direction should ISQC 1 provide to firms in appointing appropriate individuals to assume these responsibilities?

(53) Yes, we believe this would be helpful.

(iii) Would the use by firms of a QMA provide better support or context for the importance of quality-related responsibilities for firm leadership, and related accountability, and therefore better facilitate the ability of firms to address these matters?

(54) A QMA would help frame the design of policies and procedures that are responsive to the quality objectives and risks identified.

QC6. Engagement Quality Control Reviews and Engagement Quality Control Reviewers

(a) Paragraphs 136–146 set out matters relating to engagement quality control reviews and engagement quality control reviewers.

(i) Which of the possible actions outlined in paragraphs 143–146 would be most meaningful in addressing issues related to EQC reviews and EQC reviewers?

(55) We do not think that the types of engagements that would require an EQC review should be expanded, although additional application material concerning the criteria for the selection of the engagements subject to EQC review might always be helpful.

(56) Clearer application material regarding the selection of the EQC reviewer and regarding the substance of the EQC review procedures would also be welcomed. It is important to reinforce the material so as to ensure that sufficient time is allocated to the reviewer to perform their tasks and to consider the timing of the performance of the EQCR.

(57) We are not in favor of additional documentation requirements in ISA 220 to include the timing and the substance of the EQC review procedures performed, and significant or substantive discussions between the engagement partner and the EQC reviewer.

(ii) Why do you believe these actions are necessary?

(58) We believe this would contribute to the effectiveness and usefulness of the EQCR review. With respect to the mixed views expressed in paragraph 146, we believe that the EQC partner should remain a non-client facing role.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

(59) We have not identified other relevant issues.

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(60) See above paragraphs 59-62.

(b) Specifically:

(i) Should ISQC 1 mandate the performance of EQC reviews beyond audits of listed entities? If yes, what other entities should be considered and how could we best define these entities? If no, please explain your reasoning.

(61) EQC reviews of listed entities is a minimum requirement. Other engagements with a high public profile and high risk areas for the society, causing an engagement to have higher misstatement compliance, liability or reputational risk should be flagged for consideration for an EQC review as well. The consideration for the need of an EQC reviewer should ideally be framed in the context of the QMA.

(ii) Do you believe it is necessary for ISQC 1 to require that firms define the minimum period of time between when an individual has been the engagement partner and when that individual would be eligible to serve as the EQC reviewer on the same engagement? If yes, how do you think this should be done and why? If no, please explain why.

(62) Yes, we do believe that this minimum period of time is necessary. We refer to the IESBA initiative in this respect.

(iii) Would you support the development of a separate EQC review standard? Please explain the reasoning for your response.

(63) We are not in favor of developing a specific standard for the EQCR as his role of just one of the element of the quality system. In addition, we do not believe that referring to an EQCR in the audit report will provided added value to the reader of the report.

QC7. Monitoring and Remediation

(a) Paragraphs 147–159 set out matters relating to monitoring and remediation.

(i) Which of the possible actions outlined in paragraphs 156–159 would be most meaningful in addressing issues related to monitoring and remediation?

(ii) Why do you believe these actions are necessary?

(64) We share the concern outlined in paragraph 152 (that compliance with the monitoring requirements in ISQC1 is one of the most challenging aspects of a system of quality control for SMPs) and would welcome actions in this respect.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

(65) We support causal factor and root cause analysis of inspection findings foreseen in paragraph 157 as a way to further improve quality of an audit firm. Remediation plans would need to be assessed at the level of the audit firm, not engagement by engagement, unless specifically inspected

(66) Otherwise, we do not think further actions are necessary.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why

(67) No particular comment.

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(68) We have not identified any potential consequences.

(b) Specifically:

(i) Do you support the incorporation of a new requirement(s) in ISQC 1 for firms to understand the causal factors of audit deficiencies relating to inspection findings and other reviews? If not, why? Are there any potential consequences or other challenges of taking this action that you believe we need to consider?

(69) Yes, it is important to understand the causal factors of audit deficiencies relating to inspection findings and other reviews, and the root cause if possible. This will help mitigate deficiencies in future engagements..

