



**IESBA Consultation Document
Proposed Changes to Certain Provisions of the Code
Addressing Non-Assurance Services for Audit Clients**

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INTRODUCTION

The ICAS Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

ICAS welcomes the opportunity to comment on the IESBA Consultation Paper: 'Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients'. The ICAS Ethics Committee has considered the Consultation Paper and I am pleased to forward their comments.

Any enquiries should be addressed to James Barbour, Director, Technical Policy.

Key Points

We have no issues of substance with IESBA's proposals in the consultation paper. That said, we are supportive of IESBA's current reconsideration of the structure of its Code with a view to enhancing the Code's usability. We believe that this process could be accelerated if a decision was made to remove the auditor independence requirements from the Code. We also believe it is essential for IESBA to focus on improving the extent of adoption and implementation of the Code of Ethics. We believe these should be the primary objectives of the Board in the shorter-term as opposed to undertaking on-going piecemeal changes to the Code in relation to auditor independence.

Specific Responses

1. Are there any situations that warrant retention of the emergency exceptions pertaining to bookkeeping and taxation services?

In the UK the Financial Reporting Council's (FRC) Ethical Standards for Auditors apply and not the IESBA Code of Ethics. The FRC's Ethical Standard for Auditors 5 (Revised) 'Non-audit Services provided to Audited Entities' does contain a similar emergency provision to IESBA at paragraph 164. That said from a UK perspective we do not believe that this exemption is necessary as "emergency exception provisions" could be abused and therefore we are supportive of the proposed change by IESBA.

2. Does the change from "significant decisions" to "decisions" when referring to management responsibilities (paragraph 290.162) enhance the clarity of a management responsibility?

Yes, we believe the change from "significant decisions" to "decisions" enhances the clarity of a management responsibility.

3. Are the examples of management responsibilities in paragraph 290.163 appropriate?

We believe the examples of management responsibilities are appropriate. However, we suggest extending the sixth bullet of paragraph 290.163 to read:

"Control or management of bank accounts, investments, working capital or other assets"

4. Are there any challenges in understanding and applying the prerequisite set out in paragraph 290.165 for non-assurance services that should be considered?

We have identified no challenges in understanding and applying the prerequisite set out in paragraph 290.165.

5. Will the enhanced guidance assist engagement teams to better meet the requirement of not assuming a management responsibility?

From a UK perspective (FRC Ethical Standards apply) we are not aware of any issue in this area for which enhanced guidance is required. That said, we do not object to what is being proposed.

6. Does the relocation of the guidance pertaining to administrative services into its own subsection provide greater clarity?

From the perspective that this material is now contained separately within its own subsection, we believe that it does provide greater clarity.

7. Does the proposed guidance on “routine or mechanical” clarify the term, or is additional guidance needed?

The proposed guidance appears reasonable. We certainly are not supportive of any further guidance being required.

8. Is the meaning and identification of source documents sufficiently clear, taking into account documents that may be generated by software?

We believe that it is sufficiently clear.

9. Do the changes proposed to Section 291, specifically the additional requirements to proposed paragraph 291.146, enhance the clarity of a management responsibility?

We have no objections to the proposed changes.

10. Are the examples of management responsibilities in paragraph 291.144 appropriate?

We believe the examples of management responsibilities are appropriate. However, we suggest extending the sixth bullet of paragraph 291.144 to read:

“Control or management of bank accounts, investments, working capital or other assets”

11. Does the relocation of the guidance pertaining to administrative services provide greater clarity?

From the perspective that this material is now contained separately within its own paragraph, we believe that it does provide greater clarity. That said, greater clarity would be achieved by inserting a subheading entitled “Administrative Services” i.e. replicating the approach as per paragraph 290.166.

12. Effective Date

We have no concerns over the proposal that the effective date for the changes will not be less than 12 months after issuance of the final changes and that earlier application would be permitted.