(1) Is International acceptance of the ISAs sufficiently demonstrated?

International acceptance of the International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB) is sufficiently demonstrated.

The Belgian Institute of Registered Auditors (Institut des Réviseurs d’Entreprises – Institut van de Bedrijfsrevisoren – hereafter “the Belgian Institute”) has aligned Belgian auditing standards with the principles underlying ISAs up until 2002, pending adoption of ISAs in the European Union (EU) in view of the European Commission (EC) communication of 2003 “Modernising Company Law and Enhancing Corporate Governance in the EU – A plan to move forward”¹, in which the EC defined its priorities as follows:

“… strengthening public oversight of auditors at Member State and EU level, requiring ISAs for all EU statutory audits (...) and the creation of an EU Regulatory Committee on Audit, to complement the revised legislation and allow the speedy adoption of more detailed binding measures”.

On 17 May 2006, the European Parliament and the Council adopted the Directive on the statutory audit of annual and consolidated accounts (the “Audit Directive”)². The objective of the Audit Directive was to reinforce and harmonise the statutory audit function throughout the EU, emphasising that, to ensure high quality for all statutory

¹ Press release Europe 21 May 2003: Audit of company accounts: Commission sets out ten priorities to improve quality and protect investors – IP/03/715
audits required by Community law, all statutory audits will be carried out on the basis of all international auditing standards.

Having regard to this European objective and considering that most public interest entities in Belgium are already subject to an audit in accordance with ISAs, the Belgian Institute decided to proceed with a public consultation on the adoption of the ISAs in Belgium. The consultation was launched on 6 July 2009 and will close on 15 September 2009. It is available via the following links:

Furthermore, according to articles 6, 7 and 8 of the Audit Directive, which were implemented in Belgium by article 28 of the law of 22 July 1953 regarding the establishment of an Institute of Registered Auditors and the organisation of the public oversight on the auditing profession, as coordinated by the royal decree of 30 April 2007, an individual person may become an auditor only after having passed a practical training and an examination in professional competence. The subjects of the test of theoretical knowledge are defined in Article 13(2), of the royal decree of 30th April 2007 dealing with the access to the profession. One of these subjects is the ISAs.

The Belgian Institute has been involved since 2004 in a process of translating the ISAs into French and Dutch in cooperation with the Compagnie Nationale des Commissaires aux Comptes (CNCC, France) and the NIVRA (Netherlands). The same process is being followed for the clarified ISAs. The translations of the original and clarified ISAs (draft) are freely available to the public via the following links:
http://www.ibr-ire.be/fra/documentatie_vertalingen_ISA.aspx (French)

The Belgian Institute has also responded to all of the exposure drafts of the clarified ISAs during the “Clarity project” in the context of the IAASB’s due process.

The Belgian Institute would also draw the attention of the EC on the other international standards that may be applicable for statutory audit when the auditor is required by law to perform an engagement to interim financial situation, such as the International Standards on Review Engagement (ISRE) 2400 “Engagements to review financial statements” and ISRE 2410 “Review of interim financial information performed by the independent auditor of the entity”.

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3 It refers also to related standards such as the International Standard of Quality Control, Legislative Resolution from EP regarding the proposal for a directive on statutory audit of annual accounts and consolidated accounts and amending Council Directives 78/660/EEC and 83/349/EEC, PE 357.947v01-00, 2 June 2005, p.5.
4 Recital 13 of the Audit Directive.
5 Enclosure: public consultation on the adoption of the ISAs (French – Dutch)
(2) What degree of importance do you attach to the fact that the Commission may amend the standards?

The Belgian Institute considers that there is no need for the EC to amend the standards because the ISAs respond sufficiently to audit quality in the EU and no amendments to the ISAs will ensure that all Member States apply the same standards as the ones that are applicable internationally.

Furthermore, the Belgian Institute considers that the EC should adopt ISAs by means of a Regulation, in order to prevent Member States from implementing ISAs differently.

(3) To what extent are “add-ons” or “carve outs” by Member States acceptable?

The Belgian Institute considers that carve-outs would undermine the credibility of auditing in the countries concerned and would be detrimental to harmonisation within the EU.

Concerning possible add-ons, the Belgian Institute has currently not identified any add-ons that should be relevant to the content of the ISAs.

In Belgium, the national legal requirements relating to the statutory audit are reflected in the second part of the audit report under the heading “Mention and additional information” (Mentions et informations complémentaires- Bijkomende vermeldingen en inlichtingen) and are quite separate from the auditor’s opinion on the financial statements, which is expressed in the first part of the report. These requirements are dealt with in national standards and do not conflict with the requirements of ISAs.

(4) Do you have any comments on the overall cost/benefit analysis presented in the University of Duisburg-Essen study?

The Belgian Institute agrees with the overall conclusions of the study. The adoption of ISAs will certainly contribute to the quality of audits in Belgium and, consequently, will enhance the reliability of financial statements subject to audit.

As an internationally open country, Belgium is aware of the fact that an audit report according to the ISAs will have greater acceptance within the EU and outside.

