

Mr Pierre Berger  
President  
Instituut van de Bedrijfsrevisoren  
Arenbergstraat 13  
1000 Brussel

14 September 2009

## Response to Public Consultation on the Adoption of International Standards on Auditing in Belgium

Dear Mr Berger

We are pleased to respond, on behalf of Deloitte Bedrijfsrevisoren, to the consultation launched by the "Instituut van de Bedrijfsrevisoren" ("IBR") on the possible adoption in Belgium of International Standards of Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB").

We support the adoption of ISAs for all statutory audits carried out in Belgium. We believe that the application of ISAs would enhance audit quality in Belgium and the consistency and comparability of annual and consolidated accounts and so increase confidence in the reliability of financial reporting, which should benefit the Belgian economy and financial markets.

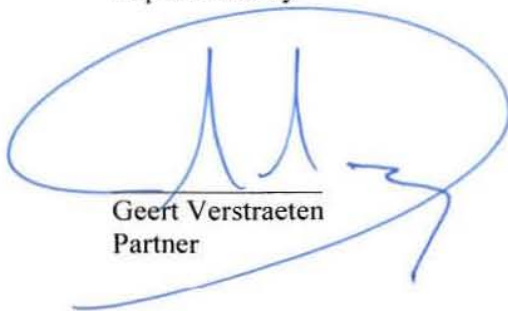
We believe that ISAs should be adopted for the statutory audit of all companies, including any small companies for which an audit is required, both because of the inherent quality of ISAs and because adopting ISAs for only a segment of audited companies would, we believe, lead to confusion for users of financial information, a possible widening of the "two tier" nature of the auditing profession, increased costs for audit firms present in both markets and complexities for group audits and for the quality control and oversight of audit firms. We would add that the specificities of audits of smaller companies are taken into consideration in ISAs and in guidance issued by the IAASB and FEE (the Federation of European Accountants), among others.

Please find attached consideration points on the proposed standard.

If you have any question on any of the points in this response, please do not hesitate to contact us at + 32 2 800 21 90.

Yours faithfully

**DELOITTE Bedrijfsrevisoren**  
BV o.v.v.e. CVBA  
Represented by



Geert Verstraeten  
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## CONSIDERATION POINTS ON THE PROPOSED STANDARD

### **(1) The Belgian auditing standards need to be modernized – Quality and International acceptance of the ISAs are sufficiently demonstrated**

The Belgian auditing standards are outdated and need to be replaced by high quality and modern auditing standards.

In our view, international acceptance of ISAs as issued by the International Auditing and Assurance Standards Board (“IAASB”) is sufficiently demonstrated through their use in jurisdictions throughout the world, their widespread acceptance by regulators and the strong support relevant international organisations have shown for ISAs.

Today, quoting the IAASB 2008 Annual Report, audits in more than 100 jurisdictions are based either directly on ISAs or on domestic standards which are derived from ISAs.

Extract from the European Consultation, “Many public authorities, including audit regulators have adopted ISAs or made public their decision to converge their standards towards the ISAs including Australia, Canada, China, the Netherlands, South Africa and the United Kingdom/Ireland”.

In the United States, the Auditing Standards Board of the AICPA, which sets standards for unlisted companies in the United States, has resolved to bring its standards (US Generally Accepted Auditing Standards) in line with ISAs.

In addition, member firms of more than 20 of the largest networks of audit firms will in any event incorporate the clarified ISAs into their firm's audit methodologies and ISQC 1 into their firm's quality control policies and procedures, for audits of financial statements for periods beginning on or after 15 December 2009, because their network organisation is a member of the Forum of Firms. Today, ISAs are already applied by a certain number of firms (also in Belgium).

Regarding the European Union more particularly, the University of Duisburg-Essen study estimates that 56% of Member States currently have standards based on the existing ISAs (or have moved to the Clarity ISAs).

