MAZARS

Ministerie van Financiën
T.a.v. de Weledelgestrenge heer Dijsselbloem
Korte Voorhout 7
2511 CW DEN HAAG

Rotterdam, 26 mei 2015
CS/150701

Betreft: Consultatiereactie Mazars

Geachte heer Dijsselbloem,

Graag maken wij gebruik van de mogelijkheid onze reactie te geven op het ter consultatie uitgebrachte concept wijzigingsvoorstel van de Wta ter implementatie van RICHTLIJN 2014/56/EU (Wijzigingsrichtlijn) en van bepaalde lidstaat opties in VERORDENING (EU) Nr. 537/2014 (Verordening) van het Europees Parlement en de Raad.

Mazars sluit zich inhoudelijk aan bij de consultatiereactie van de NBA. Ten aanzien van de volgende twee onderwerpen wensen wij nog aanvullend te reageren:

- de Rechtsbescherming van accountantsorganisaties, accountants en andere bij de wettelijke controle betrokken personen; en
- De joint-audit als kwaliteitsmaatregel.

A. DE RECHTSBESCHERMING VAN ACCOUNTANTSORGANISATIES, ACCOUNTANTS EN ANDERE BIJ DE WETTELIJKE CONTROLE BETROKKEN PERSONEN

Wij benadrukken het NBA-standpunt ten aanzien van de Rechtsbescherming van accountantsorganisaties, accountants en andere bij de wettelijke controle betrokken personen. De mogelijkheid tot een volwaardige, op inhoud gerichte beroepsmogelijkheid is naar onze mening essentieel. Naast de argumenten die de NBA in haar brief en bijlage B aandraagt zijn wij van mening dat deze namelijk bijdraagt aan de ontwikkeling van jurisprudentie voor het accountantsberoep en daarmee een positief effect zal hebben op de kwaliteit van de accountantscontroles.

B. DE JOINT AUDIT ALS KWALITEITSMAATREGEL

In paragraaf 3.2.3. van het Memorie van Toelichting geeft u aan dat de joint-audit niet verplicht wordt gesteld vanwege de ten opzichte van de mogelijkerwijze te behalen kwaliteitsverbetering niet proportionele hoge kosten die met een joint-audit samenhangen.

ACCOUNTANTS • BELASTINGADVISEURS • MANAGEMENT CONSULTANTS
RIVIUM PROMENADE 200 • POSTBUS 23123 • 3001 KC ROTTERDAM
TEL: 088 27 71 328 • FAX: 088 27 71 320 • mph.secretariaat@mazars.nl

MAZARS

Als onderdeel van een internationale groep met een Franse oorsprong hebben wij de nodige ervaring opgedaan met joint-audits. Hierbij constateren wij dat het kostenverhogend effect zeer beperkt en beheersbaar is, circa 2,5% tot 5%. Dit lijkt ons een beperkte investering in het kader van de gewenste hogere kwaliteit van de accountantscontrole.

Andere voordelen van een joint audit zijn onder andere naar onze mening:

- gefaseerde rouleringsmogelijkheden;
- versterking onafhankelijke positie van de accountant:
- bevordering van de marktwerking in de auditmarkt

Wij constateren met genoegen dat in navolging van de Europese voorstellen u de mogelijkheid tot het instellen van joint-audits ook in de Nederlandse verhoudingen in stand laat. Helaas constateren we ook dat u geen verlenging van de maximale contractstermijn in het geval van een joint-audit mogelijk maakt. Dit in tegenstelling tot andere economieën in Europa zoals Frankrijk, Duitsland en Spanje waar een dergelijke verlenging is doorgevoerd of wordt overwogen. Wij menen dat de kwaliteitsverhogende elementen van de joint-audit een verantwoorde basis vormen voor een eventuele langere betrokkenheid van het accountantskantoor bij een dergelijke opdracht en verzoeken u deze verlengde termijn nader te overwegen.

De brochure "What you need to know about joint audit", waarin achtergrondinformatie aangaande joint-audit is opgenomen, voegen wij ter informatie toe.

Wij verwachten met deze reactie een constructieve bijdrage te leveren aan een goede implementatie van de richtlijn en de verordening in de wetgeving in Nederland.

Mocht deze reactie tot vragen leiden dan kunt u zich wenden tot Peter Hopstaken.

Hoogachtend,

MAZARS PAARDEKOOPER HOFFMAN N.V.

