



**EUROPEAN COMMISSION**

Internal Market and Services DG

FREE MOVEMENT OF CAPITAL, COMPANY LAW AND CORPORATE GOVERNANCE

Director

Brussels, 20.12.07 00004959  
MARKT/2007/18252

Mr Jim Sylph  
International Auditing and  
Assurance Standards Board  
by e-mail: Edcomments@ifac.org

Dear Mr Sylph,

**Subject: IAASB Strategy 2009-11**

1. We appreciate the opportunity to comment on the IAASB Proposed Strategy for 2009-2011. We encourage the IAASB to continue proceeding this way in the future when it comes to strategic issues.
2. We continue to take the view that the primary mission of the IAASB should remain ensuring the highest quality and consistent standards for the statutory auditors. Having said that, we are willing to also provide the IAASB with our comments on the proposed actions we see as crucial for the 2009-11 period. Our comments on the IAASB proposed strategy in this letter seek to only address items with a connection to statutory audit in the EU.

**Auditor's report (ISA 700)**

3. We support further research on auditor's report, as proposed in item A.1.2. The content of the auditor's report is critical. Art. 28 of Directive 2006/43/EC foresees that the Commission may adopt a common EU standard for auditors' reports of companies preparing their financial statements under IFRS. Therefore the IAASB should remain alert on ISA 700 over 2009-11.

**New technologies**

4. We refer you to a declaration of 15 November 2007 by the Council of the European Union<sup>1</sup> regarding an initiative by the European Commission to alleviate the administrative burden of SMEs arising from EU legislation, including on accounting and auditing. The Council calls on the Commission to consider the need for further integration in the fields of EU company law, accounting and auditing of electronic means, particularly with a view to the relationship between undertakings and public administration and/or within and between undertakings. We take the opportunity of this letter to inform the IAASB about the attention we intend to devolve in the future to the use of electronic means as a tool to reduce burdens and costs – including in

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<sup>1</sup> Council conclusions on the Communication from the Commission - "A simplified business environment for companies in the areas of company law, accounting and auditing" – Ref 15222/07

the ISAs. This is why we mark our support for an approach regarding the audit of XBRL financial statements (item A.1.3).

### **Regulatory pause**

5. We support the IAASB proposal to issue no further new auditing standards until auditors (and, ipso facto, regulators) have had two years experience in applying the standards redrafted under the Clarity project (item B.1) unless there is an urgent need to respond to unforeseen circumstances. We also support item B.1 in general, and the IAASB proposal to develop two standards (item A.1.1), in that we believe the measures proposed therein will assist the EU constituents with the implementation of the future standards.

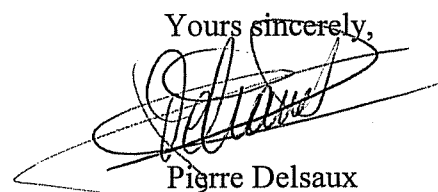
### **Impact assessments**

6. We consider it as vital that the IAASB assesses in the future the impact of new standards prior to their adoption (item B.3), and ask the IAASB to ensure that this proposal will become a reality sooner than later. This is an activity which international standard setters should integrate within their due process. As the IAASB does not carry out impact assessments for the time being, the Commission effectively carries this out. It is not helpful that various jurisdictions do this as such jurisdictions can only assess costs and benefits within its geographical remit, but not at a global level. The IAASB proposes in item D. measures to foster the global acceptance and convergence towards the ISAs. We believe that impact assessments will represent a key element to achieve these goals, and encourage the IFAC to not only confirm the principle, but also to set out how to implement this principle and within which timeframe.

### **Dialogue with regulators**

7. It is paramount that appropriate mechanisms for dialogue between the IAASB, the EGAOB, and the European Commission be initiated so as to enable devising coordinated and appropriate responses. In this respect, the IAASB proposals for a process for assessing the effectiveness of implementation of ISAs (item B.1.2) and for active discussions with audit oversight bodies (item D.1) are most welcome. We also appreciate the IAASB proposals to develop implementation guidance for auditors on the audit of complex valuation models (item B.2.2), especially useful in the context of the current sub prime crisis. We however caution the IAASB against the risk of developing implementation guidance that would represent "shadow" standards, and call for great prudence in this area (B.2).
8. I would like to emphasise that this comment letter cannot pre-empt any future official position of the European Commission on International Standards on Auditing.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Pierre Delsaux', is written over a large, light-colored scribble or stamp.

Pierre Delsaux

Cc: Jürgen Tiedje, European Commission, Members of the Audit Regulatory Committee, members of the EGAOB.