

**Meeting:** IESBA CAG

**Meeting Location:** Teleconference

**Meeting Date:** November 18, 2014

## Agenda Item

# B

### Non-Assurance Services (NAS)

#### Objectives of Agenda Item

1. To provide a report-back on proposals of CAG Representatives on this project as discussed at the March 2014 CAG Meeting.
2. To consider significant comments received on the Exposure Draft *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients*, and to obtain CAG Representatives' views on the proposed revised provisions prior to their finalization by the IESBA in January 2015.

#### Project Status and Timeline

3. Released on May 19, 2014, the Exposure Draft proposed the following changes to the Code:
  - Withdrawal of the emergency exception provisions for bookkeeping and taxation services provided to audit clients that are public interest entities (PIEs) in Section 290<sup>1</sup> of the Code;
  - Additional guidance and clarification regarding what constitutes management responsibility, including enhanced guidance regarding how the auditor can better satisfy itself that client management will make all judgments and decisions that are the responsibility of management; and
  - Clarifications regarding the concept of "routine or mechanical" services relating to the preparation of accounting records and financial statements in Section 290.
4. With respect to the latter two areas, the IESBA also approved for exposure corresponding changes to Section 291<sup>2</sup> of the Code pertaining to non-assurance services provided to an assurance client. Comment letters were due on August 18, 2014.
5. At its October 2014 meeting, the IESBA considered the Task Force's proposals regarding the issues raised in the comment letters. The Board generally agreed with the proposals except for further discussion of an aspect of the proposals concerning administrative services at the January 2015 IESBA meeting. At that meeting also, the feedback from the CAG will be presented to the Board for consideration prior to the Board's final approval of the proposed revised provisions. The changes tentatively agreed by the Board and marked up from the Exposure Draft are presented in Agenda Item B-1.

<sup>1</sup> Section 290, *Independence – Audit and Review Engagements*

<sup>2</sup> Section 291, *Independence – Other Assurance Engagements*

## Overview of Responses Received

6. Fifty-eight responses have been received. For a complete listing of respondents, see the Appendix. All the responses have been posted on the IESBA website and can be accessed here: <http://www.ifac.org/publications-resources/proposed-changes-certain-provisions-code-addressing-non-assurance-services-au?thanks&late>

Category <sup>3</sup>	Number
Regulators and Public Authorities	6
IFAC Member Bodies and Associates	29
Firms	10
Public Sector Auditors	3
Other Professional Organizations	8
Individuals and Others	2
<b>Total</b>	<b>58</b>

7. Conclusions of the Task Force and the Board based on the significant comments raised by respondents are summarized below.

## Significant Comments from Respondents

### A. Emergency Exception Provisions

8. The Exposure Draft proposed the deletion of the emergency exception provisions (paragraphs 290.174 and 290.186)<sup>4</sup> as they pertain to bookkeeping and taxation services provided to audit clients that are PIEs in Section 290 of the Code. It should be noted that many of the responses addressed unusual circumstances in addition to emergencies. The Exposure Draft contained the following question for specific comment: *Are there any situations that warrant retention of the emergency exceptions pertaining to bookkeeping and taxation services?*

#### *Support for Deleting the Emergency Exception Provisions*

9. Forty-six respondents supported the removal of the emergency exceptions or supported with comment. A summary of reasoning provided for support of the proposed deletion is as follows:
- Use of terms such as 'emergency' and 'unusual' suggests a high level of subjectivity.
  - There are no situations that warrant retention of the emergency exceptions.
  - Avoid misuse of the provisions.

<sup>3</sup> Certain respondents may hold dual roles, e.g., as an IFAC member body and as a regulator.

<sup>4</sup> All references to paragraphs of the Code within this document pertain to the 2013 Code to be consistent with the references within the Exposure Draft.

- Strengthen the Code.
  - Emergencies are narrow in scope and should be exceedingly rare, thus, they should not be addressed by the Code.
  - Emergency exceptions can be addressed with a local regulator.
  - Limiting exceptions to general provisions set by the Code enhances the Code.<sup>5</sup>
10. Of those respondents that supported the deletion of the emergency provisions, seven<sup>6</sup> implied that paragraph 100.11<sup>7</sup> will achieve the same result as the emergency provisions. The Task Force has reviewed paragraph 100.11 and concluded that it only guides a professional accountant to consult with a regulator in an unusual circumstance in which the application of a specific requirement of the Code would result in a disproportionate outcome that may not be in the public interest.