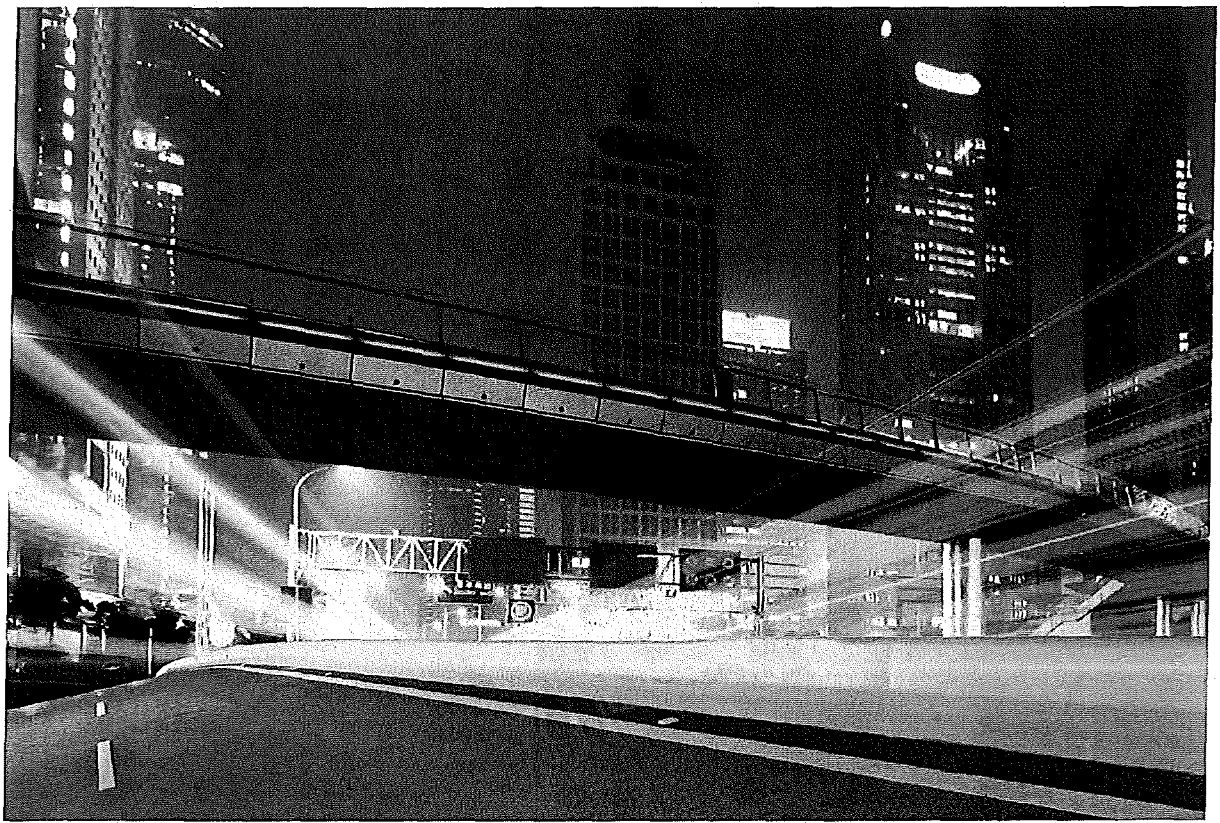
A. Tuinier

drs P.A.J. Hopstaken RA

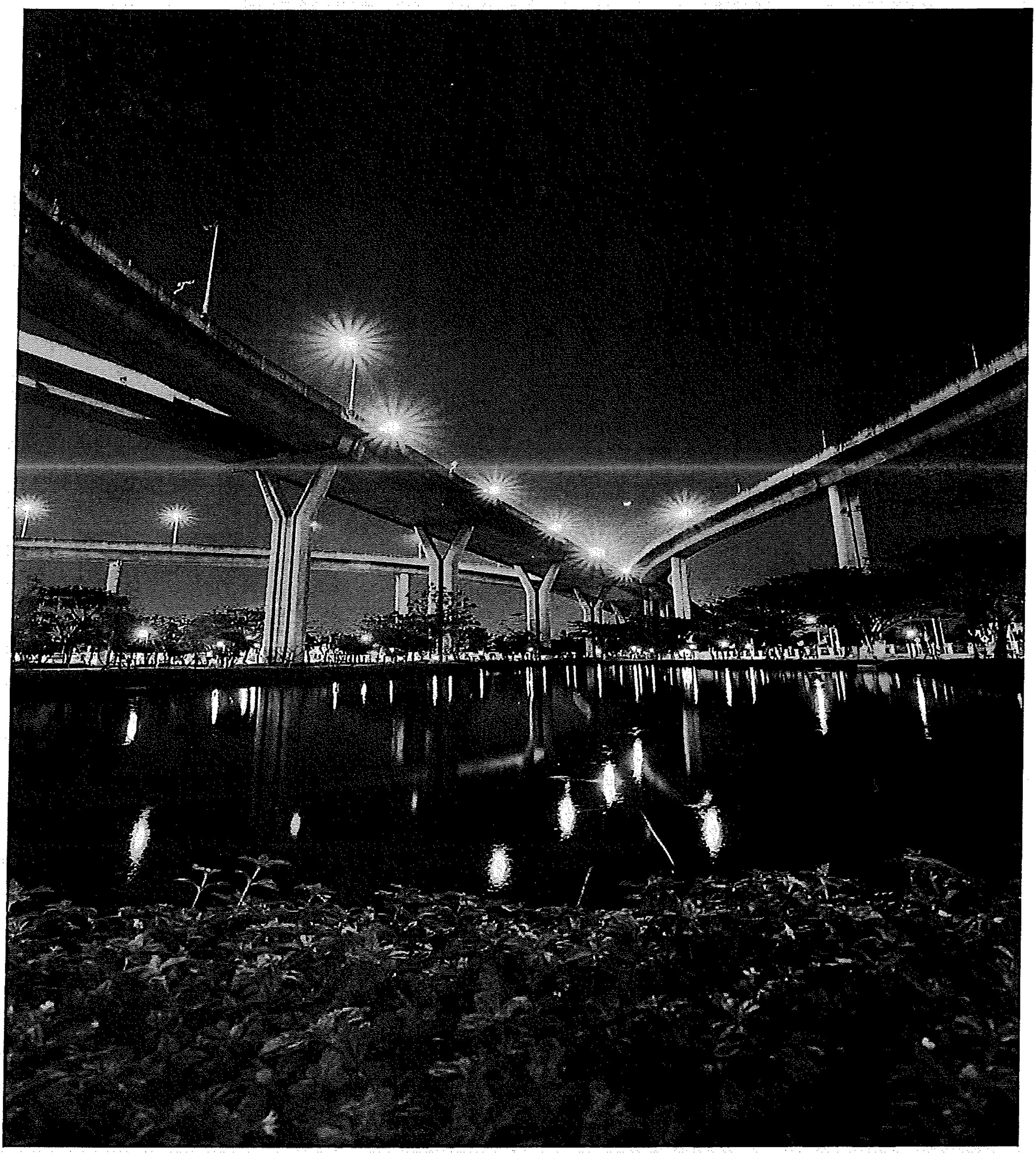
WHAT YOU NEED TO KNOW ABOUT JOINT AUDIT

MAZARS

MAZARS IS AN INTERNATIONAL, INTEGRATED AND INDEPENDENT ORGANISATION SPECIALISING IN AUDIT, ADVISORY, ACCOUNTING, TAX AND LEGAL SERVICES. AS OF JANUARY 1, 2014, THE GROUP OPERATES IN 72 COUNTRIES, AND DRAWS ON THE EXPERTISE OF 13,800 PROFESSIONALS TO ASSIST MAJOR INTERNATIONAL GROUPS, SMES, PRIVATE INVESTORS AND PUBLIC BODIES, AT EVERY STAGE IN THEIR DEVELOPMENT.



CONTENTS



The European Audit Reform has been adopted by the co-legislators of the European Union and is expected to become effective by mid-2016. One of the main novelties of this reform is mandatory rotation of