(ii) Do you support the incorporation of a new requirement(s) in ISQC 1 for the results of the firm's monitoring of the effectiveness and appropriateness of the remedial actions to be considered in the design and assessment of the effectiveness of the firm's system of quality control? Please provide further detail to explain your response.

(70) Yes, we support the incorporation of such requirements because if audit deficiencies are not remediated they will most probably appear again in future engagements. We also believe that this section completes the circle of the QMA.

QC8. Engagement Partner Performance and Rewards Systems

Paragraphs 160–170 set out matters relating to engagement partner performance and rewards systems.

(a) Do you believe that establishing a link between compensation and quality in ISQC 1 would enhance audit quality? Why or why not?

(71) We believe a remuneration policy, which provides direction to a long term and quality-focused culture of accountancy organizations, will enhance audit quality.

(b) What actions (if any) do you believe we should take in this regard? Are there potential consequences of possible actions that you believe we need to consider?

(72) We suggest IAASB to consider positive reward for positive contribution to quality as a relevant incentive.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

QC9. Human Resources and Engagement Partner Competency

(a) Paragraphs 171–187 set out matters relating to human resources and engagement partner competency.

(i) Which of the possible actions outlined in paragraphs 176–178 and 187 would be most meaningful in addressing issues relating to human resources and engagement partner competency?

(73) Aligning IES 8 with ISQC 1 and ISA 200 per paragraph 187 would be most beneficial.

(ii) Why do you believe these actions are necessary?

(74) Human resources and thus personnel management is a primary factor to achieve a quality audit.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

(75) We have not identified other relevant issues.

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(76) No particular comment.

(b) Specifically, which of the possible actions outlined, or other actions not described, in paragraphs 176–178 and 187 would most positively impact audit quality:

(i) Arising from issues related to knowledge, skills, competence and availability of a firm's partners and staff?

(77) Actions and possible elements included in paragraphs 176 and 187 would positively impact audit quality.

(ii) Related to engagement partner competency?

(78) No particular comment.

(iii) Why do you believe these actions are necessary? If you would not support a particular action, please explain why, including any potential consequences of those actions that you believe we need to consider.

(79) No particular comment.

QC10. Transparency Reporting

Paragraphs 188–190 set out matters relating to transparency reporting.

(a) Do you believe we are able to positively contribute to the evolving developments related to transparency reporting? If so, what, in your view, would be the most appropriate action we could take at this time?

(80) No particular comment.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

(b) If you would not support us taking actions as described in paragraph 190(b), please explain why, including any potential consequences of those actions that you believe we need to consider.

(81) No particular comment.

The following questions are overall questions relating to quality control:

QC11. Are there any other issues relating to quality control that we have not identified? If yes, please provide details. What actions should we take to address these issues?

(82) The IAASB should encourage others to seek improved jurisdictional cooperation in order to address issues about the access to working papers that are very common today.

(83) Audit inspection authorities should also develop a consistent approach to reporting of audit failures and other shortcomings. The statistics quoted by IFIAR do have a number of caveats attached to them in terms of not depicting consistent patterns, but nevertheless they can unduly damage trust in the profession.

(84) Last but not least, we consider that public perception of the audit as a high quality and valuable service needs to be encouraged by all stakeholders, including management, but also regulators.

QC12. Are there any other specific actions that others could take in relation to quality control? If yes, please provide details.

(85) No particular comment.

QC13. Are there any specific considerations for SMPs related to the issues and potential actions described in this section? Are there any other considerations for SMPs of which we should be aware? If so, please provide details and views about these matters.

(86) The scalability issue will need to be tackled in a fair manner by the IAASB, but not to the extent that it impairs quality. A level playing field should be found for all auditors in relation to quality control, but scalability should not be understood as less quality. The scalability could be driven by the types of clients that are being audited as opposed to the size of the firms. The QMA would help in that respect. A QMA might be a challenge for smaller firms and guidance would be necessary to illustrate how it could operate and what its benefits could be. An impact assessment might be useful in that respect.

QC14. Are there any specific public sector considerations related to the issues and potential actions described in this section? Are there any other public sector considerations of which we should be aware? If so, please provide details and views about these matters.

