

International Ethics Standards Board for Accountants
Attn. Mr. K. Siong

Submitted via e-mail to KenSiong@ethicsboard.org

P.O. Box 7984
1008 AD Amsterdam
Antonio Vivaldistraat 2-8
1083 HP Amsterdam
T +31 20 301 03 01
nba@nba.nl
www.nba.nl

Date Re
11 june 2020 ED Proposed
 Revisions to the
 Fee-related Pro-
 visions of the
 Code

Dear Mr. Siong,

The NBA welcomes the opportunity to comment on IESBA's proposals. As a member of Accountancy Europe (AE) we align with the comments AE provided you. We would like to make a few additional comments.

Question 1. Do you agree that a self-interest threat to independence is created and an intimidation threat to independence might be created when fees are negotiated with and paid by an audit client (or an assurance client)?

We agree that a self-interest threat to independence is created. However we believe this threat is not necessarily at an unacceptable level. A firm should evaluate so. We agree an intimidation threat *might* be created. This depends, for example, on which body of the audit client decides upon the fees and what fees precisely (for example additional work regarding the audit engagement or NAS). This does not necessarily have to be the body with whom the auditor mainly communicates about the performance of the audit engagement.

Question 5. Do you support that the guidance on determination of the proportion of fees for services other than audit in paragraph 410.10 A1 include consideration of fees for services other than audit:

- a. Charged by both the firm and network firms to the audit client; and
- b. Delivered to related entities of the audit client?

In principle we do. The proposal justly recognizes that the self-interest threat caused by a network firm due to the performance of NAS, is not necessarily at an unacceptable level. We read paragraph 410.10 A1 in conjunction with paragraphs 410.10 A2 and 410. A3. We recognize all examples of factors that are relevant in evaluating the level of such threats. One of these factors mentions the relationship of the related entities to the audit client. We believe, for example, if a network firm performs NAS to an immaterial component of the audit client, it does not cause a threat of an unacceptable level. However we do have the following remark. It is unclear what exact related entities fall under the scope of this proposal. Only related entities over which the client has direct or indirect control, as in R410.23 and R410.25 (only applicable to PIEs)?

Royal Netherlands
Institute of Chartered
Accountants



Questions 6 – 10. Fee Dependency for PIE Audit Clients and non-PIE Audit Clients

We consider it desirable that IESBA also proposes requirements with regard to fee dependency of audit clients that are non-PIEs. We already do so in the Netherlands. We chose to make no distinction between PIEs and non-PIEs, except from statutory audit clients due to the EU Audit Regulation. Our provisions regarding non-PIEs are based on the provisions regarding PIEs in the current Code (threshold is 15%, safeguards required after two consecutive years). However we require the performance of a pre-issuance engagement quality review (non-PIEs and PIEs).

The IESBA proposal regarding non-PIEs offer a choice between a review prior to the audit opinion being issued or after the audit opinion being issued (we realize IESBA proposes a review and not an engagement quality control). We believe a *post* review is neither an appropriate safeguard nor desirable. It could imply that you have to withdraw your audit opinion, if you conclude after the audit opinion was issued that the threat was at an unacceptable level. Therefore we recommend to reconsider the option of a review after the audit opinion being issued, and welcome IESBA's proposal regarding PIEs to drop the post-issuance review option.

For further information on this letter, please contact Jan Thijs Drupsteen via email at j.th.drupsteen@nba.nl.

Yours sincerely,

NBA, the Netherlands Institute of Chartered Accountants,



Anton Dieleman
Chair of the Dutch Assurance and Ethics
Standard Setting Board