audit firms after a set number of years. This Reform also encourages Joint Audit as it provides clear incentives for Public Interest Entities (PIEs) to transition to this system by allowing their auditors a longer rotation period.

Often misrepresented or misunderstood, Joint Audit is a system with virtues and deserves full consideration. As professionals with significant experience working within this system, we would like to present you with a guide that explains the main features of Joint Audit, its application and its associated benefits.

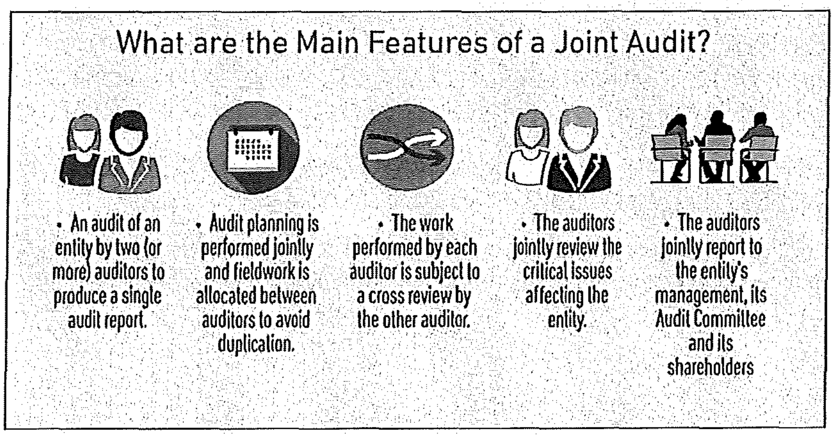
**Given that Joint Audit has been practiced the longest in France (since 1960), we thus refer to the French experience as our main reference in this document.*

