ISA implementation and training in the Netherlands

Principle based standards in a regulated environment

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Agenda

1. **Territory background**

2. **ISA Implementation**
   - Communication

   - Continuing Professional Development (CPD)

   - Supporting materials

   - Further actions

3. **Challenges**

4. **Questions and discussions**

Territory background

- Professional bodies NIVRA and NOvAA are standard setter; merger announced.

- Translated ISAs have legal force ('NV COS').

- Ethics regulation based on COE, but different status for internal and government auditors.

- ISQC1 implemented in Dutch law on auditor oversight (following law 8th EU directive).

- Audit exemptions implemented since introduction of 4th / 7th EU directive.

ISA Implementation

- ISA alignment in Dutch Standards since 1998.

- Current version of the ISAs fully implemented; only minor changes referring to Dutch law.

- Dutch wording in NV COS may slightly differ from final EU translation.

- Standards are applicable for periods ending on or after 15 December 2010.

ISA Implementation and communication

- Two articles published focusing on the principle based character of the Clarified ISAs (in line with IFAC communication).

- Training requirements announced.

- Further publications focussed on second half 2010 – to prevent confusion with applicability extant ISAs.

ISA Implementation and communication (Continued)

- Period July – December other articles focussing on messages including:

  – The audit report and compliance frameworks
  – Group audits
  – Proportionality (SME context)
  – Estimates
  – Related parties

  Communication to auditors as well as clients and external stakeholders.

ISA Implementation and CPD

- Board of Royal NIVRA has decided on obligatory course for all members engaged in audit engagements:

  – Auditors in public practice

  – Internal auditors (given Dutch situation)

  – Government auditors (including 800 auditors working for the tax authorities)

ISA Implementation and CPD
(continued)

- Training should focus on mindset:

    – **Auditing is still auditing** …

      … But taking into account the complex world

      … Requirements in context of overarching principles

    – Enhancing skepticism

    – Clarified structure helps to understand

ISA Implementation and CPD
(continued)

- Participants are expected to prepare (based on ISA 200 paragraph 19).

- Royal NIVRA will provide a self assessment tool.

- Course can be followed by class-room session, e-learning or mix, with a minimum of 6 hours.

- Focus on case studies during course.

- Different courses focusing on specific groups (SME, Internal auditors, Government auditors).

ISA Implementation and CPD
(continued)

- Various providers can organize courses:
  - VERA (course organization related to NIVRA)
  - Audit Firms
  - NIVRA approved learning providers
  - Others

- Curriculum provided by NIVRA

- Course outlines to be approved by NIVRA

ISA Implementation and CPD Self assessment tool

- Large number of questions covering all ISA's.

- Specific test set based on profile of auditor using random generator.

- Tool will provide feedback on performance in different areas.

ISA Implementation supporting materials

- **HRA**
  - Volume 1 – Regulation per January 1, 2010
  - Volume 2 – Explanation of the regulation
  - Volume 3 – Providing templates of letters, auditors reports, assurance reports and others (more than 300 templates) (Mostly also available in English)
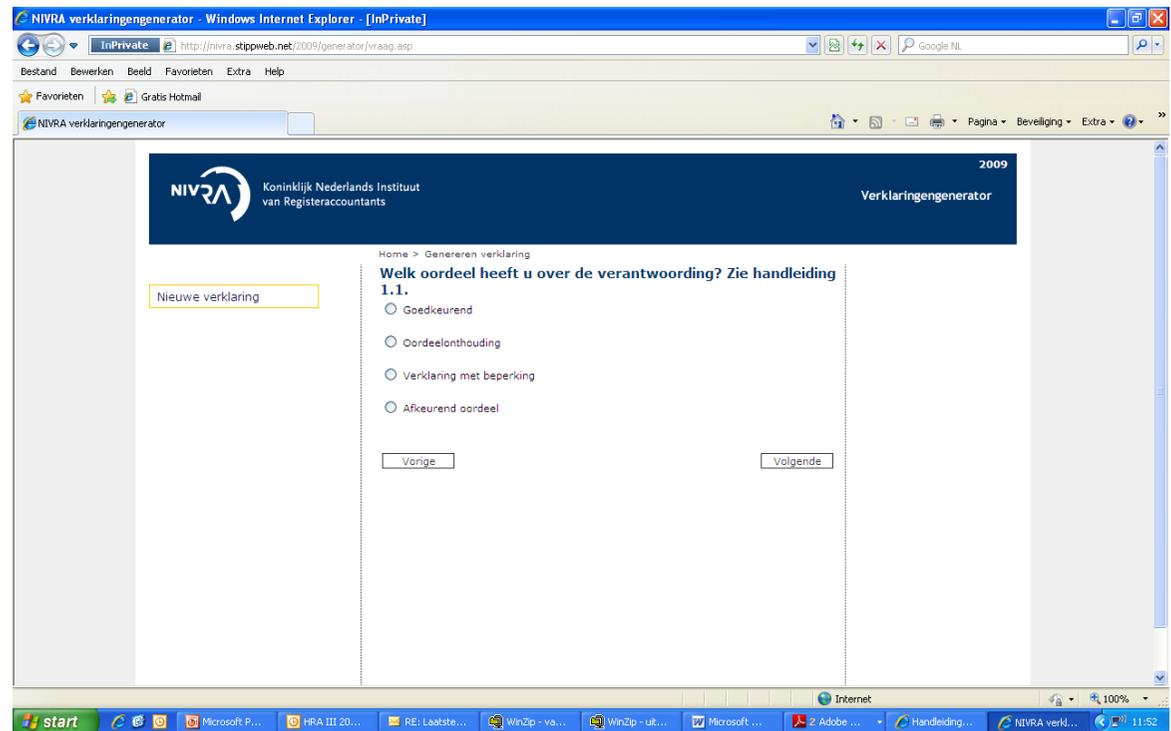 - Volume 1a –Volume for ISA implementation containing new NV COS.

- Hard copy and electronic versions available.

ISA Implementation supporting materials

Audit Reporting tool

- Question based report generator
- Client specific info can be provided (name)
- Formatting in Word
- XML based – easy to maintain
- Dutch version supporting examples in Volume 3
- English version expected later this year
- Clarity version later this year.
- Intranet, extranet and stand alone versions available

ISA Implementation
further actions

- Helpdesk

- Clarity page on website

- Communication to software providers

- Possible translation of Clarity version SME guide

Regional / global challenges

1. <u>Mixed messages</u> on ISA Clarity: Clarified standards (streamlining work), but some are stricter (more work).

2. <u>SME proportionality</u> versus <u>audit exemptions</u>.

3. How to align <u>interpretations</u> on new standards <u>by various stakeholders</u> (professional bodies, regulators, firms) in various territories.

4. Finalization of the EU <u>implementation process</u> including translation.

Questions and discussion