*Opposition to Deleting the Emergency Provisions*

11. Twelve respondents<sup>8</sup> expressed opposition or did not express support for the deletion of the emergency provisions. A number of respondents<sup>9</sup> further provided examples of what they perceived to be emergency situations to support their reasoning for opposing the proposed deletion, or requested further guidance.
12. Examples of perceived emergencies that were proposed by respondents include the following:
- Confidentiality may need to be safeguarded; thus, the circumstances would concern services that are normally prohibited by the Code.
  - Assisting a client in meeting a tight deadline – especially challenging for SMEs and small PIEs, or when special knowledge of the client's industry is not available.
  - Client cannot find an alternative service provider due to remote location of an affiliate.
  - Short term emergency support: for practical purposes such as a lack of resources in a smaller PIE or in the event of a death or illness within the staff of the client.
13. The Task Force believes that the examples above demonstrate that the current emergency provisions may have been interpreted or implemented out of a matter of convenience, which was not the intent of the Code. The comments above reinforce the Task Force's view that the situations in which the emergency provisions would be appropriate are not well understood and subject to inconsistent and subjective conclusions. Accordingly, they should be removed from the Code.
14. Some of the opposition comments noted above mentioned challenges specifically to smaller PIEs. The Task Force agreed that regardless of the size of the firm or the client, a situation where an emergency provision would be permissible should be so rare that it should not be addressed by the

---

<sup>5</sup> IOSCO and 18EUAR

<sup>6</sup> ACCA, CPA Canada, DTT, EYG, IDW, IRBA, KPMG

<sup>7</sup> Paragraph 100.11 states the following:

When a professional accountant encounters unusual circumstances in which the application of a specific requirement of the Code would result in a disproportionate outcome or an outcome that may not be in the public interest, it is recommended that the professional accountant consult with a member body or the relevant regulator.

<sup>8</sup> ASSIREVI, CCPCR, CPA Canada, FAR, FEE, IAA, ICAEW, IMA, MS, PwC, SMPC IFAC, ZICA

<sup>9</sup> ACCA, AIA, ASSIREVI, Crowe Horwath, FAR, FEE, IDW, ISCA, MS, PwC, SMPC IFAC

Code. For example, a client that has an affiliate in a remote location, regardless of the size of the client or the firm, should not be considered, by itself, an emergency situation but a normal business one.

#### *Additional Guidance*

15. Several respondents<sup>10</sup> requested more specific guidance concerning emergency situations. In addition, a number of editorial suggestions were provided regarding paragraph 100.11. The Task Force agreed that the emergency exception provisions should be deleted and thus, no further guidance is deemed necessary. The Task Force further agreed that changes to paragraph 100.11 are beyond the scope of the project.

#### *Conclusion*

16. The Task Force continues to support the deletion of the emergency exception provisions as proposed in the Exposure Draft for the following reasons:
- The majority of the respondents agreed with the proposal;
  - There were no convincing arguments against the original reasoning for the proposed deletion;
  - The deletion will clarify that departing from the Code as a matter of convenience is not appropriate; and
  - Smaller PIEs are not addressed differently in the Code.
17. The Board supported the Task Force's conclusions.

#### **Matter for Consideration**

1. Do CAG Representatives agree with the Task Force's and the Board's conclusion?

#### **B. Management Responsibilities**

##### **SIGNIFICANT DECISIONS**

18. The Exposure Draft proposed the deletion of the term "significant" from the following sentence in paragraph 290.162 of the Code: *Management responsibilities involve controlling leading and directing an entity, including making significant decisions regarding the acquisition, deployment and control of human, financial, technological, physical, and intangible resources.*
19. The Exposure Draft contained the following question for specific comment: *Does the change from "significant decisions to "decisions" when referring to management responsibilities (paragraph 290.162) enhance the clarity of a management responsibility?*

#### *Support for Deleting "Significant"*

20. Thirty-seven respondents supported the removal of the term "significant" or supported the removal with comment. A summary of reasoning provided for support of the proposed deletion is as follows:

---

<sup>10</sup> ACCA, AIA, ASSIREVI, CPA Canada, IAA, MS, PwC, SMPC IFAC

- Deletion of the phrase enhances the clarity – removes subjectivity of the term “significant;”
- All decisions are the responsibility of management; and
- The decisions within the sentence are the responsibility of management.

*Opposition to Deleting “Significant”*

21. Several respondents<sup>11</sup> expressed concern about removing the term “significant” for the following reasons:
- The belief that not all the decisions regarding the acquisition, deployment and control of human, financial, technological and intangible resources are a management responsibility – subjectivity is removed; and
  - The removal of the phrase may have an unintended consequence of prohibiting the auditor from using professional judgment and making decisions related to the task of the auditor.
22. To these points, the Task Force agreed that the auditor may not make any decision on behalf of the client. However, the auditor may provide advice and may use professional judgment and make decisions in the performance of a non-assurance service within the parameters of the engagement if the client makes all final decisions and accepts responsibility for the results of the service.