1. WHAT IS A JOINT AUDIT?

A Joint Audit is when two separate audit firms are appointed by an entity to express jointly a single opinion on its consolidated financial statements.

- It is fundamentally different from a 'dual' audit (or 'shared audit') whereby one firm (or sometimes more) auditing parts of a group reports to another audit firm that ultimately signs off on the group audit.
- Statutory joint-auditors MUST belong to separate audit firms.

The legal requirement is for at least two statutory auditors to be appointed (but a larger number is possible).



2. TO WHICH ENTITIES DOES JOINT AUDIT APPLY?

The code of commercial law in France requires the appointment of two statutory auditors by all companies required to prepare and publish consolidated financial statements.

- Other companies having material subsidiaries with the exception of:
    - Small groups (with fewer than 250 employees, €15 million of total assets or €30 million of revenue),
    - Sub-groups of companies that already prepare consolidated financial statements.
- Government owned entities with subsidiaries.
- Banking entities with total assets in excess of €450 million are also subject to Joint Audit.

In practice, the Joint Audit requirement covers a very large part of the market comprising of Public Interest Entities (PIEs).

Though the legal requirement for a Joint Audit is to have at least two statutory auditors; a larger number is possible.

- EXAMPLE - Some CAC 40 groups have opted for 3 Joint Auditors: BNP Paribas has had 3 Joint Auditors since 1994.

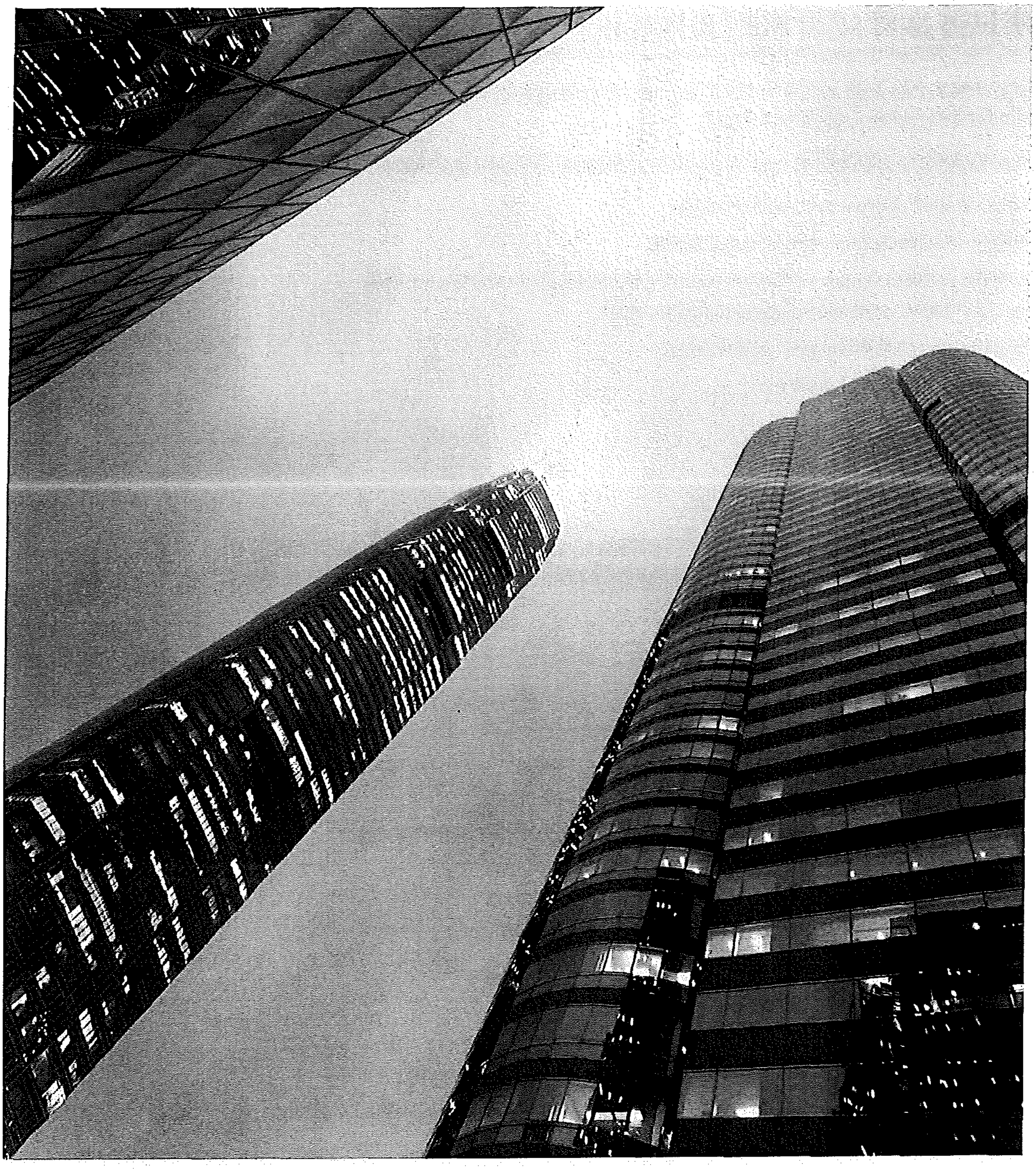
3. HOW ARE JOINT AUDITORS APPOINTED?

