

International Ethics Standards Board for Accountants (IESBA)
Attn. Mr. Ken Siong

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Submitted via the IESBA website

Subject: IESBA Request for Input: Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits

Date	Re	Our ref	Attachment	Direct dial nr
June 8, 2022	IESBA Engagement Team and Group Audits	JTD	-	+31 20 3010281

Dear Mr. Siong,

The NBA welcomes the opportunity to be able to respond to the Exposure Draft Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits.

As a member of Accountancy Europe (AE), we would like to make some additional comments to the comments AE provided you.

Question 4. In relation to the proposals in Section 405 (Chapter 1), do you agree with the principles the IESBA is proposing for:

- a) Independence in relation to individuals involved in a group audit; and*
- b) Independence in relation to firms engaged in a group audit, including CA firms within and outside the GA firm's network?*

In principle, we do agree. However, we believe, as well as AE, that the application of the PIE independence rules to the non-network accountant of a part of a PIE Group (itself being non-PIE) is not a good development in specific for PIEs that are subject to European regulations.. We believe this could lead to further concentration of the audit market specifically in Europe. After all, the other new independence rules in addition to the existing rules regarding the adjustments of the Non-audit services (NAS) already provide sufficient guarantees for an independent audit. There is also the requirement of applying the conceptual framework. We therefore do not support application of the PIE independence rules to the non-network accountant of a non-PIE part of a PIE Group in R405.10.

In order not to directly transpose and apply the independence rules of the PIE to the component auditor at a non-PIE, we believe that the non-PIE independence rules are considered sufficient for the non-PIE component for independent statutory purposes. At PIE group level, the conceptual framework approach should then be suffice.

Finally, we have an additional point regarding the new NAS independence rules for PIEs have dropped the materiality criterion in the event of a threat of self-assessment. This therefore also affects the non-PIE component audit client. This creates the special situation that at the component audit client level a NAS could be provided because it has no material influence on the figures of the component audit client, but the same NAS for this component audit client is prohibited from the group audit requirements due to a threat of self-assessment (due to lack of materiality criterion for PIEs).

Question 6. Is the proposed application material relating to a non-network CA firm's provision of NAS to a component audit client in proposed paragraph 405.12 A1 – 405.12 A2 sufficiently clear and appropriate?

The application material is not clear enough to us. More elaboration is required in respect of 405.12 A2 examples. In specific more clarification should be provided in respect of performing / delivering accounting services (such as payroll administration services, compilation of financial statements, compilation on tax return (corporate tax) and VAT). In our view these should be allowed. It should be more clear if this is, or other services are, permissible and under which circumstances.

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

Yours sincerely,
NBA, Royal Netherlands Institute of Chartered Accountants,

Signed by,

Anton Dieleman
Chair of the Dutch Ethics and Assurance
Standards Board

