

International Ethics Standards Board  
for Accountants (IESBA)  
Attention Mr. K. Siong

Postbus 7984  
1008 AD Amsterdam  
Antonio Vivaldistraat 2-8  
1083 HP Amsterdam  
T 020 301 03 01  
nba@nba.nl  
www.nba.nl

Submitted via the IESBA website and via email to  
kensionsg@ethicsboard.org

Date	Re
24 February 2015	Consultation Paper "Improving the Structure of the Code of Ethics for Professional Accountants"

Dear Mr. Siong,

The NBA welcomes the opportunity to comment on the Consultation Paper "Improving the Structure of the Code of Ethics for Professional Accountants". We read it with great interest, because we (the Institute) recently revised our ethical and independence regulations (hereafter also 'standards') ourselves. Part of that revision was a change of the structure.

As of 1 January 2014, we have new and, as before, separate ethical standards and separate independence standards. An important part of the revision was to clarify and to simplify both regulations which, although taking into account national and European requirements, are closely based on the IESBA Code of Ethics ('the Code'). It resulted in understandable, to the point and enforceable principles based regulation that was well accepted and is supported by both the accountancy profession and the various stakeholders (including the legislator and regulator) outside the profession. One year later we have not heard of any serious difficulties working with these new standards.

Please allow us to seize this Consultation Paper, and in particularly questions 1, 2, 4, 6 and 7, to inform you what we did and to provide you with some recommendations. The recommendations are based on the experiences we have as to date with our revised regulations and the changes we introduced compared to the Code, while at the same time maintaining a close relationship to the Code.

As a member of the Federation of European Accountants (FEE), we refer to the comment letter FEE sent you in respect of the other questions.

**Question 1. Do you believe that the approach outlined in this Consultation Paper, as reflected in the Illustrative Examples, would be likely to achieve IESBA's objective of making the Code more understandable? If not, why not and what other approaches might be taken?**

and

**Question 2. Do you believe that the approach outlined in this Consultation Paper, as reflected in the Illustrative Examples would be likely to make the Code more capable of being adopted into laws and regulations, effectively implemented and consistently applied? If not, why not and what other approaches might be taken?**

- 1) In our opinion the initiatives included in the Consultation Paper are a good start, but additional changes are necessary in order to come to a Code/standards that is/are more understandable and more capable of being adopted into laws and regulations, effectively implemented, consistently applied and enforced.
- 2) In order to distinguish more clearly requirements from both explanation of requirements and further guidance (including examples), we recommend to include a) requirements, b) explanation of requirements, and c) further guidance (including examples) in separate documents.
- 3) We also advise to regulate (i.e. formulate requirements) primarily in Part A of the Code. After all the requirements in Part B (the independence sections excluded) and Part C do not really have the character of (stand-alone) requirements, but are practical examples of the application of the requirements of Part A in different situations. These can all be traced back to the general requirement to apply the conceptual framework (i.e. the current Part A).
- 4) a) In order to achieve the objectives, we additionally recommend to split off the independence sections from the rest of the Code, and to implement the independence requirements in a regulation/standards separate from the Code (under the conditions described in comments 6 and 7). An extra argument to support a separate independence regulation is that independence is not only about objectivity, but about integrity and professional scepticism as well. Further a separate regulation is more in line with the public's attention for independence issues. It also makes more clear that independence is not a fundamental principle in itself (whereas objectivity is).  
  
b) We emphasize that splitting off the independence requirements, if properly done, hardly results in recurrence of requirements of Part A of the Code. We suggest to use the separate document with explanation of requirements - if chosen for - to explain the relationship between the independence requirements and the fundamental principles.
- 5) We doubt the need to distinct between professional accountants in public practice and professional accountants in business. The requirements should be linked to the nature of the professional service, not the classification/position/role of the professional accountant. A lot of professional services may be performed by both kinds of professional accountants and in both cases the requirements should be the same. Further we can't expect the public to know and understand the differences between the two kinds of professional accountants and any differences between the requirements that would be applicable. It will help both professional accountants and stakeholders to better understand the Code and therefore advance support for the Code, if there will be only one set of ethical requirements that is applicable to all professional accountants without any distinction. An additional benefit is that Parts B and C cannot be misinterpreted as stand-alone chapters any longer. And it clearly shows that professional accountants in business are bound to the same ethical requirements as professional accountants in public practice. The contents of the current Parts B and C could be transferred into application and other explanatory material.