*Conclusion*

23. The Task Force believes that all decisions made on behalf of the client are management responsibilities, regardless of the significance. Thus, the Task Force still recommends that the term “significant” be removed from paragraph 290.162.
24. The Board was in agreement with the Task Force.

**Matter for Consideration**

2. Do CAG Representatives agree with the Task Force’s and the Board’s conclusion?

EXAMPLES OF MANAGEMENT RESPONSIBILITIES

25. The Exposure Draft proposed the removal of the first sentence of paragraph 290.163 addressing examples of activities that would be considered a management responsibility. The other proposals within the paragraph included the removal of the word “generally” in the lead-in sentence and certain edits to the examples to make them more specific.
26. The Exposure Draft contained the following question for specific comment: *Are the examples of management responsibilities in paragraph 290.163 appropriate?*

*Support for the Edits Made to Examples of Management Responsibilities*

27. Forty respondents supported the proposed edits noting the examples were appropriate, or supported with comment. Reasoning provided in support noted appropriateness of detail, clarification and strengthening of the Code.

---

<sup>11</sup> ACCA, AICPA, DTT, EYG, ICAGH, IDW, IAA, IMA

*Opposition and Other Comments Concerning the Examples of Management Responsibilities*

28. Comments<sup>12</sup> were received concerning the use of professional judgment when determining whether an activity is a management responsibility as addressed in paragraph 290.163. Points of concern were the deletion of the term “generally” in the lead-in sentence to the examples and the first sentence of the paragraph as well as the perception that an exhaustive list had been created.
29. Comments<sup>13</sup> were received expressing confusion over the term “supervising” in the examples: *Directing, supervising or taking responsibility for the actions of employees in relation to the employees’ work for the entity* and *Supervising activities for the purpose of management oversight*. The comments noted that the example should include the explanatory phrase “supervising for the purpose of management oversight”, as the term “supervising” could include unintended actions of the auditor.

*Conclusion*

30. The Task Force concluded that the word “generally” should not be reinstated into the paragraph. In approving the Exposure Draft, the Board had carefully examined all of the examples to determine that in no situation would these activities not be a management responsibility. However, the Task Force did agree that the determination of whether an activity is a management responsibility is one of professional judgment. Thus, the first sentence has been reinstated into paragraph 290.163. This sentence will also allow the reader to clearly conclude that the list is not exhaustive.
31. The Task Force concluded that the term “supervising” can be interpreted in starkly different ways. For example, it can be interpreted as an all-encompassing action that would include day to day supervising and conducting a performance review with the inclusion of approving salary adjustments. The phrase could also be interpreted as requesting schedules and statements from an employee of the client in the normal course of an audit. Due to the wide range of possible meanings of the term, and the risk of being interpreted as a broader prohibition, the Task Force agreed to delete “supervising” from the third bullet and to delete the fifth bullet entirely from paragraph 290.163.
32. A Board member expressed concern over the deletion of the fifth bullet in the list of examples (“Supervising activities for the purpose of management oversight”). However, it is the Task Force’s position that since the term “generally” has been removed, all of the examples should be definite management responsibilities that cannot be misinterpreted.
33. The Board agreed with the Task Force’s conclusions.

**Matter for Consideration**

3. Do CAG Representatives agree with the Task Force’s and the Board’s conclusion?

**PREREQUISITE IN PARAGRAPH 290.165**

34. The Exposure Draft proposed requiring a prerequisite in ensuring that client management makes all judgments and decisions that are the proper responsibility of management (290.165).

<sup>12</sup> ACCA, APESB, CNCC, DTT, FAR, FEE, HKICPA, ICAGH, IDW, IRBA, PwC

<sup>13</sup> ACCA, ISCA, DTT, GAO, IRBA, SMPC IFAC

35. The Exposure Draft contained the following question for specific comment: *Are there any challenges in understanding the prerequisite set out in paragraph 290.165 for non-assurance services that should be considered?*

*Support for the Prerequisite in Paragraph 290.165*

36. Thirty-eight respondents supported the prerequisite set out in paragraph 290.165, or supported with comment. A summary of reasoning provided for support of the proposed prerequisite is as follows:
- The prerequisite facilitates the overall objective of the firm not assuming a management responsibility – enhances independence.
  - The prerequisite will mitigate the self-review threat.
  - The prerequisite provides more clarity in the expectations of client's management.
  - No challenges – edits are clear.
37. A member of the Board stated that the last sentence of extant paragraph 290.163 was helpful. The sentence states that the risk of assuming a management responsibility "is further reduced when the firm gives the client the opportunity to make judgments and decisions based on an objective and transparent analysis and presentation of the issues."
38. The Task Force noted that the sentence was one of the primary reasons for the undertaking of this clarification-based project. The phrase "is further reduced" as noted in the extant Code presents an appearance that informed management is not a requirement. The Task Force agreed to delete the sentence due to the fact that the tone is of a discretionary nature. The Task Force further believes the prerequisites set forth in 290.165 are robust and clear in nature.