(87) No particular comment.

GROUP AUDITS

GA1. We plan to revise ISA 600 (and other standards as appropriate) to respond to issues with group audits.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

(a) Should we increase the emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements? Will doing so help to achieve the flexibility that is needed to allow for ISA 600 to be more broadly applied and in a wide range of circumstances (see paragraphs 194–198)? If not, please explain why. What else could we do to address the issues set out in this consultation?

- (88) Yes as ISA 600 requires compliance with all ISAs and is not a standalone standard. Adding emphasis to the need to apply all relevant ISAs will reinforce the fact that ISA 600 is not a standalone standard for group audits.

(b) Would the actions we are exploring in relation to ISA 600 improve the quality of group audits? If not, why?

- (89) Yes, providing that the standard is not enlarged so much so as to be unwieldy. Additionally, if the standard is more encompassing there may be a heightened risk that users will treat it as a standalone standard.
- (90) However, actions/requirements need to focus on a true enhancement of group audits while remaining actionable in the real world, i.e. that a cost/benefit/practicability analysis ends up being positive
- (91) One alternative option may be to consider whether guidance could be produced for any of the 'application scenarios' outside of ISA 600. The complexities of modern international organizations is ever increasing and there may be other areas of group audits that would benefit from guidance; a mechanism for addressing such needs without re-opening a complex standard might be a desirable option. Also some of the guidance may well have application outside of a strict group scenario e.g. those when addressing the entity's use of a Shared Service Centre (SSC) mentioned in paragraph 194; we believe that the use of SSC by clients might also be part of a statutory audit, and thus should not solely be a group audit issue.

(c) Should we further explore making reference to another auditor in an auditor's report? If yes, how does this impact the auditor's work effort?

- (92) As mentioned in paragraphs (29) and (30) of this comment letter, the matter of referencing another auditor in an auditor's report might be worth exploring, without undermining the principle of the group auditor's sole responsibility for the audit opinion. The most efficient way of including the work of another auditor may be, as mentioned in our response to question QC3 (iii), to make reference to the report issued by another auditor to explain the other responsible auditor's involvement in general terms.

(d) What else could the IAASB do to address the issues highlighted or other issues of which you are aware? Why do these actions need priority attention?

- (93) No further comments.

GA2–GA9 addresses the more significant issues relating to group audits in greater detail.

GA2. Acceptance and Continuance of the Group Audit Engagement

(a) Paragraphs 204–217 set out matters relating to acceptance and continuance of the group audit engagement.

(i) Which of the possible actions outlined in paragraphs 215–217 would be most meaningful in addressing issues related to acceptance and continuance procedures?

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

- (94) The possible actions that are included in paragraphs 215 and 217 are, in our opinion, already included with the ISA 600 and the suite of other ISAs. Given the issues noted, it would seem that the underlying problem is one of application and implementation and whilst clarifying and adding emphasis might help with implementation of the ISAs, as noted earlier, increasing the size of the standard might threaten usability. Therefore, we believe the IAASB should not focus only on increasing the material (requirements, application guidance) within ISA 600 but also focus on the practical implementation thereof.

(ii) Why do you believe these actions are necessary?

- (95) Paragraph 207 notes that the main issues have been identified during inspection findings and that regulators are concerned with respect to client acceptance.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

- (96) One difficult area of practice application is linked to non-controlling equity investments. Practical issues are encountered for the group engagement team to access to management, those charged with governance, or the local auditor when applicable. When an equity investment is a significant component, the group auditor will have to assess whether sufficient appropriate evidence can be obtained.

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

- (97) It is important to have a balanced approach to allocate appropriate responsibilities between the engagement partner/team and the client.
- (98) It is also necessary to acknowledge that teams might not be able to address all issues successfully and factor that in guidance (for example due to difference legal framework or impossibility to have physical access).

(b) Specifically:

(i) Are access issues as described in paragraph 208(a) still frequently being experienced in practice? If yes, please provide details and, where possible, explain how these are being addressed today.