In France, audit assigments are effective for a 6 year period. The auditors are appointed by the shareholders of the audited entity, normally by resolution at the general shareholders meeting.

There is no legal requirement for the appointment dates of both audit firms to coincide. Some examples of "staggered" appointments do exist, but in most cases, and for historical reasons, the dates of appointment for both audit firms do coincide (meaning that both firms may therefore be subject to tender at the same time).

"Staggered" management of joint audit appointments might occur more frequently now with the introduction of mandatory rotation at EU level (see section 9).

- This practice will enable the continuity of knowledge from one audit firm to the next and will strengthen audit independence (since tendering will take place at more frequent intervals).



4. HOW DOES JOINT AUDIT WORK IN PRACTICE?

Within large groups, Joint Audit applies by law to any ultimate holding company. Joint Audit could also be extended in practice to material subsidiaries abroad.

Much like a solo audit, the Joint Audit of a group's consolidated financial statements is divided into 5 key phases:

① Defining the audit approach or audit strategy.

② Auditing the financial statements of subsidiaries.

③ Auditing the holding company or parent company's individual financial statements.
(Phase 2 & Phase 3 could take place simultaneously.)

④ Auditing the consolidated financial statements.

⑤ Establishing a Joint Audit opinion.

EXAMPLE

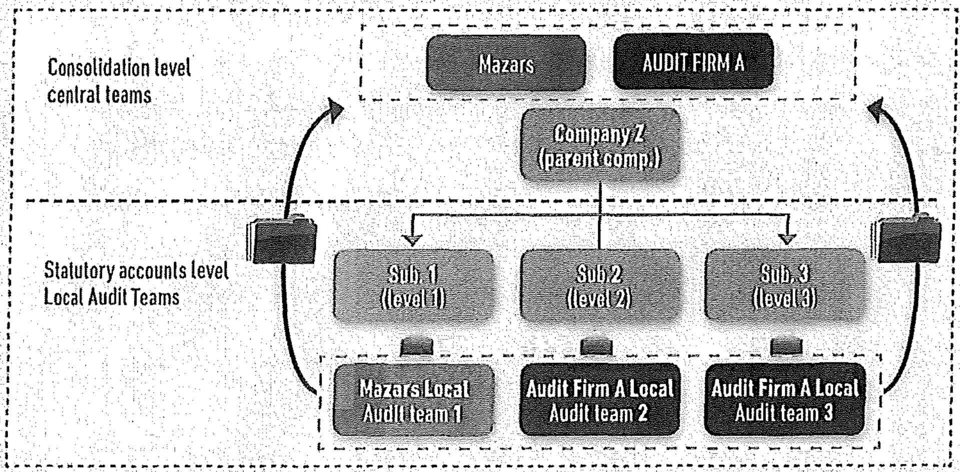
Mazars and Audit Firm A have been nominated as joint auditors of Group Z, and has 3 subsidiaries in various countries with the scope of work differing from one subsidiary to the next. Each subsidiary is audited by only one audit firm.

