

7 August 2014



Mr Ken Siong
Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
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Via email: kensiong@ethicsboard.org

Dear Ken

Exposure Draft *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients*

CPA Australia welcomes the opportunity to provide input to the International Ethics Standards Board for Accountants (IESBA) in regard to the above exposure draft (ED). CPA Australia represents the diverse interests of more than 150,000 members in 121 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports IESBA's efforts to clarify and strengthen the *Code of Ethics for Professional Accountants* (the Code). We recognize the critical importance of provisions relating to non-assurance services for audit clients.

CPA Australia concurs that the matters concerning non-assurance services for audit clients raised in the ED are appropriate for clarification. We have outlined our responses to the questions posed in the ED in the Appendix to this letter.

If you require further information on any of our views expressed in this submission, please contact Amir Ghandar, CPA Australia by email at amir.ghandar@cpaaustralia.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Paul Drum".

Paul Drum FCPA
Head of Policy

Appendix 1: responses to specific questions in the ED

Emergency Provisions

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

We support removal of the emergency exceptions paragraph on the basis that in the very rare circumstances where such an exception would be appropriate the general “unusual circumstances” provision in paragraph 100.11 of the Code would apply.

Management Responsibilities

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.

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

Yes.

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?*

Although we consider the prerequisite set out in paragraph 290.165 to be clearly described and appropriate, we note that these requirements in particular will pose challenges for SMPs and SME clients (see also general comments below).

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

Yes.

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

We support relocation of this guidance. The administrative services subsection could be further clarified by specifying that provision of administrative services are not considered to be adoption of management responsibility.

Routine or Mechanical

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

We think the proposed guidance clarifies the term ‘routine and mechanical’ and we do not consider further guidance necessary.

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

Yes.

Section 291

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

Yes.

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

Yes.

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

We support relocation of this guidance. The administrative services subsection could be further clarified by specifying that provision of administrative services are not considered to be adoption of management responsibility.

General comments

SMPs/SMEs

We note that the matters in the ED pertaining to management responsibilities and the concept of routine and mechanical services are frequently relevant for SMPs, given the extensive support SMP clients often need. While we support the proposed clarifications to the Code, we note that these are matters that are likely to continue to create challenges for both accountants and client entities operating in the SMP/SME space.