

Regional and National Audit Policy Developments

The session was moderated by Janine van Diggelen, Head of Audit & Reporting Quality at the AFM in the Netherlands, and IFIAR Vice-Chair.

Firstly, an update on the regional developments in Asia was presented, noting the challenges posed by the differences between the various economies in the region. It also included an update on the activities of the ASEAN Audit Regulators Group. A number of regional issues, including issues relating to group audits, talent attraction and retention, and market issues, such as appreciation of the value of audit, were noted.

The regional and national developments in the EU, the UK and the Netherlands were reported on. In the EU, the main changes stemming from the audit reforms recently agreed upon by the European Parliament were discussed, including mandatory audit firm rotation every 10 years with some options to expand that period, and limitations on the provision of non-audit services by auditors to their audit clients.

The Netherlands had already implemented mandatory rotation for PIE auditors, which would be effective as of January 1, 2016, with a more stringent 8 years cycle without the possibility of extension.

In the UK changes stemming from the Competition Commission recommendations led to increasing the numbers of both audit firms and audit files inspected annually. The UK also experienced an increase in tender activities for audits, in part also in response to the aforementioned recommendations. Further, the UK has expanded the audit report to address risks of material misstatements that had the largest impact on audit strategy and resources. Also auditors should now explain in the auditors' report how the concept of materiality was applied, and specifically include the materiality threshold used. The first experiences show a variety in application of the materiality requirement in recently-issued auditors' reports.

The European Audit Inspection Group (EAIG) had recently started populating a database of inspection findings with findings from audit engagement and quality control inspections for the ten largest European audit firm networks. The EAIG is now developing a common inspection methodology, first focusing on firm wide procedures, to drive consistency in inspection approaches and efficiency and effectiveness of inspections.

Participants in the session further discussed talent issues. Also, the impact of the recent European changes to national regulators and to IFIAR's activities was briefly touched upon. An important aspect thereof was the assessment by inspectors of the quality of tenders, and what role audit quality played in tenders of audits. Participants noted the importance of good corporate governance in order for tendering to be successful. Finally, some discussion on auditor reporting took place, noting that the

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changes now implemented in the UK and proposed by the IAASB are fiercely opposed in some jurisdictions on the basis of litigation risk.