Phase ① Defining the audit approach or audit strategy

1. Before the joint auditors begin their work, they first agree on the audit strategy and decide jointly on the scope of the work based on a risk analysis.
2. Their strategy is discussed with the Audit Committee of Company Z or its general management.
3. Once a consensus is reach, the joint auditors then set the thresholds and formalize their strategy in a shared joint audit memo.
4. After defining the audit strategy, the auditors of the holding company or parent company prepare audit instructions which are then communicated to the local auditors at subsidiary level.

Phase ② Auditing the financial statements of subsidiaries

1. The financial statements of the subsidiaries are audited by the local auditors in accordance with the audit instructions provided by the holding company or parent company auditors.
2. Local auditors send their reports on the subsidiaries' account to the central team in charge of the group consolidation.



Note: when complex and sensitive topics are identified, the Auditor in charge of the respective entity communicates with the other joint auditor at group level to reach a joint position.

Phase ③ Auditing the holding company or parent company's individual financial statements

1. The audit work is divided between the joint auditors on the basis of the applicable audit cycles and/or corporate functions. In the example below, audit cycles are attributed to each auditor depending on their respective importance in the balance sheets and/or P&L. The joint auditors cover all the audited entity's material balance sheet and income statement items and optimize distribution of audit work to promote a balanced Joint Audit.

Audit cycles	Mazars	Audit Firm A
Plan property & equipment	✓	
Tangible, intangible and financial assets		✓
Inventory	✓	
Sales/receivables		✓
Cash & equivalents		✓
Shareholder's equity	✓	
Provisions for risks and charges	✓	
Purchases / payables	✓	
Company personnel		✓
Taxes	✓	
Other debts and receivables		✓

2. At the end of the audit work, the procedures performed by each auditor are subject to a peer review.

Note: This breakdown could also apply to Phase 2 (auditing the financial statements of subsidiaries) if there is a Joint Audit taking place at subsidiary level.

Phase 4 Auditing the consolidated financial statements

1. The joint auditors agree on the scope and distribution of the audit work either by topics (like in the example below), by business segment, or by geographical zone, thus providing complete coverage of the consolidated accounts.
2. At the end of the audit, a peer review will be carried out by the other auditor.

Audit Firm in charge	Mazars	Audit Firm A
Subsidiaries coordination	✓	✓
Perimeter review		✓
Elimination of equity shares	✓	
Consolidation adjustments	✓	✓
Equity method		✓
Interco elimination		✓
Deferred taxes	✓	
Social commitments		✓
Cash flow statement	✓	
Review the disclosed financial information	✓	✓

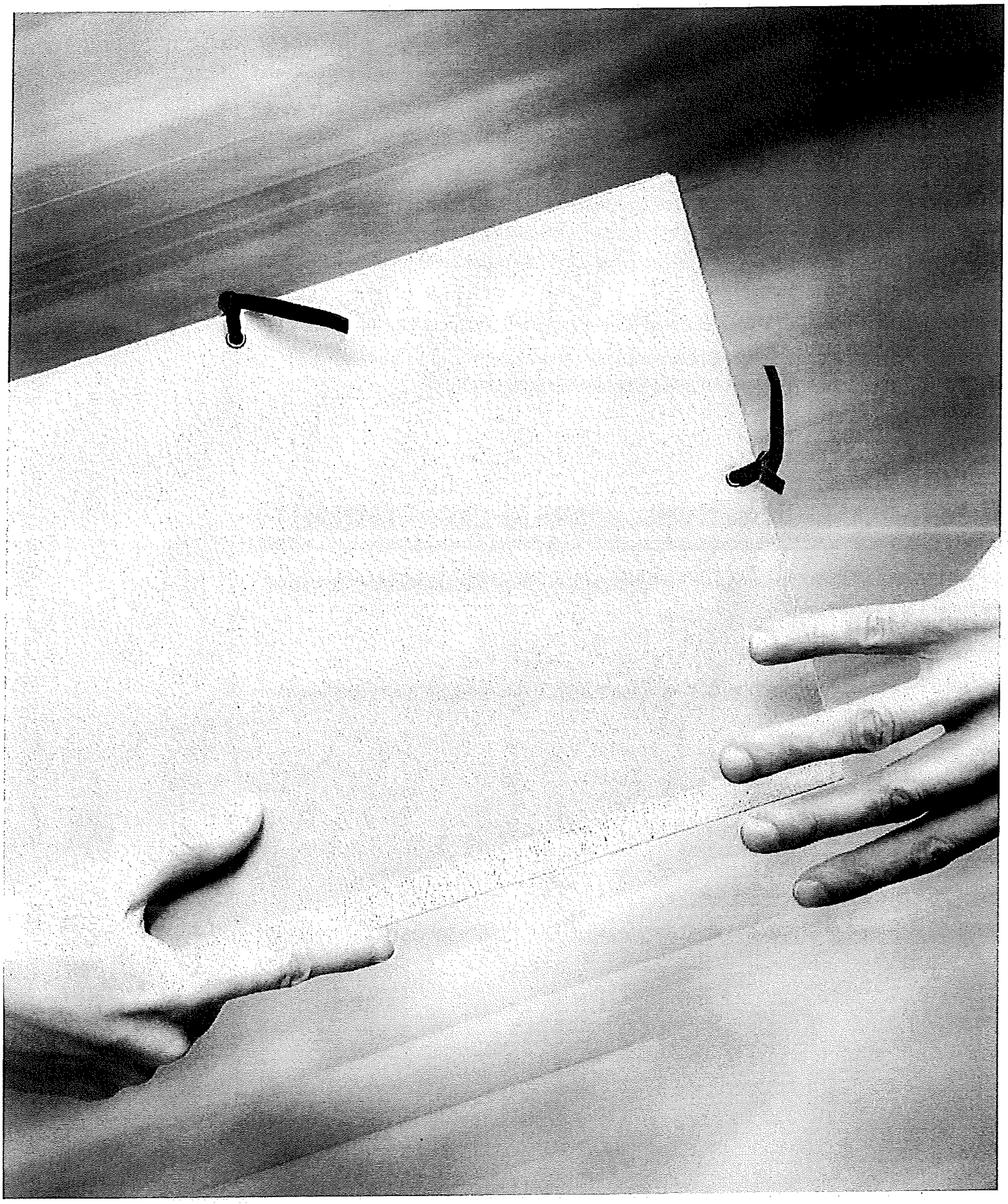
** Please note that in the case of major groups, the Joint Audit approach is often applied within each of the group's businesses in order to ensure oversight by "two sets of eyes" for each business line.*

