IAASB
Attn. Prof. Arnold Schilder, Chairman
529 fifth Avenue, 6th Floor
10017 New York
USA

Date	Re	Our ref	Attachment	Direct dial nr
7 June 2019	IAASB Proposed Strategy for 2020-2023 and Work Plan for 2020-2021	KvH		020-3010281

Dear Mr. Schilder,

The NBA appreciates the opportunity to share our views and provide input on the *Proposed Strategy for 2020-2023 and Work Plan for 2020-2021*. We will start our input with our general comments and afterwards we will provide our responses to the IAASB's specific questions.

General comments

We appreciate the proposals and all the activities that the IAASB has done so far. Our main comments are as follows:

1. We have taken notice of the proposals to restructure ISA 315 with shortened requirements, focused on the "what" and application material focusing on the "why" and the "how". Although we have not seen the impact of this approach on the whole standard we are enthusiastic of this approach. To us this approach could mean a great step forward in making the standards scalable for the audits of Less Complex Entities (LCE) and thus for the majority of SME audits. To fully achieve this the IAASB might consider whether there is a need to apply a requirement when the "why" is not relevant for an LCE and whether there is a need for further procedures to achieve the "what" when the "why" of a requirement is covered.

   We assume that it does not surprise the board that applying this approach to ISA 315 creates expectations. To us it is essential that this approach will be applied to all standards starting with the more critical standards such as the Revised ISA 540 and the under construction ISA 600.

   We accept that it will be challenging for the IAASB to run this project, which will take a lot of resources to complete. We wonder whether NSS could help the IAASB by providing staff that could draft standards, based on the principles set by the IAASB without changing the objectives and the purpose of the requirements (a kind of system replacement) with the board leading this work in a more strategic manner. Naturally the board would be responsible for approving the standards.

2. Furthermore, the Standards should help to ensure consistent application worldwide and promote a consistent professional practice. This is not necessarily achieved by having more and strict requirements, but by consistent application of the Standards. Therefore we recommend the IAASB to also pay attention to unambiguous interpretation of the Standards and behavioral aspects of effective regulation.

3. Finally, we support the importance of the current projects on the IAASB agenda. Therefore we understand the urgency to finalize these projects as soon as possible. However new standards should be fit for purpose for a longer period of

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time, Therefore in our opinion the IAASB should take sufficient time to develop fit-for-purpose Standards that are easy to apply for auditors of all entities.

At this moment in time it is unclear what the final proposals of the Monitoring Group will be and how this will impact the strategy and the work of the IAASB. It is therefore difficult to take this into account when finalizing the Strategy. If there are quick wins in the proposals of the Monitoring Group that make sense anyhow we encourage the IAASB to implement them. We have the feeling that the IAASB and IESBA have taken this approach already while improving their processes to collaborate more.

Request for comments

1 *Do you agree with Our Goal, Keys to Success and Stakeholder Value Proposition (see page 6), as well as the Environmental Drivers (see page 7)?.*

We agree. However for further enhancement we provide some specific comments below.

Goal
We would like the goal to be more explicit about the underlying goal to develop effective regulation that influences the behavior of practitioners towards the desired behavior.

In our opinion effective regulation includes:
- Relevance: Regulation contributes to relevant and reliable information.
- Quality: Regulation leads to good professional practice.
- Innovation: Regulation is innovating and meets the changing expectations of stakeholders.
- Learning: Regulation corrects, improves and innovates behavior.
- Added value: Regulation leads to behavior that shows the added value of practitioners in specific situations.

Stakeholder value proposition
- We recommend to accelerate the work on clarifiying and simplifiying the standards, not only for less complex entities but more in general. Attention should also be given to behavioral aspects. We do not believe that simply introducing more requirements will help to improve the quality of the audit.
- As expressed above we agree that collaboration could indeed be enhanced, especially with IESBA.
- We welcome the attention given to implementation support. To us the best implementation support starts before finalizing the standards in making sure that standards are clear and easy to understand using plain English and in short sentences.

