

**Questions related to the objectives of opening this discussion**

**1. How can we respond to expectations in a constructive and realistic manner?**

To give an adequate response to any question, the first step is to make a detailed analysis of the environment and specific moment in which it is framed, as well as the different realities and sensitivities of those who respond to it.

The risk of a global response on expectations (which feed more on perceptions and nuances rather than an unbiased reality) when the reality of the audit profession in the different countries can be very different, is to fall into a simplification that isn't useful to anyone.

In this sense, we consider that it is necessary:

- Segment the audit profession; and then build an appropriate responses for each segment. Historically segmentation has been based on the volume of business (an issue that obviously has a major importance) but there are (or may be) other equally important parameters that have not been considered to date.
- Doing a SWOT analysis for each segment.
- Understanding the needs of each segment / group.
- Many of the things that the FEE does, are appropriate but are "sold" or communicated improperly. The FEE should make an effort to "land" and "make understand" the work of the national regulators. As often happens with European political institutions, citizens perceived such a big distance between them and the institutions that they can not see a real connection. In this regard, efforts should be made to "approximate" the FEE to the auditors in order to increase their trust in the FEE.
- Deepening in the integration and standardization of the regulatory bodies.
- Focusing the efforts to raise awareness and strengthen on the profession, often much questioned by scandals of corruption and malpractice. Marketing campaigns to publicize the profession should be appreciated.

**2. How should the profession engage with stakeholders?**

We believe that the only way to do this is to provide a service that apart from "being", would be perceived as "useful" by the stakeholders. In addition, to be effective, this usefulness should be measurable in terms of social and economic advantages.

Traditionally, stakeholders are defined as those groups with an interest or impact on the activities of an organization. In our case, the differences between the concepts of organization and profession are diluted because in the profession there are different sensibilities. So that as pointed in question1, the first premise will be define properly the groups of interest and, subsequently, meet their demands through an effective communication.

Interest groups have already set their relevant KPI's to their business; anything not aligned with them will have difficulties to be perceived "useful" and not just a bureaucratic burden. Only in this way, the professional may perform their services with an adequate remuneration.

**Questions related to the section on the professional accountant's focus in day to-day activities**

**3. Do standards add the intended value or do they inhibit innovation? Are standards becoming too rules-based?**

As it can not be any other way, if there is a firm commitment to quality and professionalism of the audit profession, we consider that efforts should focus on on-going education and training and, less, in compliance with "standards". These "standards" represent, in many cases, high bureaucratic burden.

Professional judgment should be the base of the work; regardless the way this is documented.

If the objectives are clearly defined (as is the case of the audit) we consider that the continuous issue of "standards" does not add much value. In this context, it should be avoided that the standards take more importance than the substance. Probably, the issuance of specific case studies or guides (not directly applicable to other cases) would be a valuable tool.

**4. Do standards make our profession stand out? Why or why not?**

Although in auditing a minimum framework and guides are necessary, the massive release of "standards" often bureaucratized the audit activity. Too often, professionals have to spend a considerable part of their time to complete questionnaires that provide little "real" value to the work done. In addition, the profession often perceived these "standards" as mandatory without considering that they do not always fit the reality of a particular engagement.

**5. How can we further develop and demonstrate integrity and objectivity instead of only independence?**

The concepts of integrity, objectivity and independence are strongly related and, therefore, safeguards focus more on one or other concepts are not suitable. We believe that the integrity and objectivity appears enhanced if the objective of a high degree of independence is satisfied. It can be dangerous to enhance the objectivity and integrity and not the independence.

The concepts of integrity and objectivity should be enhanced training not only the audit professionals, but also the audit clients and the society in general.

**6. At which level will you be affected by IT innovation in the coming years? If applicable, for which type of services?**

IT innovation will affect all services. The impact assessment must be carried out from the dual perspective of IT for the audit profession itself (inside view) and to adapt and understand the clients audited (external view). In both cases, it is expected that relevant changes will occur.

Although the origin can be external, it would be necessary to adapt the internal IT. And it should be remembered that these IT innovations represent a major training effort.

Also, both regulators and supervisors must adapt to these changes.

7. **What are your views on the education and training of professional accountants and auditors? Is it fit for purpose? How can we ensure that it will be in the future? How can we develop education to improve the quality of services?**

On-going education and training is the basis for ensuring an adequate and consistent audit in the short, medium and long term.

Ensure an effective on-going education and training (and not merely another bureaucratic requirement) is one of the major challenges for the profession that nowadays is not fully resolved and, in fact, it is hard to do.

8. **How can we ensure that we create a new type of auditor who can adapt and react to the current and future business challenges?**

Again, with proper and useful on-going education and training that combines theory with practice. Additionally, especially in very small structures, it is necessary to establish mechanisms of collaboration with other similar structures to broaden the vision and to have access to different ways of doing the "same".

We also believe that it would be necessary to analyze the access to the profession in the different countries, ensuring they are suitable and to analyze the need to homogenize them between different EU countries.

<b>Questions related to the section on the focus on the auditor's communication</b>
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9. **Do you see merit in further exploring the suggested changes in auditor reporting outlined above?**

We consider of great value any effort focused on improving the content of the audit report to make it more useful to the users.

