

IAASB
Attn. Mr. Thomas Seidenstein, Chairman
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Date	Re	Our reference	Your reference	Attachment
6 April 2023	Response to consultation	23/JZ/164957		

Dear Mr. Seidenstein,

The NBA appreciates the opportunity to respond to the Consultation Paper of the IAASB's Proposed Strategy and Work Plan for 2024-2027 (hereafter 'SWP'). The NBA is pleased to share its perspectives being the professional body and standard setter in the Netherlands. The NBA wishes to also underscore the importance of seeking inputs from a wider range of stakeholders about the priorities for IAASB.

Royal Netherlands
Institute of Chartered
Accountants



Executive summary

We would like to bring the following key items to your attention, and ask your careful consideration of these items:

- The NBA is generally supportive of the proposed strategy for the period 2024-2027.
- The NBA strongly supports and urges to prioritize the project on assurance in respect of Sustainability Reporting. We suggest not to embark on a project on Joint Audit, since joint audits are not commonplace from a global perspective. While we can see merit in projects to consider revising ISAs 320, 330, 501, 505, 520, ISRE 2410, and the projects on Technology and XBRL, we also underline the need for practitioners to implement and cope with the various changes to standards. Based on the information in the consultation document, it is difficult to prioritize between these projects. For the other standards mentioned in the consultation document, the NBA is not aware of issues that would require a review of these standards.
- The NBA encourages IAASB to continue enhancing its coordination with its sister-Board IESBA.
- The NBA reiterates its position that Standards should set clear and practicable expectations for auditors, avoiding the need for IAASB to develop additional guidance to accompany standards.

Request for Comments

Questions

1 Do you agree with Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition (see pages 5–6)?

The NBA supports IAASB's proposed goal of serving the public interest by developing standards for audit, assurance and related services that are of high quality and that enhance trust in markets. Given the increased importance of quality management (ISQM1 and 2) we suggest to include a reference to quality management.

The NBA would like to underscore that standards need to be understandable and sufficiently practicable so auditors understand what is expected from them in their delivery of high quality services in the public interest.

2 Do you agree with Our Proposed Strategic Drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal (see pages 7–9)?

The NBA agrees with the Strategic Drivers as identified. With respect to Implementation Support, the NBA would observe that the more standards are understandable and practicable, the less need there will be for developing Implementation Support materials at global level.

3 Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions (see pages 10–14)?

We agree with the Strategic Objectives and the identified Strategic Actions to fulfill the Objectives. We would seek to prioritize the development of the Sustainability Assurance standards.

4 Do you support the identified possible new standard-setting projects as set out in **Table B** (see pages 20–22) within the area of **audits and reviews** (numbered A. to K.)? Please share your views on the individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction

We suggest not to embark on a project on Joint Audit, since joint audits are not commonplace from a global perspective. We therefore do not think that at global level there is a public interest that could be identified to develop such standard. The few jurisdictions where joint audit is required or otherwise more common, could work together to come to consensus about the requirements for joint audits. We are of the opinion that IAASB should not spend its valuable resources on developing a standard.

The NBA would note the importance of Post implementation reviews on ISAs 315, 540, and 600 as well as ISQM. Conducting such reviews may provide meaningful learnings for revisions of other standards. The NBA suggests the IAASB seeks a balance between aligning all extant standards with the updated risk approach (in ISA 315/540 and 600) and the importance for partitioners to have a stable balance to work with.

It is difficult to indicate a prioritization of projects, since the consultation document does not include detailed information which would facilitate making such determination. The NBA would offer the following observations:

ISA 320 – We underscore the importance of qualitative aspects of materiality, which are inherently difficult and for which the extant ISA320 provides little guidance. Also, we note that a recent study¹ shows a number of challenges regarding materiality in practice. We therefore agree with this proposed project.

ISA 330 – We agree with this proposed project, and note that the testing of operational effectiveness of controls is frequently mentioned as being unclear.