### **(2) The “IBR” should not amend the ISAs.**

We agree with the conclusion of the University of Duisburg-Essen study that “adoption of the clarified ISAs through the EU would contribute to the credibility and quality of financial statements and to audit quality in the EU, and to a greater acceptance of audit reports outside of their home jurisdictions within and outside of the EU”. These effects would of course be diminished to the extent the “IBR” would modify clarified ISAs after adoption.

The very fact that the international auditing standards the “IBR” may adopt must be generally accepted internationally implies that the “IBR” would not seek to unilaterally modify such standards for Belgium, as this could potentially impinge on their being “accepted internationally”.

### **(3) “Add-ons” or “carve outs” by the “IBR” are not desirable**

Even though in certain limited cases the Statutory Audits Directive allows Member State add-ons and carve outs to ISAs adopted for application in the European Community, in our view any such add-ons or carve outs are undesirable as they run counter to the goal of harmonized international auditing standards that will serve to increase audit quality and enhance confidence in the reliability, comparability and consistency of financial statements in the EU.

More specifically, carve outs will undermine the brand of “high quality audit” of ISAs and should therefore be discouraged. Add-ons may lead to regulatory competition and increasing standards without any benefits.

Departing from a given standard may well lead to additional audit costs, such as training costs and local re-design of EU-wide developed methodologies.

We therefore believe that “add-ons” should be limited to creating additional standards because of specific national legal requirements relating to the scope of statutory audits and not specifically addressed by the ISAs.

**(4) ISQC1 on internal quality controls should be part of the adoption process**

We believe that ISQC1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements should be part of the adoption process.

ISAs and ISQC 1 are interrelated, especially in that ISA 220 requires the engagement partner of an audit to assess compliance with the audit firm's internal system of quality control.

**(5) ISAs are scalable and should also be applied for the audit of SMEs**

It is true that audits of smaller companies have specificities but we believe that the standards themselves and recently issued guidance take these into account:

- ISAs contain "Considerations Specific to Smaller Entities";
- FEE has issued a policy statement covering the implementation of ISAs for small and medium-sized companies, citing as an example that in the simple audit of a small or medium-sized company, up to one-third of the 36 ISAs may not be relevant so their requirements would not need to be met;
- The IFAC SMP Committee has produced guidance;
- The IAASB Staff has recently issued a Q&A publication which highlights how ISAs can be applied proportionately to audits of small and medium-sized entities;
- The Auditing Practices Board in the UK issued "Guidance on Smaller Entity Audit Documentation" and is expected to update this Practice Note by October 2009, based on the clarified ISAs.

**(6) Comments on the timing in case of an adoption of the ISAs**

Ideally, Belgium should adopt ISAs for audits of financial statements in Belgium for periods beginning on or after 15 December 2009, the IAASB effective date for the implementation of clarified ISAs and the period by which firms member of networks belonging to the Forum of Firms have undertaken to incorporate clarified ISAs into their audit methodologies.

However, we realise that this timing would be unachievable for certain audit firms in Belgium. We believe that one year from adoption of ISAs by the IAASB could be a sufficient period for audit firms to adapt. Therefore we would propose a revised date compared to the dates suggested in the public consultation for the implementation date of ISAs: ISAs should be adopted for audits of financial statements in Belgium for periods beginning on or after 15 December 2010.

Also, we believe that it is not recommended to adopt the ISAs in two phases and, in the contrary, there should be only one adoption date (audits of financial statements in Belgium for periods beginning on or after 15 December 2010).

The cost/benefit analysis presented in the Duisburg-Essen study did not as such take into consideration the costs that may occur if some Member States would not apply ISAs whilst others would do so anyway (with or without adoption by the Commission). These costs would include those resulting from:

- a firm using different sets of standards for statutory purposes (local standards) and for an audit of a component where the group audit is performed under other Member State standards;
- related amendments of methodologies, audit manuals and training and
- any confusion among stakeholders as to what an audit entails under different Member State regimes.

We believe that these costs should be taken into consideration to examine the cost of not adopting ISAs.