Phase 5 Establishing a Joint Audit opinion

1. A single Joint Audit opinion is reached once Mazars and Audit Firm A perform a documented reciprocal peer review of the work performed by the other.
2. Mazars and Audit Firm A prepare a combined summary of their findings and discusses it with Company Z's general management or its Audit Committee.
3. The signing auditors from Mazars and Audit Firm A attend Company Z's Board of Directors meeting during which the group's annual and half-yearly financial statements are issued. During this meeting and other related meetings, both Mazars and Audit Firm A speak with a single voice.

The joint auditors are **jointly liable** for the audit opinion provided.

When specific circumstances occur (change in the regulatory environment, acquisitions, exceptional transactions, etc.), consultations are generally performed by one single audit firm and conclusions are shared with the other auditor to establish a joint position.
In the case of disagreements between the joint auditors, there are special procedures for the formulation of their audit opinion.



5. HOW IS THE OVERALL AUDIT WORK ALLOCATED BETWEEN JOINT AUDITORS?

It is highly recommended to divide the audit work between the joint auditors on a balanced basis reflecting criteria which could be quantitative (the estimated number of work hours required for the audit) or qualitative (the qualification and experience of the audit teams).

- Each joint auditor should receive between 40% and 60% of the total fees. In this above example, a 50/50 fees' split was decided based on the distribution of work: audit cycles have been fairly distributed between Mazars and Audit Firm A in order to minimize duplication and to ensure balanced workload.
- A division between 70% - 30% may be tolerated but are generally monitored by the regulator.
- In Denmark, Joint Audit did not succeed because they were organized in an "unbalanced" manner (there was a 90% - 10% split of total audit fees for joint auditors).

6. WILL JOINT AUDIT BE AN ADDITIONAL BURDEN FOR AUDITED ENTITIES?

If the scope of the Joint Audit is well defined from the beginning, then the additional work would be minimal and only beneficial to the audited entity.

This additional work primarily involves:

- The attendance of signing auditors from each audit firm to the audit summary meetings;
  - with the audited entity,
  - with the governing bodies.
- Coordination of the overall audit approach.
- Reciprocal reviews.
- Coordination on technical issues.
- Sharing and discussing key audit issues.

These optimal practices are meant to promote a critical eye to avoid any issues from "falling between the cracks".

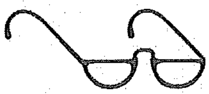
7. WHAT IS THE COST OF JOINT AUDIT?