- (99) The issues noted in paragraph 208 are not encountered for the majority of group audits, however, there are a number of jurisdictions that have privacy laws or regulations that are complex and in effect make access to information difficult, and in some instances impracticable. This issue also arises where group management have limited control or leverage over the entities that appear within their financial statements, such as where the group has non-controlling equity investments or in 'fund of fund' structures.
- (100) Conflicting privacy and confidentiality laws often prevent access to the working papers. These are usually addressed through greater involvement of the group auditor. The issue of access to information/component auditor for equity-method investee remain a frequent issue to which satisfactory resolution cannot necessarily be achieved.

(ii) Do you agree that ISA 600 can or should be strengthened in relation to addressing access issues as part of acceptance and continuance?

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

- (101) Although we believe that the requirements already require the auditor to make such assessments, we acknowledge the statement that regulators find that inadequate consideration is made in practice, or that documentation is insufficient. Strengthening the requirements may go some way to improving this area.
- (102) We also note that, although required by Article 27 of the Statutory Audit Directive applicable in the EU, national laws and regulations in relation to professional secrecy of statutory auditors and audit firms in certain EU Member States are not conducive to make auditors of components or subsidiaries share information with the group auditor. This has been experienced especially in cases where the group and component auditors are not of the same audit network. This accessibility issue is exacerbated when the component is based outside the EU. Therefore, we suggest that ISA 600 explicitly refers to the fact that in some countries a very restrictive professional secrecy legislation may apply, rendering the sharing of audit evidence and other private information difficult for the group audit team. It is important to note that such situation does not decrease the (sole) responsibility of the group auditor for the group audit.

(iii) Would expanding the understanding required for acceptance and continuance, as described in paragraph 215 (b), be achievable in the case of a new audit engagement?

- (103) Any new requirements in relation to a new group audit engagement should avoid putting an unnecessary burden on the group auditor prior to the group engagement acceptance and should remain proportionate to the intended effect and actionable considering limitations such as timing of appointment and potentially conflicting privacy and confidentiality laws.
- (104) Expanding the application material in the way suggested would, in our opinion, emphasize the importance of this aspect however any strengthening should recognize that the auditor is not able to perform a full audit of a *potential* audit engagement before acceptance; practical difficulties exist to obtaining all information before acceptance of a client because the previous auditor will for example only provide certain limited data that allow the potential new auditor to assess acceptance of this new client. Additionally, certain barriers such as national laws and regulations linked to professional secrecy are also in place and not consistent at international level. This inconsistency cannot be overcome by international auditing standards.

GA3. Communications between the Group Engagement Team and Component Auditors

(a) Paragraphs 218–225 set out matters relating to communications between the group engagement team and component auditors.

(i) Which of the possible actions outlined in paragraph 224 would be most meaningful in addressing issues relating to communication between the group engagement team and the component auditor?

- (105) We believe that measures enhancing a timely and two-way communications between the group engagement team and component auditors would be the most impactful. While the propositions made a relevant application material should be flexible enough so as to allow for a proportional application to various group audit situations. Providing background information as to the reason for the requirements might foster of more effective yet proportional application of the requirements of the standard. Certain standards (ISA 230) provide already sufficient requirements and guidance.

(ii) Why do you believe these actions are necessary?

- (106) Good communications foster a good working relationship including delivering as requested by the group auditor taking into account the circumstances of the component audit. Communication

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

between group and component auditors is key in order to foster a climate of audit quality. This being said, we are not favoring an extensive addition to the standard's application material for the reasons mentioned above.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why?

(107) We do not believe that there is a need to further develop ISA 600 on audit documentation requirements. ISA 230 already includes a thorough rules-based approach with many mandatory conclusions to be disclosed with regard to audit documentation. Re-emphasising the fact that other ISAs apply when conducting a group audit under ISA 600 may be sufficient and lead to the desired outcome.

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(108) No further comments.

GA4. Using the Work of the Component Auditors

(a) Paragraphs 226–242 set out matters relating to using the work of the component auditors.

(i) Which of the possible actions outlined in paragraph 234 and 242 would be most meaningful in addressing issues related to using the work of the component auditor?