The Belgian Institute regrets that the scope of the study was limited to the statutory audits required by the Fourth and Seventh Directives, and excluded “small companies” as defined by Article 11 of the Fourth Directive.
The study did not take into account the fact that Article 51(2) of the Fourth Directive provides an option for Member States to exempt “small companies” from the obligation to have a statutory audit. Therefore, some Member States have a different definition for “small companies”.

The Belgian Institute considers that according to the principle “an audit is an audit”, all the audits performed in the EU, under the European law or under national laws, should be compliant with ISAs.

Most Belgian audit firms with an international client base already comply with ISAs, so that the incremental cost of those firms implementing the clarified ISAs should be relatively limited.

For SMPs and sole practitioners, the Belgian Institute considers that the cost of complying with ISAs will not be disproportionate, on the grounds that all Belgian audit firms are currently required to comply with national auditing standards that incorporate the same principles as those underlying ISAs.

In the same way, the Belgian Institute deems that the cost of applying ISAs for SMEs or for other kinds of entities will also not be disproportionate taking into account that the costs of applying ISAs will be compensated by the increased quality of the audit.

The Belgian Institute would like to draw the EC’s attention to the guidance that needs to be considered in order to ensure efficient implementation of ISAs for SMEs, as set forth in the IAASB documents entitled the “Guide to Using ISAs in the Audit of Small- and Medium-sized Entities (December 2007)” and “Applying ISAs Proportionately with the Size and Complexity of an Entity (August 2009)”8. The Belgian Institute considers that EC’s should take measures to guarantee that Members States develop practical tools for helping the profession, in particular, SMPs and sole practitioners, to implement the ISAs (software packages, translations, trainings, education programs…).

Consequently, the Belgian Institute calls for the EC to require ISAs to be adopted by all the firms that perform audits of statutory accounts and for all audits, without any distinction based on the size or nature of the entity.

8 www.ifac.org
(5) Should the Application Material be part of the adoption process and acknowledged as "best practice"?

The Belgian Institute considers that the Application Material should be part of the adoption process and acknowledged as “best practice” because, in the context of the IAASB’s “Clarity Project”, ISAs have been restructured to incorporate an objective, a Requirements’ section and an Application Material section, and all sections together constitute an ISA. Consequently, the Belgian Institute would draw the attention of the EC to the particular authority of the Application Material that should not be modifying as a consequence from the adoption process. This authority is described in paragraph 19 of ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing”, as a requirement:

“The auditor shall have an understanding of the entire text of an ISA, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: Para. A58-A66)”.  

Therefore, it would be inappropriate for an auditor to apply ISAs without having read and understood the Application Material, but it would be also inappropriate to consider that the section Application Material has to be part of the EU regulations incorporating the ISAs in the EU legal framework.

(6) Should ISQC1 on internal quality controls be part of the adoption process?

Yes.

ISAs and ISQC-1 are interrelated. In particular, ISA 220 “Quality Control for an Audit of Financial Statements” requires the engagement partner of an audit to assess compliance with the audit firm’s internal system of quality control.

The introduction of ISQC-1 would increase the benefits of adopting ISAs at EU level, as highlighted in the University of Duisburg-Essen study. It would also contribute to the harmonisation of internal quality-control systems used throughout the audit firms in Europe. It would also contribute to the harmonization and transparency of the audit offer in the EU and to the further development of an internal market for audit services.

Since the scope of the quality-assurance review includes, among other things, the assessment of compliance with applicable auditing standards and independence requirements (art. 29 of the Audit Directive) and the assessment of the design of the audit firm’s internal quality-control system (art. 17 of the Commission Recommendation of 6 May 2008), the adoption of ISQC-1 would enhance the harmonisation of the methodology of external quality reviews of audit firms and would facilitate risk
management from an audit firm perspective. In addition, the co-operation, exchange of resources and exchange of experience between Member States would be possible, and would be beneficial both for the audit firms and for the internal market for audit services.

(7) In case of adoption of the ISAs at EU level, would a common reference to “ISAs as adopted in the EU” in all auditors' reports in the EU be sufficient? Or, is further harmonisation of audit reports necessary?

Yes, the Belgian Institute considers that the adoption of the ISAs and in particular ISA 700 “Forming an Opinion and Reporting on Financial Statements”, ISA 705 “Modifications to the Opinion in the Independent Auditor's Report” and ISA 706 “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report”, respond sufficiently for the harmonisation of audit reports in the EU.

Furthermore the Belgian Institute is strongly in favour of the EC adopting ISAs without add-ons or carve-outs, so that there should be no need for any reference in the audit report to “ISA as adopted in the EU” or for any additional effort to harmonise audit reports in the EU.

(8) Do you support adoption of ISAs at EU level?

Yes.