Nevertheless, we think that some of the proposals to extend the content of the report with specific sections about some specific issues (although understandable and licit) are built ignoring the real scope of an audit. If the society in general (something that mostly does not happen now) knew the work of the auditor in relation, for example, the going concern, probably they wouldn't emphasize the need to include a specific paragraph in the audit report.

We only want to point out that while we support the proposals to improve the audit report, we also consider that the audit report should not become a detail list of the work and findings of the auditor. To make it consistent, there should be a parallel awareness and explanation to the society about the work of the auditor.

10. **Are there any other areas in which the auditor's involvement could add value?**

There are many others, but prior to the analysis it should be clearly established which ones are possible without compromising auditors' independence.

11. **Do investors want different assurance to banks, to shareholders, to management?**

We believe that all of them should (and probably want) the same degree of security; a different question is the reasons and purposes for which they want it. Additionally, different degrees of security could create confusion among recipients of the reports.

In our opinion, the security level should not be linked to specific objectives of different groups, on the contrary it should be a unique concept; after that each group would work on it according to their interests. But we don't consider a correct and realistic option to define adapted levels of security or assurance.

**12. Should the recipients of the audit report be more clearly defined?**

We don't think so. We believe that the definition of users included in the IFAC Glossary is sufficient.

**Questions related to the focus on alternatives to better meet stakeholders' needs**

**13. According to your view, what range of services could be developed?**

Given auditors expertise, auditors could participate in other value-added services whenever, as indicated in question 10 above, they don't compromise their independence.

Most of the areas in which auditor's involvement could add value are those related with assurance; as auditors, we can apply our methodology and knowledge in order to provide more security on those areas where uncertainty levels are higher.

Apart from those considered in the FEE document, we consider that auditors can offer other services such as:

- Review of the internal control system.
- Review of the systems implemented to prevent fraud and corruption.
- Control of grants and public aids.
- Verification of the IR (integrated reporting).
- Verification of the sustainability reports.

**14. How can FEE be instrumental in further developments in this area?**

In those countries, as for example Spain, where those services that are not specifically audit (for example services encompassed in the area of "assurance") are not assigned to auditors, the FEE should take actions in order that the users understand that knowledge and experience in audit is required to perform other assurance services. Only if this is achieved it would make sense to consider or establish different services.

**15. Is there a need to consider alternatives to statutory audit for SMEs?**

We fully agree that there is a need to simplify procedures for the companies, and especially for the SMEs. Nevertheless, the audit should not be included in this process, as we consider that the audit of financial statements is, or should be, always the best way to give security to users about the reliability of the financial statements and it shouldn't be seen as an administrative imposition. On the other hand, we believe that in defining the limits of auditing each EU country should consider the characteristics of its business. Harmonize the limits can represent that in some countries, for example in Spain, a high percentage of companies will report non-audited statutory accounts.

Therefore, we consider that we should not look for services that substitute the audit of SME's but adapt it, following the aspects described in the next questions, to the needs of these companies.

A different issue is to use the knowledge and experience that auditors have, to provide certain services (as those detailed in this document) to SME.

**16. How could the range of service offerings be adapted in order to meet current and future needs in the SME environment?**

As we have indicated in the previous question, we consider that the audit of financial statements should be considered as a guarantee of security for the users of the entities' financial statements, regardless of their size (and we should make an effort to transmit it). Therefore, we understand that any other service or range of services offered should not be seen as an alternative, only as a service that offers a lower level of security.

**17. Is the profession too focused on financial information?**

We think the profession is too focused on historical financial information which makes that, in certain environments, audit only serves as legal compliance and does not really satisfy user's need of information.

**18. Is there a market demand for assurance on narrative reporting in annual reports? Why (not)?**

We consider that the current format of audit does not adequately meet the interests of stakeholders and therefore audit must evolve into another type of reports that will surely require another kind of expertise.

**19. Will the market demand assurance on CSG, ESG and <IR> as this type of reporting becomes more widespread? Why (not)?**

We believe that these types of services will have a greater demand. In the case of IR it could become a substitute for the statutory audit reporting (as it can give a better respond to the needs of stakeholders).

However, it will be important to assess whether we (as auditors) have the necessary skills to carry out new potential services, as these require a multidisciplinary teams with expertise in different subjects. It should be noticed that the knowledge necessary to verify such reports can exceed the financial knowledge. Training programs in these areas will be critical for the future of the profession.

**20. How can the profession help public sector entities achieve high-quality financial reporting?**

In Spain, at least:

- Through public-private partnerships for audits of public sector entities that would allow these entities to report promptly.
- Working with the public bodies responsible for both accounting or auditing standards to get an appropriate regulatory framework (for example, audit standards of the public sector similar to the NIA's)

<b>Question related to the conclusion</b>
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**21. What additional points should be considered in this debate?**

We believe that the three major areas in which the document is structured are sufficient. We also consider that the questions included in each of the areas enables a broad discussion of the current situation of the sector and allows to understand where we should direct the efforts to meet the needs of stakeholders.