

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

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

Submitted via the IESBA website and via email to ken-
siong@ethicsboard.org

Date	Re	Our ref	Attachment
18 april 2016	ED "Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1"	FBB - 160418	-

Direct dial nr
020-3010302

Dear Mr. Siong,

The NBA welcomes the opportunity to comment on the Exposure Draft "Improving the Structure of the Code of Ethics for Professional Accountants – Phase 1".

As a member of the Federation of European Accountants (FEE), we align with the comments FEE provided you. We wish to make a few comments in addition.

Royal Netherlands
Institute of Chartered
Accountants

Re. question 1 Do you agree with the proposals, or do you have any suggestions for further improvement to the material in the ED, particularly with regard to (c) the clarity of the principles basis of the Code supported by specific requirements.



We recommend IESBA to clarify the relationship between the fundamental principles and the requirements in the Code. Requirements derive from one or more fundamental principles. For a correct understanding of the Code it is essential that it is clarified that requirements, among them independence requirements, are the result of the application of the conceptual framework by IESBA beforehand, including the third party test ("this is how the public will look at this specific situation/this is how the public will expect a professional accountant to act in this specific situation"). At the same time this is the justification for why a principle based Code includes a few requirements.

Miscellaneous

In our response to the IESBA Consultation Paper "Improving the Structure of the Code of Ethics for Professional Accountants" we informed you that the NBA has new ethical and independence standards as of 1 January 2014. We introduced a few changes compared to the structure of the Code in order to further clarify the Code, while at the same time maintaining a close relationship to the Code. It resulted in understandable, to the point and enforceable principle based standards. It turns out that our new ethical standards are well accepted and are supported by both the accountancy profession as well as the various stakeholders (including the legislator and regulator) outside the profession. From that perspective we would like to inform you about the amendments we made.

We implemented one general set of ethical standards and one set of independence standards that are applicable to *all* professional accountants (no distinction between professional accountants in public practice and professional accountants in business). We took in consideration that both kinds of professional accountants are subject to the same fundamental principles and could be facing similar problems basically. However where we identified serious differences deriving from the work environment a professional accountant operates in, we converted a general rule into a standard that is tai-

lored to that specific work environment. This is particularly the case in our independence standards (see below).

We regulated primarily the extant Part A of the Code. We are of the opinion that the requirements in extant Part B (the independence sections excluded) and Part C do not really have the character of (stand-alone) requirements, with a few exceptions, but are practical examples of the application of the conceptual framework in order to apply with the fundamental principles in different situations.

Not only professional accountants in public practice but *all* accountants fall within the scope of our independence standards in case of assurance services. We believe it strengthens the position of internal and governmental auditors (professional accountants in business in the Code), when they are subject to independence standards as well. It strengthens their position in relation to the external auditor and, in his function as third line of defence, in relation to those charged with governance of the employing organization. In the Netherlands this has a positive effect on the quality of assurance engagements and the internal governance of the employing organization. We recognize that due to the employment relationship with the employing organization, internal and governmental auditors will never be totally independent.

We further have only one set of independence standards applicable to *all* assurance engagements (no distinction between audit and review of historical information [extant Section 290] and other assurance engagements [extant Section 291]). We reduced the independence standards to those in Section 290 only (changed scope to all assurance engagements). We chose to do so, because we believe that the degree of independence would not depend on the subject matter, while 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. Furthermore we took the increasing importance of integrated reporting in consideration. In our opinion we can't explain to third parties why a different set of independence rules would apply to the non-financial part of assurance on integrated reports.

Our independence standards have a principle based character. However we introduced some clear borders on specific topics at the same time. In some areas, in our role of standard setter, we applied the conceptual framework, including the third party test. It resulted in a few requirements ("this is how a professional accountant should act in this specific situation in order to be independent"), based on non-rebuttable presumptions ("the public will always identify this specific relationship as a threat to independence"). We experienced these clear borders help the profession when applying principle based (independence) standards. We recognize there is a cultural aspect to it.

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

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



Peter Eimers
Chair of the Dutch Ethics & Assurance Standards Board