ISA 501 – We would agree with the project, and also with the suggestion to make limited scope revisions to the requirements with respect to Inventory, which may enable a more swift completion. Also, we note that such project could also take account of technological developments.

ISA 505 – We would agree with this project, also in relation to technological development that have taken place.

ISA 520 – The NBA would support such project, also considering that technology could potentially contribute to more and better analytical procedures.



¹ [Report on the CEAOB survey: Materiality in the context of an audit \(europa.eu\)](https://www.europa.eu)

ISA 530 – Whilst we would not object to this project, we do not have indications that this standard requires urgent revision or review.

Technology – We will further elaborate on the relation between technology and Audit Evidence in our comment letter in response to the *Audit Evidence* Exposure Draft.

Furthermore, we reiterate that the ISAs should remain Technology neutral, and that they should accommodate rather than mandate the use of Technology. This would limit the need to update ISAs as technology updates.

ISA 620 – Whilst we would not object to this project, we do not have indications that this standard requires urgent revision or review.

ISA 720 – Whilst we would not object to this project, we do not have indications that this standard requires urgent revision or review.

ISRE 2410 – We observe that this standard is outdated, both in terms of its pre-Clarity project structure and in terms of the approach to various concepts. We would therefore support such project.

5 Do you support the identified possible new standard-setting projects as set out in **Table B** (see pages 20–22) within the area of **sustainability and other assurance engagements** (numbered L. and M.)? **Topic L.**, Further Standards for Assurance on Sustainability Reporting, would involve addressing multiple topics (as part of possible multiple projects). Please provide your views about likely candidate topics for further standards.

NBA strongly supports and urges to prioritize the project on assurance in respect of Sustainability Reporting. The NBA has already developed a domestic standard in this area which we would be more than willing to present if that would be helpful.

We also note that the use of XBRL for reporting is increasingly mandated, and therefore we support developing a global standard for assurance on reporting in XBRL. The NBA has developed a domestic standard for such assurance, which could potentially form a basis for a global standard.

6 Are there other topics that we should consider as new standard-setting projects? If so, please indicate whether any such topics are more important than the topics identified in **Table B** (see pages 20–22), and the needs and interests that would be served by undertaking work on such topic(s).

The NBA would underscore the urgency on standard setting regarding Sustainability. Further, IAASB may want to explore the impact of ‘soft controls’ in audits.



7 Our proposed Strategy and Work Plan emphasizes the importance of close coordination with our sister-Board, IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for joint or complementary actions that would better serve the public interest? Suggestions could entail standard-setting work, engagement with stakeholder groups, and improved ways of working, among others.

The NBA supports a coordinated approach between the setting of auditing and ethical standards, and encourages coordination on projects, timelines, entry into effect dates and definitions. As a further suggestion, the Boards may want to always include a specific paragraph in future Exposure Drafts setting out their consideration of the impact of the proposed standard on the promulgations from their respective sister-Board, and seek public comments from stakeholders on whether they have identified other impacts.

In addition, the NBA would like to emphasize the importance of liaising with key global and European standard setters for financial and sustainability reporting. In particular in areas like Fraud, and Going Concern, it is essential that auditors’ responsibilities build on responsibilities for entities and management.

The NBA calls for joint definitions for critical terms including a joint assessment of changes to such definitions.

8 Are there any other matters that we should consider in finalizing our Strategy and Work Plan?

The NBA reemphasizes the importance that Standards set clear and practicable expectations for auditors to adhere to, in addition to being principles-based and scalable. This would contribute to avoiding the need for developing additional non-authoritative guidance complementing the standards.

Closing Remarks

For further information, please contact Martijn Duffels (m.duffels@nba.nl).

Yours sincerely,

NBA, the Royal Netherlands Institute of Chartered Accountants,

/s/ Anton Dieleman

Anton Dieleman,
Chair of the Dutch Assurance and Ethics Standards Board
NBA