Environmental drivers
We agree that the following factors are indeed challenges:
- Technology : Practitioners really need practical guidance on how to incorporate technology such as data analytics in their engagements. This is a balancing act and we doubt whether this should be implemented by the IASSB in the standards or provided by others (national professional bodies) as not authoritative guidance
- Scalability/complexity: Although complexity is getting higher, scalability remains an important issue. We recommend to start by 'simple first' in the ISAs (see also Q2).
- Complexity: We recommend to take developments relating to Shared Service Centers, Third Party Revenue and Self Billing, etc. into account. These will have an impact on Auditing Standards.
- Corporate reporting: Emerging forms of External Reporting (EER) is mentioned in the paper later on. We would like to stress the importance thereof.
- Stakeholders expectations: fraud and going concern are indeed issues that need to be

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further considered (see also Q5).

2   *Do you agree with Our Strategy and Focus and Our Strategic Actions for 2020–2023 (see pages 8 to 13)*

We do have the following comments regarding the themes.

Themes
a   In general standards are developed or revised for a longer period. Therefore we recommend to take enough time to make them as practicable as possible.(see also Q4). This will decrease the level of implementation support that is needed after finalizing the standard.
b   The two Paris conferences have shown that there is a need for clear standards that are easier to understand, not only for less complex entities but for all entities. Enhancing the accessibility and ease of use of the Standards should have the highest priority.
c   We would like to mention that for EER not only assurance engagements are important, but also other engagements relating to EER as well.
d   To be able to respond to the needs of all stakeholders in a balanced manner it is probably necessary to involve m ore resources and evaluate the efficiency of the processes of the IAASB. NSS might be able to support the IAASB in it's role given their local mandates that equal the mandate of the IAASB to develop standards in the public interest .

3   *Do you agree with the IAASB's proposed Framework for Activities, and the possible nature of such activities (see pages 11 and 12), as set out in Appendix 2 (see pages 19 and 20)?.*

The proposed Framework (diagram) gives an adequate overview of possible activities. This could help in addressing issues and challenges on a more timely basis. We are in favor of developing non-authoritative guidance if this can be processed faster and is sufficient for the intended purpose. We also think that for 'maintenance projects' a shorter and less rigorous due process could be considered in co-operation with the PIOB.

4   *Do you support the actions that have been identified in our detailed Work Plan for 2020–2021 (see pages 15 and 16). If not, what other actions do you believe the IAASB should prioritize?*

As mentioned earlier, we recommend to take enough time to finish off current projects. For example for such an important Standard as ISA 315, sufficient time should be taken to address the consultation issues. Another example is ISA 600. More and stricter requirements might not be enough to change behavior. In our opinion in practice many issues are related to the differences practices in various countries and are in fact implementation issues. IAASB should take sufficient time to address these kind of issues as well.

On the other hand, projects such as research for audit evidence, professional skepticism and less complex entities take a long time in the research phase and therefore need attention to monitor their progress.

Although fraud and going concern are mentioned in the strategy, we cannot find these subject matters back in the work plan. We recommend to incorporate them into the work plan (see also Q5).

5   *Are there any other topics that should be considered by the IAASB when determining*

its 'information-gathering and research activities' in accordance with the new Framework for Activities. The IAASB has provided its views on tentative topics to be included in its 'information-gathering and research activities' (see page 10)?

Yes. Other another topics that should be considered by the IAASB is:

- Soft controls
  Although culture and behavior (also sometimes referred to as 'soft controls'). are mentioned for example in the ED of ISA 315, we feel that this could be elaborated more in ISA 315 and other ISAs. In the new COSO ERM model more attention is paid to governance and culture as well. In recent business and audit failures, the deficiencies in 'soft controls' played an important part.

Yours sincerely,

NBA, the Netherlands Institute of Chartered Accountants,

Anton Dieleman
Chair of the Dutch Assurance and Ethics Standards Board

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