(109) We believe that all actions outlined in paragraphs 234 and 242 are meaningful and responsive to the comments made by professional oversight bodies. However, the actions taken should allow for a flexible approach and would need to be considered in concert in order not to take restrictive measures that would be burdensome whereas one of these actions could be the most impactful.

(ii) Why do you believe these actions are necessary?

(110) All of these aspects build on the quality of the group audit.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

(111) It would be useful to have tools developed at international level to help auditors identify the laws and regulation applicable in the different jurisdictions where a specific group operates. Not only the information itself is important, but also the updating thereof. For the IAASB, this should not be a difficult exercise, as all of the network audit firms already dispose of such overviews. Perhaps it would be best if the IAASB would publish such information on IFAC's website, and the updating thereof could be in the hands of the IFAC member bodies (a good starting point might be given by the info of the network firms which is then reviewed by the IFAC member bodies under their responsibility).

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(112) We believe that the main issue is more linked to the application of the standard and how it has been interpreted rather than a specific need for a revision of the standard. ISA 600 already has

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

requirements to address most of the issues raised and it seems that it is the quality of application that is varied in practice, the root cause of which might lie elsewhere from the standard itself.

(b) Specifically:

(i) Should the nature, timing and extent of involvement of the group engagement team in the work of the component auditor vary depending on the circumstances? If yes, how could changes to the standard best achieve this objective?

(113) Yes, it is without doubt that the timing, nature and extent of this involvement should be appropriate in light of the individual circumstances. One of the area to be considered for additional or revised requirements and/or guidance is certainly the current requirement with respect to the level of work required by the component auditor depending on the nature of the component as additional flexibility in this area might lead to a more to the point group audit addressing significant risks more effectively and more timely. Flexibility should therefore remain to tailor the scope of the work of the component auditor in that respect. Guidance on allocation of group materiality may also be appropriate.

(114) Providing illustrative examples could help distinguish the varying levels of involvement of the group engagement team that may be appropriate in different circumstances as stated in paragraph 242 (c). Whether this is an issue for the ISA wording to be changed for or whether this is a training issue that could be addressed outside of the ISA is worth debating.

(ii) Should ISA 600 be strengthened to require the group engagement partner to make an explicit determination about whether the group engagement team can use the work of a potential component auditor?

(115) No, we do not consider this possible action to be of value. This determination is already part of the requirements included in ISA 600. In any case, it should be stated that the professional judgement of the group auditor will still be part of the assessment whether the work of a component auditor can be used or not.

GA5. Identifying and Assessing the Risks of Material Misstatement in a Group Audit

(a) Paragraphs 243–253 set out matters relating to identifying and assessing significant risks in a group audit:

(i) Which of the possible actions outlined in paragraphs 251–253 would be most meaningful to address issues relating to identifying significant risks for the group audit?

(116) The cross referencing of ISA 600 to the existing requirements and application guidance in ISA 315 and ISA330 will help re-enforce the need to consider the wider suite of ISA and perhaps including the guidance on the interaction of significant risks and the way in which the auditor might respond to these given the understanding of the group and its components (significant and non-significant) might be most effective.

(ii) Why do you believe these actions are necessary?

(117) The observed difficulties in practice as noted in the invitation to comment.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

(118) No, the analysis made in the ITC captures the most relevant topics.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

- (119) The standard needs to continue to emphasize the need for professional judgement, rather than the application of strict rules: even when the IAASB provides clarification on the issues identified, the auditor should keep in mind that he/she needs to exercise professional skepticism when deciding if a component is considered as significant or not and thus consider each situation on a case-by-case basis.

GA6. Issues Relating to Component Materiality and Other Aspects of Materiality Relevant to Group Audits

- (a) Paragraphs 254–261 set out issues relating to applying the concept of materiality in a group audit. Do you agree with the possible actions recommended in paragraph 261 to clarify the different aspects of materiality in a group audit? If not, please indicate which actions are not appropriate and describe why.

- (120) Yes, we agree that the matter needs to be considered in parallel with ISA 320. The suggestions regarding topic specific guidance are well-considered; however it is not clear whether it is anticipated that these are training aids or application material for the standards. We consider that the need is more aligned to the former.