(9) If yes, which of the following options do you support:

- Option 1 – ISAs should be adopted for the audit of the consolidated accounts of the listed companies (IFRS accounts);
- Option 2 – ISAs should be adopted for the statutory audit of all companies except for the audits of small companies where Member States would be free to choose which audit standards should be applied;
- Option 3 – ISAs should be adopted for the statutory audit of all companies, including small companies for which an audit is required.

The Belgian Institute supports option 3. Different audit frameworks for the same level of assurance are not appropriate according to the principle of “an audit is an audit”. ISAs are “scalable” and can be applied for entities of all sizes, including SMEs and owner-managed businesses.

For this reason, the proposal to adopt ISAs in Belgium provides that all entities will be subject to an audit in accordance with ISAs, the only difference being that adoption for public-interest entities would be two years earlier than for other entities.

16th October 2009
6/9
Furthermore, the Belgian Institute is currently analysing the measures to be taken in order to help the profession, and particularly SMPs and sole practitioners, to implement ISAs. To this end, the ISA training curriculum organised by the Belgian Institute since 2004, has been revised to be more practical and to focus on the needs of auditors. The Belgian Institute is planning to develop various publications on the application of the ISAs and the ISQC-1 and a help-desk is available for the auditors in case of specific questions thereon.

On 26th May 2009, the Belgian Institute organised a forum for the audit profession on ISAs. During this forum, different audit software packages were presented to help the auditor to perform audit engagement according to the ISAs.

(10)  Do you have comments on the timing in case of an adoption of the ISAs?

In its proposal for the adoption of ISAs, the Belgian Institute has opted to differentiate between public-interest entities, with ISAs becoming effective for audits of financial statements for periods ending not later than 15 December 2012, and for other, where it is proposed that ISAs would become effective for audits of financial statements for periods ending no later than 15 December 2014.

In accordance with this proposal, the Minister of the Economy (public oversight body) may modify the timing to reflect the results of an evaluation of the European and national situations before 15 December 2011, keeping a transitional period of maximum two years between the timing provided for the audit of public-interest entities and the timing for the others entities and after having obtained the opinion of the High Council of the Economics Profession (Conseil supérieur des Professions économiques- Hoge Raad voor de Economische Beroepen- public oversight body) and of the Belgian Institute.

However, the Belgian Institute is proactively assisting the audit profession to implement the ISAs as stated in the response to question 9.

Therefore, the Belgian Institute encourages the EC to take a decision as soon as possible.
Enclosure

French

6 juillet 2009

Le Conseil de l’IRE lance une consultation publique sur le projet de norme relative à l’application des normes ISA en Belgique (délai : 15 septembre 2009)

Le Conseil de l’IRE lance une consultation publique sur le projet de norme relative à l’application des normes ISA en Belgique (délai : 15 septembre 2009).

Conformément à l’article 30 de la loi du 22 juillet 1953 créant un Institut des Réviseurs d’Entreprises et organisant la supervision publique de la profession de réviseurs d'entreprises, coordonnée le 30 avril 2007, le Conseil de l’IRE soumet à la consultation publique son projet de norme relative à l’application des normes ISA en Belgique, que vous trouverez en annexe.

Vous pouvez adresser vos commentaires jusqu’au 15 septembre 2009 à l’adresse suivante tech@ibr-ire.be ou par courrier à l’Institut des Réviseurs d’Entreprises (Rue d’Arenberg 13, 1000 Bruxelles) ou par télécopie au 02/512.78.86.

Sauf demande contraire de votre part, vos commentaires seront publiés sur le site internet de l’IRE à l’issue de la consultation publique.

Nous vous informons, par ailleurs, que la Commission européenne a également lancé une consultation publique sur l’adoption des normes ISA, disponible à l’adresse suivante :


Dutch

6 juli 2009

De Raad van het IBR lanceert een openbare raadpleging over het ontwerp van Norm inzake de toepassing van de ISA’s in België (termijn: 15 september 2009)

De Raad van het IBR lanceert een openbare raadpleging over het ontwerp van Norm inzake de toepassing van de ISA’s in België (termijn: 15 september 2009).

Overeenkomstig artikel 30 van de wet van 22 juli 1953 houdende oprichting van een Instituut van de Bedrijfsrevisoren en tot organisatie van het publiek toezicht op het beroep van bedrijfsrevisor, gecoördineerd op 30 april 2007, legt de Raad van het IBR zijn ontwerp van Norm inzake de invoering van de ISA’s in België voor openbare raadpleging voor, dat in bijlage te vinden is.
U kan uw commentaren tot 15 september 2009 sturen naar het volgende emailadres: tech@ibr-ire.be of per post verzenden naar het Instituut van de Bedrijfsrevisoren (Arenbergstraat 13, 1000 Brussel) of per telefax sturen naar 02/512.78.86.

Behalve tegenverzoek uwentwege zullen uw commentaren na afloop van de openbare raadplegingsperiode op de website van het IBR worden gepubliceerd.

Bovendien lichten we u in dat de Europese Commissie eveneens een openbare raadpleging betreffende de goedkeuring van de ISA’s heeft georganiseerd, die kan worden geraadpleegd op volgend adres: