



Standing for trust and integrity

*Fédération des Experts-comptables Européens
Federation of European Accountants*

The Future of Audit

24th Forum of the Auditor
André Killesse, FEE President
Sitges, 4 July 2014

FEE federates professional institutes across Europe



- 47 professional institutes of accountants and auditors
- 36 European countries, including all EU 28
- 800.000 professionals incl. all sections of the profession: large, medium, small practices, business, public sector

Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Rep.
Denmark	Estonia	Finland	France	Germany	Greece
Hungary	Iceland	Ireland	Israel	Italy	Latvia
Lithuania	Luxembourg	Malta	Monaco	Montenegro	Netherlands
Norway	Poland	Portugal	Romania	Serbia	Slovak Rep.
Slovenia	Spain	Sweden	Switzerland	Turkey	UK

FEE adds value to Members

- Representation toward stakeholders



EC, EP, Council, ESMA, EBA, EIOPA, IOSCO - IASB, EFRAG, IIRC, IFAC, IAASB, IESBA, IPSASB, CAGs, PCAOB, OECD etc.

- Analysing and influencing public policy developments



Informs, advises & influences EU & international regulation, public policy, standard setting etc.

- Promoting cooperation among Members

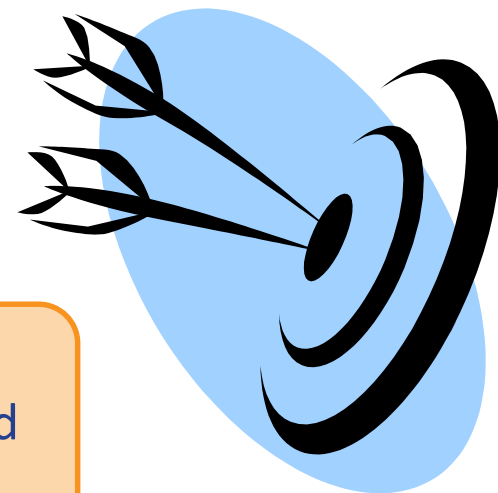


Facilitates consensus between Institutes, accountancy firms (big & small)...

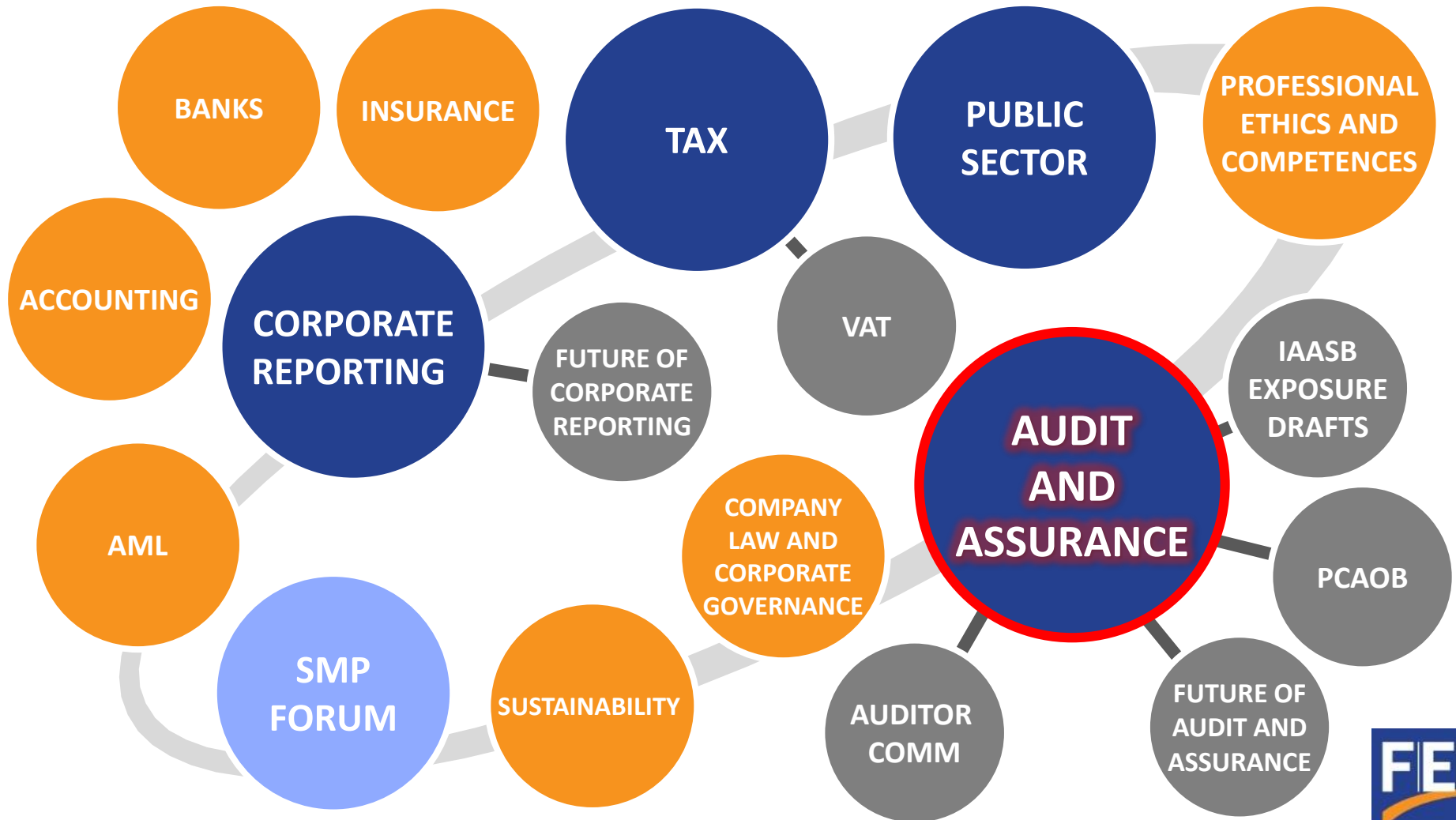
2014 : FEE target priorities

- Corporate Reporting
- Public Sector
- Tax (new)
- SMP Forum
- Audit & Assurance

FEE pays attention to the challenges the SMPs face and will face in the future



Working structures



FEE current main workstreams in the field of Audit and Assurance

1 EU Audit Policy 2014

2 Discussion Paper: The Future of Audit and Assurance



EU Audit Policy 2014

Some key challenges ahead for the European profession [1/2]

- **In general**
 - ↳ Extra-territorial effects
 - ↳ Trickle-down effects from PIEs to non-PIEs
- **Mandatory audit firm rotation (for PIEs)**
 - ↳ Implementation
 - ↳ Transitional arrangements
- **Non-Audit Services (for PIEs)**
 - ↳ Meaning and scope of some prohibited services
 - ↳ Calculation of the cap applicable to 'permissible' services fees

Some key challenges ahead for the European profession [2/2]

- **Auditor communication**
 - ↳ More extensive audit report
 - Statement on going concern assumptions (for all entities)
 - List of key areas of material misstatements (for PIEs)
 - ↳ Additional report to the Audit Committee (for PIEs)
- **ISA adoption: when and what?**
- Cooperation of audit oversight bodies and Creation of Committee of European Auditing Oversight Bodies (CEAOB)
- Delegation of oversight tasks
- Etc.
- **And so many options available to Member State and Competent Authority**

FEE is committed to making this work in practice

The screenshot shows the FEE website homepage. At the top, the FEE logo is on the left, and the tagline "The Accountancy Profession's thought leadership" is on the right. Below the header is a navigation menu with links: About FEE, Members, Our Work, Library, Newsletters, Agenda, Gallery, Search, and Members Section.

The main content area features a banner that reads "FEE is the voice of the European accountancy profession". Below this is a section titled "Are you a professional accountant registered with one of FEE's 48 Member Bodies? Do you want to connect with your peers all over Europe? Join our FEE LinkedIn group 'Connect with European Professional Accountants' and become part of the community of accountants that FEE represents. Join us here!".

Another section is titled "New FEE Project 'Tax Policy: A Matter for Society as a Whole' Compendium of Views". It states: "FEE has launched a new project, aiming to produce a publication collecting together a broad cross-section of opinions on the future of tax policy. A number of individuals and organisations have already been approached to provide contributions, a process that we expect to continue throughout May. Should you be interested in submitting an article, please contact Paul Gisby, paul.gisby@fee.be, for further details. Contributions are welcome by end of July."

On the right side, there is a "What's New" section with a list of recent news items, including "19/05/2014: FEE comments on IASB Request for Information - Post-implementation Review: IFRS 3 Business Combinations" and "15/05/2014: FEE Public Sector Roundtable, 17 July 2014, Brussels". Below this is a "See all news" link.

At the bottom right, there is a "FAQ" section with a list of frequently asked questions, including "Frequently Asked Questions - Audit Policy", "Reform of the Audit Market - Summary of FEE Publications", and "EC Review of the Third AML Directive - proposed Fourth AML Directive".

Three callouts are present:

- An orange oval on the left contains the text "Factsheet summarising the main provisions" with an arrow pointing to the "FEE is the voice of the European accountancy profession" banner.
- Another orange oval on the left contains the text "Tables summarising the options etc." with an arrow pointing to the "FEE Issues Paper on European Public Sector Accounting Standards (EPSAS) more..." link in the bottom left.
- A third orange oval on the right contains the text "FAQ web page" with an arrow pointing to the "FAQ" section on the right side of the page.

Online FAQ

[click here](#)

Options Tables

[click here](#)

FEE
Federation of European Accountants | The Accountancy Profession's Federation of Excellence | thought leadership

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Frequently Asked Questions - Audit Policy

European Directive on Statutory Audits of Annual and Consolidated Accounts and Regulation on Statutory Audit of Public Interest Entities PDF

FEE is pleased to share these Frequently Asked Questions (FAQs) on the European Directive on Statutory Audits of Annual and Consolidated Accounts and Regulation on Statutory Audit of Public Interest Entities adopted by the European Parliament on 3 April 2014.

These questions and answers are provided with the intention of informing all stakeholders at European and national level, in regulatory institutions, in professional bodies and in practice seeking clarification on the many questions raised by this legislation with a view to facilitating implementation, helping resolve practical issues and preserving and enhancing audit quality.

The legislation dealt with in these FAQs is complex and voluminous. The proposed answers in these FAQs are work in progress; they will continue evolving. New FAQs will be added and the answers processed only be further updated and refined.

The answers in these FAQs do not express a position of FEE or a legal opinion. They are provided on a best endeavours basis and they do not bind FEE or any of its Members. FEE will therefore not accept any liability whatsoever in any jurisdiction with respect to any aspect of these FAQs.

Readers have the possibility to provide feedback to FEE in relation to these FAQs by sending an email to auditFAQ@fee.be. Comments or suggested additional questions are welcome. This should however not be seen as an on-line help function and FEE makes no commitment whatsoever as to the treatment of the feedback provided.

GENERAL

1. What is the context of the reform of the audit market?
2. What were the objectives of the European Commission when launching this project?
3. Is the EU legislation on audit final?
4. What is the form of the proposed legislation?
5. In general, what is the difference between a Directive and a Regulation?
6. When would this new legislation, once adopted, come into effect?
7. What are the main provisions amended in the Directive?
8. What are the options available to Member States in the Directive?
9. What are the main provisions included in the Regulation?
10. What are the options available to Member States and Competent Authorities to maintain their existing rotation requirements of nine years? Do they also have the option to extend the duration of the engagement.

APPOINTMENT OF THE AUDITOR

Public interest companies be able to extend the duration of the engagement above ten years? PDF

It depends on the Member States and how the Member States will have implemented the options available in the Regulation that allows extension. Refer to below.

13. How can the duration of an audit engagement be extended?

The possibility to extend the duration of an audit engagement to more than ten years and the possibility to have rotation requirements that are shorter than ten years are Member State options.

A ten-year audit engagement may be extended up to:

- A total period of 20 years, but only if a public tender takes effect upon the expiry of the first ten year period (or a shorter period if decided by a Member State). Refer to below.
- A total period of 24 years, but only if two auditors – i.e. via a joint audit – are simultaneously appointed after the maximum duration period and present a joint report.

There are specific transitional rules. Please refer to below for more details.

14. What are the transitional arrangements for the provision on mandatory audit firm rotation?

Transitional arrangement will vary depending on the length of the audit appointment at the date the new legislation comes into force; in case the new legislation would be published on 10 June 2014 and come into force on 30 June 2014:

- If the auditor has been in place for 20 years or more, the first rotation must take place within six years, namely:
 - Adoption of the Regulation: 15 April 2014
 - Publication in the Official Journal: 10 June 2014
 - Entry into force: 30 June 2014
 - First rotation by: 30 June 2020 to appoint a new auditor or audit firm.
- If the auditor has been in place for between 11 and 20 years, the first rotation must take place within nine years, namely:
 - Adoption of the Regulation: 15 April 2014
 - Publication in the Official Journal: 10 June 2014
 - Entry into force: 30 June 2014
 - First rotation by: 30 June 2023 to appoint a new auditor or audit firm.
- Otherwise, the new regime will apply two years from the legislation implementation date, namely:
 - Adoption of the Regulation: 15 April 2014
 - Publication in the Official Journal: 10 June 2014

Option Table – 2014 Audit Regulation

The purpose of this document is to highlight the options available to Member States and Competent Authorities in the Regulation on statutory audit of public-interest entities and thereby assist FEE Member Bodies and other relevant stakeholders in advising each European Union Member State as to the selection of the most appropriate option.

Legend

The document is formatted to follow the order of the Articles as contained in the 2014 Audit Regulation.

CONTENT	EXAMPLES	EXPLANATIONS
Normal text	Provide that a competent authority may, upon a request...	The text of the Article containing the Member State option
Items in bold and underlined	may request	The Member State option being discussed
Text in italics in quotations within square brackets	<i>[...The imposition of penalties, including sanctions and measures...]</i>	Explanatory text taken verbatim from the Regulation in order to assist in the understanding of the Article being discussed
Text in italics contained within square brackets	<i>[...provision of tax services, services that involve playing any part in the management of decision-making process, bookkeeping and preparing accounting records and financial statements...]</i>	Additional information, which may be paraphrased and not taken verbatim from the Regulation, inserted in the body of the Article to provide the context of the Article being discussed without the necessity of referring to another Article
Article reference numbers	17.2(a)	This article reference number signifies, for example, Article 17, point 2, point (a). The notation follows the logical progression within the 2014 Audit Regulation but is not used verbatim within it.
Abbreviation	MS	Member State
Abbreviation	CA	Competent Authority
Abbreviation	2014 Audit Regulation	Regulation on statutory audit conducted in accordance with paragraphs 2 to 5 of Article 16

This document has been prepared by FEE to the best of its knowledge and ability to ensure that it is accurate and consistent with statutory auditor or audit firm, and takes effect upon the expiry of the second subparagraph of paragraph 1 [“Neither the initial engagement of a particular statutory auditor or audit firm, nor this in combination with renewed engagements therewith shall exceed a maximum duration of ten years”] and in point (b) of paragraph 2 [“MS may set a maximum duration of less than ten years”] and in point (b) of paragraph 2 [“MS may set a maximum duration of less than ten years”]; or (b) twenty four years, where, after the expiry of the maximum durations referred to in the second subparagraph of paragraph 1 [“Neither the initial engagement of a particular statutory auditor or audit firm, nor this in combination with renewed engagements therewith shall exceed a maximum duration of ten years”] and in point (b) of paragraph 2 [“MS may set a maximum duration of less than ten years”, more than one statutory auditor or audit firm simultaneously engaged, provided that the statutory audit results in the presentation of the joint audit report [...]”].

		(a) twenty four years, where, after the expiry of the maximum durations referred to in the second subparagraph of paragraph 1 [“Neither the initial engagement of a particular statutory auditor or audit firm, nor this in combination with renewed engagements therewith shall exceed a maximum duration of ten years”] and in point (b) of paragraph 2 [“MS may set a maximum duration of less than ten years”]; or
	17.7 MS option	By way of derogation, Member States may require that key audit partners responsible for carrying out a statutory audit cease their participation in the statutory audit of the audited entity earlier than seven years from the date of their respective appointment.
Designation of competent authorities	20.2 MS option	Member States may decide that the responsibility for ensuring that all or part of the provisions of Title III [“Appointment of statutory auditors or audit firms”] of this Regulation are applied is to be entrusted to, as appropriate, the competent authorities referred to in: (a) Article 48 of Directive 2004/39/EC; [Investment firms] (b) Article 24(1) of Directive 2004/109/EC; [Transparency Directive for Security Market Entities] (c) point (h) of Article 24(4) of Directive 2004/109/EC; [Transparency Directive for Security Market Entities] (d) Article 20 of Directive 2007/64/EC; [Payment services on the internal market] (e) Article 30 of Directive 2009/138/EC; [Insurance and Reinsurance] (f) Article 4(1) of Directive 2013/36/EU; [Credit institutions] or to other authorities designated by national law.
Conditions of independence of CA	21 CA option	The competent authorities may consult experts, as referred to in point (c) of Article 26(1) [“...expert” means a natural person, who has a specific expertise in financial markets, financial reporting, auditing or other fields relevant for inspections, including practising statutory auditors], for the purpose of carrying out specific tasks and may also be assisted by experts when this is essential for the proper fulfilment of their tasks. In such instances, the experts shall not be involved in any decision-making.

4 Options available to Member States and Competent Authorities in the Regulation on statutory audit of public-interest entities



Amended Dir-mu

Amendments table

Unofficial advance version of amended Directive 2006/43/EC on Statutory Audits of Annual and Consolidated Accounts, approved in April 2014

Legend

The below document is meant to serve as an advance version of the full amended text of the Directive 2006/43/EC on Statutory Audits of Annual Accounts and Consolidated Accounts as approved in April 2014, unofficially compiled by FEE. The document is formatted to distinguish between the original text (Directive 2006/43/EC) and the new or amended text. Some notes have also been included to facilitate reading.

CONTENT	EXAMPLES	EXPLANATIONS
Normal text	This Directive establishes rules concerning	Unchanged text of the Article.
Blue text	1. In Article 1 the following paragraph is added:	New or amended text of the Article.
Purple text	[2014 Audit Regulation]	FEE note to facilitate reading.

The publication in the Official Journal (OJ) of the European Union (EU) is expected by mid-May 2014.

Member states will have two years to transpose (adopt and publish) the provisions of the amended Directive after its entry into force, namely 20 days after the OJ publication.

This document has been prepared by FEE to the best of its knowledge and ability to ensure that it is accurate and complete. FEE will not be held liable under point (b), where national legislation defines such audits as compulsory within this document.

- "statutory auditor" means a natural person who is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits;
- "audit firm" means a legal person or any other entity, regardless of its legal form, that is approved in accordance with this Directive by the competent authorities of a Member State to carry out statutory audits;
- "third-country audit entity" means an entity, regardless of its legal form, which carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than an entity which is registered as an audit firm in any Member State as a consequence of approval in accordance with Article 3;
- "third-country auditor" means a natural person who carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than a person who is registered as a statutory auditor in any Member State as a consequence of approval in accordance with Articles 3 and 44;
- "group auditor" means the statutory auditor(s) or audit firm(s) carrying out the statutory audit of consolidated accounts;
- "network" means the larger structure:
 - which is aimed at cooperation and to which a statutory auditor or an audit firm belongs, and

¹ Regulation (EU) No .../... [2014 Audit Regulation] of the European Parliament and of the Council of ... on specific requirements regarding statutory audit of public-interest entities (OJ L ...)

Table summarising the amendments of the Directive 2006/43/EC on Statutory Audits of Annual and Consolidated Accounts

Legend

The below document is meant to compare the original 2006 Statutory Audit Directive¹ (left column) and the new 2014 Audit Directive² (right column). Some notes have also been included to facilitate reading.

CONTENT	EXAMPLES	EXPLANATIONS
Normal text	This Directive establishes rules concerning	The text of the Article (old or new).
Blue text	1. In Article 1 the following paragraph is added:	Narrative text included in the 2014 Audit Directive, explaining how the 2006 text is being amended.
Struck-through text	1. "statutory auditor" means an audit of annual accounts	Text from 2006 Audit Directive that has been deleted or replaced in the 2014 Directive.
Purple text	[2014 Audit Regulation]	FEE note to facilitate reading.

The publication in the Official Journal (OJ) of the European Union (EU) is expected by mid-May 2014.

Member states will have two years to transpose (adopt and publish) the provisions to comply with the amended Directive after its entry into force, namely 20 days after the OJ publication.


This document has been prepared by FEE to the best of its knowledge and ability to ensure that it is accurate and complete. FEE will not be held liable for any loss or damage arising from any inaccuracies or omissions within this document.

	17. "medium-sized undertakings" means the undertakings referred to in Article 1(1) and Article 3(3) of Directive 2013/34/EU of the European Parliament and of the Council;
	18. "small undertakings" means the undertakings referred to in Article 1(1) and Article 3(2) of Directive 2013/34/EU;
	19. "home Member State" means a Member State in which a statutory auditor or audit firm is approved in accordance with Article 3(1);
	20. "host Member State" means a Member State in which a statutory auditor approved by his or her home Member State seeks to be also approved in accordance with Article 14, or a Member State in which an audit firm approved by its home Member State seeks to be registered or is registered in accordance with Article 3a.
Chapter II: Approval, Continuing Education and Mutual Recognition	
Article 3	
<i>Approval of Statutory auditors and audit firms</i>	
1. A statutory audit shall be carried out only by statutory auditors or audit firms which are approved by the Member State requiring the statutory audit.	
2. Each Member State shall designate competent authorities which shall be responsible for approving statutory auditors and audit firms.	3. Article 3 is amended as follows: (a) paragraph 2 is amended as follows: (i) the first subparagraph is replaced by the following: Each Member State shall designate the competent authority to be responsible for approving statutory auditors and audit firms. (ii) the second subparagraph is deleted;
The competent authorities may be professional associations, provided that they are subject to a system of public oversight as provided for in Chapter VIII.	
3. Without prejudice to Article 11, the competent authorities of the Member States may approve as statutory auditors only natural persons who satisfy at least the	

¹ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

General Factsheet


Factsheet – main provisions relevant to SMPs/ SMEs



Federation of European Accountants
Fédération des Experts comptables Européens

Factsheet

Standing for trust and integrity



April 2014

EU Directive on Statutory Audits of Annual and Consolidated Accounts and EU Regulation on Statutory Audit of Public Interest Entities

Background

The European Union (EU) audit market reform began in 2010 with a European Commission consultation Green Paper entitled "Audit Policy: Lessons from the Crisis". After this consultation process, the European Commission released its Proposals on 30 November 2011 including a revision of the **Statutory Audit Directive (SAD)** (2006/43/EC)⁶ applicable to all statutory audits within the EU and a **Regulation⁷** applicable to statutory audit of Public Interest Entities (PIEs).

The two texts were negotiated under the ordinary legislative procedure. Their business, their size or the number of their employees are not criteria for the identification of PIEs. However, the identification of PIEs is now crucial to the scope of the 2014 Regulation.

With this Factsheet, FEE's objectives are to provide the scope of the 2014 Regulation.