Joint audit can induce additional cost, but these **costs remain marginal and rarely exceed 2.5 - 5%**[1]. This minor additional cost must be compared with the additional security provided by the 'four eyes principles' and the reciprocal review. Moreover, research on the topic of group audit budgets does not disclose any notable difference between France and other European Union countries. Joint audit also creates a more competitive environment that is conducive to a reasonable price/volume balance for the market.

In practice, the additional cost is borne by the audit firms rather than being passed on to the audited entity.

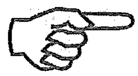
8. WHAT ARE THE BENEFITS OF JOINT AUDIT?

- Macro-Economic Policy



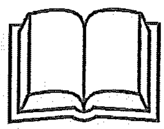
- Is the only proven mechanism enabling new entrants into the audit market for large multinational companies.
- Stimulates competition between a greater number of audit firms from different cultural backgrounds, resulting in more innovation and better response to market needs.
- Enables the smaller firms to get on a ladder of investments, be it in terms of geographic coverage, sector expertise or size.
- Mitigates the risk of the Big 4 becoming the Big 3 which would result in regulatory capture.

- Independence and Objectivity



- Reinforces auditor independence, in particular over proper acceptance of non-audit services.
- Reduces the risk of over-familiarity through rotating the allocation of fieldwork between the joint auditors after a set number of years..
- Reinforces the auditors' ability to stand their ground in the event of a disagreement with the entity.
- Encourages healthy dialogue between the two audit firms appointed which brings a critical eye on the respective work of each auditor.

- Quality



- Reinforces audit quality via the "four eye" principle by creating timely and in-built independent quality control.
- Stimulates innovation and awareness ("critical eye") through rotating fieldwork after a set number of years.
- Enables a smooth and sequenced rotation of audit firms which minimises disruption to the client by harmoniously transferring knowledge and understanding of the entity's operations and culture.
- Offers the audited group a broader spectrum of skills and geographic coverage to work/choose from
- Enables comparison of service levels between the firms which drives service quality up.
- Is fully compliant with International Auditing Standards in particular ISA 600.

- Technical Knowledge

- Enables entities to benefit from the technical expertise of more than one audit firm and to have a richer discussion on complex technical issues.
- Increases the technical knowledge base by encouraging a more diverse audit market.
- Offers additional scope for benchmarking best practice across the market.

1. The evaluation of additional costs relating to joint audit (ranging from 2.5 to 5% of the total audit costs) was tested on two large listed groups (CAC40 index). This analysis was conducted from the actual fee budgets agreed upon for those two groups (by the joint auditors and the management and governance of each group).

9. HOW DOES THE EUROPEAN AUDIT REFORM EMBRACE JOINT AUDIT?

Joint Audit is recognized as a system with merits in the new EU audit regulation, and its practice is encouraged by allowing joint auditors to benefit from a longer rotation period.

- Joint Audit benefits from a maximum duration of 24 years with no tendering required.
- By contrast, solo audits are subject to tendering after 10 years. Only in the case of positive tendering can solo audits benefit from a maximum duration of 20 years.
- PIEs may choose Joint Audit even after having engaged one single auditor for 10 years so that they may benefit from a 14 year extension, (assuming that the Member State or Regulator allow this option in their respective countries).

10. WHAT HAS BEEN FRANCE'S EXPERIENCE WITH JOINT AUDIT?

In Europe, Joint Audit in France is an example of a system that has a proven track record in keeping concentration levels in the PIE audit market lower than in other jurisdictions. Mazars is a living example of the benefits of such a system, permitting to build the necessary capacity to become a key player within the French market. Today, Mazars in France is in a position to refer significant volumes of work abroad, thereby facilitating the growth of our practices across the EU and in the rest of the world. Based on this experience, Joint Audit should be supported as a means to stimulate progressive investment in order to create a more diverse audit market.

HEC University of Jyväskylä, Universität Ulm

Is joint audit good or bad? Efficiency perspective evidence from three European countries

September 2011

http://www.econ.kuleuven.be/eng/tew/academic/afi/events/research_day/presentations/Ratzinger%20KULeuvenAuditConf.pdf

European Commission

Impact assessment accompanying the EU proposals

November 2011

http://ec.europa.eu/internal_market/auditing/reform/index_en.htm

Mazars is present in 5 continents.

CONTACTS

Mazars

Fatemeh Jailani
European Affairs Director
E-mail: fatemeh.jailani@mazars.fr

Address
61 rue Henri Régnault
92075 Paris - La Defense
France
Tel. +00 (0)1 49 97 60 00
Fax. +00 (0)1 49 97 60 01

Mazars Communication
Ref: 10/14 - Photos © Istock

More information on
www.mazars.com

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

MAZARS