- 6) We also encourage IESBA to investigate whether independence requirements should apply to all professional accountants (for instance internal auditors or government auditors) who perform an assurance engagement of any kind, and not only to professional accountants in public practice. Once again, it should be the nature of the engagement that defines whether the independence requirements are applicable, not the classification/position/role of the professional accountant.
- 7) a) Furthermore we advise to give up the distinction between audit and review of historical financial information on one hand (Section 290) and other assurance engagements on the other hand (Section 291), and reduce the independence requirements to those in Section 290 only (change scope to all assurance engagements). We cannot expect the public to understand that the degree of independence depends on the subject matter – one is independent or not. After all the degree of confidence of the intended users about the outcome of the evaluation or measurement of the subject matter against criteria will be the same. Besides that, the importance of other assurance engagements continues to grow.
- b) Independence standards should maintain their principle based character, but set clear borders on specific topics (based on 'non-rebuttable assumptions') at the same time.

**Question 4. Do you believe that issuing the provisions in the Code as separate standards or rebranding the Code, for example as International Standards on Ethics, would achieve benefits such as improving the visibility or enforceability of the Code?**

- 8) We support the idea of rebranding the Code into Standards (both for ethics and independence). We believe that if the appearance of the Code would be closer to that of a regulation/law (calling the requirements "Standards" and clearly separating the requirements from the background info, the application guidance and the examples will contribute to that appearance), it will be more noticed and recognized by non-professionals such as the public, legislators, regulators, supervisors and the judicial power. Visibility and recognition will stimulate support by both the profession and other stakeholders. More support will stimulate adoption and implementation.
- 9) a. However we do not believe the title itself influences the enforceability of a regulation. Enforceability depends on the subject matter. In respect to a professional's behaviour, we deal with so called "open" norms/standards. One's mind-set is hardly capable of being enforced. However, what can be enforced, is the general requirement to apply the conceptual framework in order to comply with the fundamental principles, the requirement to undertake certain (specific) actions in a few specific situations (for example disassociation from misleading information [integrity]), and the requirement to (document threats and safeguards in order to) justify one's evaluation of a situation and the safeguards one has taken or not taken.
- b. We emphasize that restructuring the Code into Standards, if properly done, does not result into rules based regulation.

**Question 6. Do you consider it is necessary to clarify responsibility in the Code? If so, do you consider that the illustrative approach of responsibility is an appropriate means to enhance the usability and enforceability of the Code? If not, what other approach would you recommend?**

and

**Question 7. Do you find the examples of responsible individuals illustrated in paragraph 33 useful?**

- 10) We believe it will help the clarity and the understanding of the total framework of the Code, ISQC1 and the ISAs, if requirements applicable to the individual professional accountant, organization and engagement will each be dealt with in separate standards. That approach also reduces the risk of inconsistencies between the different standards and, at the same time, reduces the amount of repetition/duplication.
- 11) In case IESBA chooses to address any firm requirement in the Code, we strongly recommend to maintain the cross-references to ISQC1 and the ISAs in 290.12, but not to introduce any additional requirement(s) and guidance that are applicable to firms.
- 12) If IESBA is of the opinion that it is necessary to address the issue of responsibility for maintaining independence inside the firms (more clearly), than it will be appropriate to discuss the issue with IAASB to see whether it is possible to come to a revision of ISQC1 in this respect.

#### **Attachments**

In order to illustrate what our recommendations could result in, we will send you- an unofficial translation of the:

- Dutch Ethical Standards ('VGBA') and the explanatory notes; and
- Dutch Independence Standards ('ViO') and the explanatory notes.

We expect to be able to sent you this next week.

For further information on this letter, please contact Jan Thijs Drupsteen via email at [j.th.drupsteen@nba.nl](mailto:j.th.drupsteen@nba.nl).

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

Signed by  
Peter Eimers  
Chair of the Dutch Assurance and Ethics  
Standard Setting Board