- (b) Recognizing that significant changes to ISA 320 will not be contemplated until a review of ISA 320 has been performed in its entirety (potentially as part of a future project to address materiality more broadly), please describe any other relevant issues or additional actions that you think may be appropriate relating to component materiality, component performance materiality or the clearly trivial threshold at the component level.

- (121) We want to stress out that determination of materiality is addressed in ISA 320, and hence ISA 600 should not add anything more in respect to determining the financial statement materiality. The issue seems to be the variation in practice of ‘allocating’ component materiality since it involves high degree of judgement, divergent component sizes, differing statutory audit requirements, differing risk and deviating country-specific rules. Therefore, it is necessary to provide guidance on the concept of component materiality and the allocation of component materiality between the various components.

- (122) Drawing from the above observation, there are perhaps two areas which in our opinion appear to cause particular difficulties.

Firstly, we believe that additional guidance or application material to address how to calculate materiality at the component level would be helpful and might eliminate the extent of variation in judgement in practice.

Secondly, further guidance and application material should be given as to which materiality would need to be used when auditing parts of the component and when auditing non-controlling entities.

GA7. Responding to Identified Risks of Material Misstatement in a Group Audit (Including Issues Relating to the Group Engagement Team’s Involvement in the Consolidation Process)

- (a) Paragraphs 262–292 set out matters relating to responding to identified risk of material misstatement in a group audit (including the group engagement team’s involvement in the consolidation process).

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

(i) Which of the actions outlined in paragraphs 272–273, 279, 288 and 292 would be most meaningful to address issues relating to responding to identified risks of material misstatement in a group audit?

(123) We believe the most meaningful action would be the one outlined in paragraph 272 (b) suggesting that some application material should be clarified. We find particularly significant the note (v) in this paragraph which asks for further clarification on ‘the expected work effort to analytical procedures at the group level for components that are not identified as significant’. It is also important to clarify when it will be necessary to perform any further procedures in such a case.

(124) Lastly, the action outlined in paragraph 279 (b) should be addressed in order to provide further guidance on ‘how the group engagement team should determine which non-significant components would require procedures and how to determine when a sufficient number of components have been selected [...]’. There seems to be differences identified in application and guidance in this area would result in improvements.

(ii) Why do you believe these actions are necessary?

(125) The current guidance might not lead to the most effective and efficient approach to scoping components. This will help distinguish the scope and work effort involved for both significant and non-significant components.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

(126) There seems to be a number of cases in practice where the group auditor does not take sufficient time to step back, after scoping the significant components and the procedures to be performed, to ascertain whether they have gathered sufficient audit evidence.

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(127) No further comments.

(b) Specifically:

(i) What are your views on scoping the audit based on identifying and assessing the risks of material misstatement for the group as a whole, rather than focusing the determination of the necessary work effort on the determination of whether components are considered significant or non-significant? Are there any practical challenges that we need to consider further?

(128) Both approaches to group audits have associated risks. Scoping the audit based only on the risks of material misstatement at the group level might have the consequence to overlook potential risks of material misstatement at the component level, some of which might, when consolidated from different components having the same risks, have a significant impact on the group activities and the group auditor’s opinion. Conversely, an audit strategy looking from the ‘bottom up’ risks missing out group wide risks that are difficult to identify at a component level. The reality is likely to be a blended approach with the relevant weighting depending on the particular facts and structure of the group.

(ii) Are there other possible actions related to auditing groups where there are a large number of non-significant components that we should explore? Are there other approaches to auditing such

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

groups that need to be considered? Do the possible actions presented lead to any additional practical challenges?

(129) We acknowledge the issue for practitioners to determine the appropriate approach to scope a group audit when a company has a large number of non-significant components. Nevertheless, we believe that the IAASB should be careful not to impose to have too many fully scoped non-significant components, which may be of only marginal benefit to the group auditor.

(130) To this respect, we consider that it would be helpful to enhance application material and encourage the audit firms to invest in training and take into account that the experience of the personnel is a crucial element to this decision making process.

