

Communication

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Expectations with regard to the preparation of the audit plan and the comprehensive report

Scope

The auditors which are accredited by the National Bank of Belgium (NBB) pursuant to the Regulation of the NBB of 21 December 2012 on the accreditation of auditors and audit firms.

Summary/Objectives

This communication contains a number of attention points which the auditors should take into account in the future when preparing their audit plans and comprehensive reports.

Dear Auditor,

The National Bank of Belgium (hereinafter 'the Bank') has made a horizontal analysis of the audit plans and comprehensive reports which auditors are required to submit annually to the Bank. The requirement to submit these instruments was introduced by Circular NBB_2017_20 of 9 June 2017 on the duty of cooperation of accredited statutory auditors (hereinafter 'the Circular'). The underlying objective of this exercise is to gain more added value from these instruments after their first submission to the Bank in 2018. By comparing the reporting relating to a representative mix of institutions at a given time, a number of general trends could be identified. On the basis of these findings, the Bank expects the following points for attention to be addressed.

- Audit plan:
 - o The circular provides that the audit plan should be submitted before auditing the periodic statements. The Bank wishes to further specify this requirement and expects in this regard that the audit plan be submitted after it has been discussed by the audit committee and, in any case, nine months after the start of the financial year covered by the audit plan.
 - o In terms of content, the Bank expects the audit plan to accurately describe the risks identified in the context of the audit of the periodic statements, with a specific focus on the institution concerned. In this context, the audit plan should offer a good insight into the relevant activities planned.
 - o Given the above, it is useful and recommended to contact the Bank before finalising the audit plan, in order to ensure that all major points for attention are adequately covered by the plan. However, this does not constitute a formal validation of the audit plan by the Bank.
 - o The audit plan should always indicate whether or not the audit activities will be carried out using external experts.

- Comprehensive report:
 - o Attached to this letter is a template report listing all items from the circular. The auditor should henceforth use this template to mention, as required by the circular, for each item which information he/she deems sufficiently important and relevant, based on his/her professional judgement, to be reported to the supervisory authority for supervisory purposes.
If the auditor considers that nothing should be reported for a certain item in the comprehensive report, it is sufficient to fill in 'nil' for this item if it is part of his/her audit tasks or 'n/a' if the item is not part of his/her audit tasks.
 - o In completing the template report, the auditor may either copy relevant information from other reports or use references, e.g. to audit committee reports, provided that he/she specifies where the relevant information can be found (page, paragraph, etc.).
 - o The auditor is asked to include the main messages of the comprehensive report in an executive summary preceding it.
 - o Ex-ante consultation with the prudential teams is encouraged to ensure that the key points for attention are covered in the comprehensive report.
 - o As regards the comprehensive reports for insurance companies, we refer to the workshops recently organised with a number of audit firms. On the basis of the ongoing analysis of the information provided during these presentations, the comprehensive report template can be refined further to address certain topics in more detail.

As these recommendations do not require any additional work, the Bank expects you to take them into account in the future when preparing your audit plans and comprehensive reports.

Yours faithfully,

Pierre Wunsch

Annex: comprehensive report template - only available on www.nbb.be