

IFAC
International Ethics Standards Board
for Accountants (IESBA)

Submitted via the IESBA website

Stockholm 19 August 2014

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

FAR, the Institute for the Accountancy Profession in Sweden has been invited to comment on the exposure draft on *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients*.

FAR's comments

FAR welcomes this opportunity to comment on the exposure draft. FAR agrees with the conclusion that the provisions of the IESBA Code of Ethics are robust in protecting the public interest. Nevertheless FAR agrees that clarifications are justified concerning the provisions of management responsibilities and bookkeeping services.

FAR has the following comments on the specific questions posed by the IESBA.

Emergency provisions

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

In FAR's opinion there can be situations that warrant retention of the emergency exceptions, at least as far as SME-clients are concerned, e.g. when an audit client has a legal obligation to fulfil with a tight timetable and there is no alternative service provider available. In paragraph 290.174 (a-c) it is indicated under which conditions this would be acceptable. Removing the paragraph would not be helpful or in the public interest especially considering that regulators do not generally have the power to grant exceptions. Emergency exceptions seem less warranted where PIEs are concerned. FAR therefore suggests that the emergency exception should remain, but not be applicable to PIEs.

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, FAR supports this change.

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

FAR considers the examples appropriate, but questions if the term "generally" should be removed as it is difficult to foresee if, in any particular circumstances, one of the listed examples might not be considered a management responsibility.

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?

FAR is of the opinion that the Code can and should regulate only the professional accountant's actions, not those of the client. Therefore FAR is doubtful as to the intended meaning of the word "ensure" in this paragraph. How would the professional accountant ensure that the prerequisites of paragraph 290.165 are fulfilled by the client? Would it entail obtaining a written confirmation from the client? If a client does not fulfil the obligations, what actions must the professional accountant take? Furthermore, it is not unlikely that a client might find that the professional accountant's measures to ensure that the prerequisites are fulfilled pose unwanted administrative burdens. If so, the client will undoubtedly find a service provider who is not bound by the Code and does not impose these obligations. This would have a detrimental effect on competition between members and non-members. FAR does not see that these effects are outweighed by any benefit to the public interest that is not met by the current regulation. Especially in an SMP/SME environment, the burdens placed both on the professional accountant providing the non-assurance service and the client seem disproportionate to the effectiveness of the regulation.

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

FAR is of the opinion that particularly the guidance provided by the new examples in 290.163 will assist engagement teams to better meet the requirements of not assuming a management responsibility.

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

FAR finds that it does.

Routine or Mechanical

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

FAR supports the addition in the first paragraph as far as it relates to a firm not assuming management responsibility. However, FAR questions the reference to "requirements" in 290.165. There is no guidance provided on how a firm is supposed to ensure that these are met, and subsequently how to act if they are not. See also FAR's response to question 3.

Regarding the examples, the third example raises some questions. The current wording in example three clearly illustrates "mechanical and routine", whereas the new example seems to be rather of an exceptional transaction where significant subjectivity is involved. FAR is not sure how this proposed change is to be interpreted. FAR prefers the current

wording and opposes the change especially if a restriction in relation to the current wording is intended.

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

FAR finds that it can be considered sufficiently clear for the time being, but that the nature of source documents is an issue that might need further consideration.

Section 291

The same considerations as for Section 290.

FAR

A handwritten signature in blue ink, which appears to read 'Jan-Hugo Nihlén'.

Jan-Hugo Nihlén
Chairman, FAR Ethics Policy Group