(iii) Should the standard be strengthened for the group engagement team to be more involved at the sub-consolidation level in the appropriate circumstances? Are there further issues or practical challenges that have not been considered?

(131) We recognize that there are many factors which may affect the appropriate level of involvement of the group engagement team in sub-consolidations. The approach to be applied should be as principles-based as possible to cater any circumstances.

(iv) Should the requirements or application material relating to subsequent event procedures be strengthened or clarified? Are there further issues or practical challenges that have not been considered?

(132) It is important to note that procedures around the subsequent events procedures need to be flexible enough so that the group engagement time has sufficient time to carry out its review properly.

GA8. Review and Evaluation of the Work of Component Auditors by the Group Engagement Team

(a) Paragraphs 293–303 set out matters relating to the review and evaluation of the work of component auditors by the group engagement team.

(i) Which of the actions outlined in paragraphs 299 and 303 would be most meaningful in addressing issues relating to the review and evaluation of the work of component auditors by the group engagement team?

(133) Bullet point 1 in paragraph 299, to clarify the necessary work effort, and the importance of clear documentation in respect of that work effort, of the engagement team to review the component auditor's working papers. Clarification of the extent of the review of the component auditors' work should focus on a flexible, principles-based approach that relies on an effective two-way communication between the group auditor and the component auditors.

(134) Bullet point 1 in paragraph 303 to strengthen the communication and dialogue between group and component auditors to a two-way exchange.

(ii) Why do you believe these actions are necessary?

(135) Clarification of the extent of the review of the component auditors' work will enable a flexible approach to be adapted according to the circumstances and the significance of the component to the group. Facilitating a two-way dialogue will help the group auditor's understanding of the component's activities and environment thus resulting in a more efficient and better quality audit.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

(136) We need to acknowledge that there is an actual problem for regulators when it comes to the visibility of the working papers of component auditors. For that reason, ISA 600 should emphasise that the group auditor needs to evaluate whether enough information has been obtained to have appropriate sufficient evidence.

(iv) Please also describe any potential consequences of those actions that you believe we need to consider further.

(137) ISA 600 can only highlight further the need for proper documentation. As noted earlier in our response, the fact that component auditors could be based in different jurisdictions, with differing laws and regulations could be a practical barrier for the group auditor to obtain certain documentation.

GA9. The Impact of New and Revised Auditing Standards

How should the matters set out in paragraphs 304–305 be addressed in our plans to revise ISA 600? Are there any other implications from our new or revised standards that should be considered?

(138) In relation to the Disclosures project, we do not consider necessary to complicate ISA 600 in this area. The emphasis that all other ISAs apply in addition to ISA 600 when performing a group audit should be enough.

(139) As far as it concerns paragraph 305, we do not consider that the right approach would be to have communications between the group engagement team and the component auditors to determine the key audit matters. We believe that the key audit matters are identified by the group auditor via the matters reported to those charged with governance. What would be more beneficial in the process is for the components auditors to help the group auditor identify what is necessary to be reported to the audit committee.

The following questions are overall questions relating to group audits:

GA10. Are there any other issues relating to group audits that we have not identified? If yes, please provide details. What actions should we take to address these issues?

(140) No.

GA11. Are there any other specific actions that others could take in relation to group audits? If yes, please provide details.

(141) No.

GA12. Are there any specific considerations for SMPs related to the issues and potential actions described in this section? Are there any other considerations for SMPs of which we should be aware? If so, please provide details and views about these matters.

(142) The IAASB will need to ensure that the changes made to ISA 600 and other standards can be applied in the audit of smaller groups. There are very many such audits performed on a world-wide basis.

Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises

Koninklijk Instituut - Institut royal

(143) In addition, SMPs are often involved in group audits in the capacity of component auditors. It is important that the IAASB bears in mind the need to ensure that, under its standards, audit firms that are not part of a network are not treated differently from auditors that are.

GA13. Are there any specific public sector considerations related to the issues and potential actions described in this section? Are there any other public sector considerations of which we should be aware? If so, please provide details and views about these matters.

(144) No further comments.

*

*

*