Independence and objectivity (Articles 22, 22a and 22b)

The amended text of the 2014 Directive is more specific than the 2006 SAD on the subject of independence and objectivity.

The requirement of independence from the audited entity is put not only on the statutory auditor or audit firm, but now also on "any natural person in a position to directly or indirectly influence the outcome of the statutory audit".

Some of the threats to independence are mentioned in the 2014 Directive and include:⁸

- Self-review, self-interest and advocacy;
- Financial, personal, employment, business or other relationships with the audited entity;
- Holding a material and direct beneficial interest or engaging in any transaction with financial instruments of the audited entity (except interests owned indirectly through diversified collective investment schemes⁹);
- Acceptance of gifts with a value higher than considered trivial or inconsequential;


⁶ This definition is the same as in the 2013 Accounting Directive, Article 2 (1):
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ.L.2013.182:0019:0076:EN:PDF>

⁷ 2014 Directive, Article 22 (1)

⁸ 2014 Directive, Article 22 (2, 4, 5 and 6)

⁹ I.e. often referred to as managed funds, such as pension funds or life insurance


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Association Internationale reconnue par Arrêté Royal en date du 30 décembre 1986



Federation of European Accountants
Fédération des Experts comptables Européens

Factsheet

Standing for trust and integrity



April 2014

EU Directive on Statutory Audits of Annual and Consolidated Accounts and EU Regulation on Statutory Audit of Public Interest Entities: Main Provisions relevant for Small and Medium-sized Undertakings

Background

In April 2014, new legislation on audit policy reform was approved which consists of a Directive and a Regulation, namely:

- A revision of the **Statutory Audit Directive (SAD)** (2006/43/EC)¹ containing a series of amended and new requirements applicable to all statutory audits within the European Union (EU) (hereafter "the 2014 Directive"). This Directive will need to be transposed by Member States into their national law within **two years after its entry into force**; and
- A **Regulation²** applicable only to statutory audit of **Public Interest Entities (PIEs)** (hereafter "the 2014 Regulation"). This technically comes into effect 20 days after publication in the Official Journal. Nevertheless, mainly due to the fact that this Regulation refers to the Directive, there is also a **two-year delay** in the application of most provisions included in the Regulation.

The legislation will be applicable in all European Union (EU) Member States and in the countries of the European Economic Area (EEA), being Iceland, Liechtenstein and Norway.

Small- and Medium-sized Practices³ (SMPs) and Small- and Medium-sized Enterprises (SMEs) are key to the audit market and its Members. This Factsheet is focused on the provisions included in the Directive and Regulation published on the FEE website⁴.

The definition, size criteria and thresholds for small undertakings⁵ on the risk analysis performed. The 2014 Regulation excludes auditing requirements are included in the 2013 Accounting Directive, Article 26 (2).

Appointment of the auditor

According to the 2014 Regulation, undertakings with reduced market capitalisation or small and medium-sized PIEs are relieved from the requirement to organise a selection procedure as per the criteria laid down in Article 16 (3) [2014 Regulation, Article 16 (4)].

...

About FEE

FEE (Fédération des Experts-comptables Européens – Federation of European Accountants) is an international non-profit organisation based in Brussels that represents 48 institutes of professional accountants and auditors from 38 European countries, including all of the 28 EU member states.

FEE has a combined membership of more than 800.000 professional accountants, working in different capacities in public practice, small and large accountancy firms, businesses of all sizes, government and education – all of whom contribute to a more efficient, transparent and sustainable European economy.

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**Discussion Paper:
The Future of Audit and
Assurance**

Outcome of the Project



Opening a discussion:

The Future of Audit and Assurance



February 2014

Comments and responses to be submitted by 30 June 2014

- Developing a vision for the future scope and scale of audit and assurance
- Engaging with outside stakeholders in order to find solutions

**We are starting a
journey !**



Discussion open !

- **Online survey** set to grasp responses
- https://www.surveymonkey.com/s/discussion_future_of_audit_and_assurance
- Follow-up events and meetings are envisioned
- **Please help !** The more views we collect, the further we can develop this project



Our Focus for the Future of Audit and Assurance

- Enhance quality in our day-to-day activities
- Improve our output: the auditor communication
- Develop and deepen services that are more relevant by better responding to stakeholders' needs

All about Audit Quality

Quality determined by (global) **standards**: key distinguishing element for the profession

Standards, yes, but not only

- Need to promote **professional scepticism** at the heart of our profession
- Demonstrate the application of the **ethical fundamental principles**: professional ethics is and should continue to be the bedrock of the profession in the future

The Profession's Fundamental Principles



Integrity
Objectivity
Professional Competence and Due Care
Confidentiality
Professional Behaviour

■ Ethical behaviour

- ↪ Fundamental for **public trust and confidence**
- ↪ Bedrock of the profession **now** and for the **future**

How can we further develop and demonstrate integrity and objectivity?

What about Standard Setting?

Are standards becoming too **rules-based**?



- ↳ Structured and more transparent approach
- ↳ 'Benchmark': minimum unified requirements



- ↳ Too strong guidance may **limit innovation**
- ↳ Application of standards through "check-lists" that diminish professional judgement
- ↳ Overemphasis on documentation – form over substance

Are standards becoming too rules-based?

Do standards add the intended value or do they inhibit innovation?

A critical factor for the Future: Impact of IT

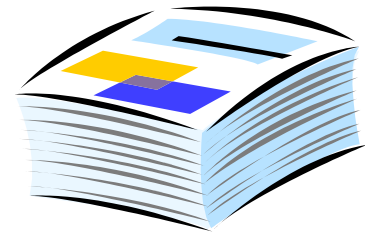
- The business environment is changing and auditors need to adapt
 - ✚ IT has and will have a huge impact on the business models of our practices – **‘Big Data technologies’**
 - ✓ Automation of data collection and reconciliation,
 - ✓ Automation of audit sampling and testing,
 - ✓ Automation of complex recalculation, etc.

**IT training for every auditor?
At least one IT expert on every team?**



PIE and larger entities focus: Auditor Communication

- Is expressing an audit opinion enough?
 - ↪ The auditor communication should be developed **beyond the “pass or fail”**
 - ↪ The IAASB project is a strategic step
 - More meaningful entity-specific information
 - Explain important issues behind the figures (goodwill, estimates), going-concern, more qualitative information
 - ↪ Will this be sufficient?



Grading or rating system? More **frequent and other** reporting? **Other methods** of communication?

Role of Practitioner in SMEs beyond Numbers and Statutory Requirements

Develop beyond numbers

- ↪ Use our expertise and unique skill sets to develop other solutions to better meet stakeholder & business needs
- ↪ **Market-driven** innovation
- ↪ Focus on internal controls, processes or **non-financial** information
- ↪ Market/sector **insights**



Businesses are not interested in technicalities, they need our work to be **meaningful** to them

Developing New Approaches

- New “forms of assurance” to pre-empt higher audit exemption thresholds in the EU
 - ↳ Extended reviews: recent developments in Denmark and the Netherlands
 - ↳ Compilation services like in Germany
 - ↳ Voluntary audits in the interest of third parties
 - ↳ ...
- Assurance in areas beyond numbers to better meet stakeholders’ needs
 - ↳ Development in Integrated Reporting are monitored closely
 - ↳ Non-financial information are more and more important in the reporting framework of a company
 - ↳ ...

Conclusion: Looking Ahead

- We need to anticipate the reassessment of the role of the profession and be at the forefront in shaping change
- **Development** driven by
 - ↪ Relevance
 - ↪ Quality
 - ↪ Integrity
 - ↪ Transparency
 - ↪ Innovation



Never stop seeking **new solutions!**

Next steps

- **Deadline for responses 30 June 2014**
 - ✚ Next step to be determined based on the analysis of the feedback received
- **Possible further steps**
 - ✚ 'Follow-up' paper
 - ✚ Roundtables, events



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