*Opposition and General Comments concerning the Prerequisite in Paragraph 290.165*

39. Comments that oppose the edits to paragraph 290.165 and other general comments concerning the paragraph vary in reasoning.<sup>14</sup> In particular, the implementation of the prerequisite appears to be a concern for the following reasons:
- Concerns with the requirement to find an individual within the client with suitable skill, knowledge and experience to provide oversight of the services.
  - Concerns that the professional accountant must ensure the client fulfills the obligations of the prerequisite.
  - Potential challenges for SMPs and SME clients.
  - Clients may find a service provider not bound by the Code.
  - A regulatory concern that the provisions still do not prevent the client from "rubber stamping" decisions made by the auditor on behalf of the client.<sup>15</sup>

---

<sup>14</sup> ACCA, CNCC, CPA Au, DSFA, DTT, IDW, IMA, KRESTON, NAO, SMPC IFAC

<sup>15</sup> IOSCO

### Conclusion

40. The Task Force continues to support the recommendation of the inclusion of the prerequisite in paragraph 290.165. The Task Force considered the concerns of the respondents and notes the following:
- The majority of the respondents supported or supported with comment the inclusion of the prerequisite.
  - Similar prerequisites have been implemented elsewhere without noted difficulties.
  - The extant Code requires that management accept responsibility for NAS performed by the firm. Accordingly, it is presumed that the prerequisite outlined in paragraph 290.165 would need to be met in order for management to accept such responsibility.
  - The Code cannot prevent intentional acts such as “rubber stamping.” The new provisions in 290.165 when applied correctly will enhance the required safeguards to mitigate such risks.
41. Clarifying edits have been proposed to paragraph 290.165 based on comments received.
42. The Board generally agreed with the appropriateness of the prerequisite and the Task Force’s conclusions.

### Matter for Consideration

4. Do CAG Representatives agree with the Task Force’s and the Board’s conclusion?

### ADMINISTRATIVE SERVICES

43. The Exposure Draft proposed moving the guidance concerning administrative services from the guidance concerning management services to a stand-alone section, as the guidance is describing a separate NAS.
44. The Exposure Draft posed the following question: *Does the relocation of the guidance pertaining to administrative services to its own subsection provide greater clarity?*
45. Forty-three respondents supported or supported with comment the proposed edits concerning administrative services. Most of the positive responses noted greater clarity.
46. Some of the comment letters<sup>16</sup> noted potential confusion concerning the phrase “routine or mechanical” being used in the “Administrative Services” section and the section entitled “Preparing Accounting Records and Financial Statements.” The term “routine or mechanical” describes a NAS. It is not in and of itself a type of service. Thus, the term can be properly and consistently used to describe services that require little judgment in both sections.
47. A regulatory respondent<sup>17</sup> expressed a concern that administrative services should not be performed for PIEs. The scope of the project proposal included the clarification of specified sections of the Code. Thus, prohibiting certain NAS not currently prohibited by the extant Code would be beyond the scope of this project. The Board’s new work stream dealing with safeguards may address concerns regarding the performance of administrative services for PIEs.

---

<sup>16</sup> ACCA, CPA Canada, JICPA, PKF

<sup>17</sup> FRC



48. Another regulatory respondent<sup>18</sup> expressed concerns about specific examples within the guidance addressing administrative services. Specifically mentioned was the example about the auditor “sending notices for client meetings” within the scope of administrative services. This service was not included as an example in the extant Code. The Task Force is therefore proposing to delete it, as inclusion of this example is not truly a clarifying edit. The Task Force believes that clarification of the phrase “routine or mechanical” through the terms “little to no judgment” strengthens the Code as it is more prescriptive.
49. A view was expressed at the Board that administrative services may not be considered NAS and, thus, not subject to the “informed management requirements” of the extant Code or of proposed paragraph 290.165 as was noted in the Exposure Draft. It is the Task Force’s view that the extant Code mandates the informed management requirement when the auditor performs administrative services as any service performed for a client outside the scope of the assurance service would be considered a NAS, thus potentially creating threats to independence. Therefore, administrative services, as properly noted in the Exposure Draft, would be a NAS subject to the requirements of paragraph 290.165.
50. This issue will be discussed further at the January 2015 IESBA meeting taking into account the feedback of the CAG.

**Matter for Consideration**

5. Do CAG Representatives agree with the Task Force’s conclusion?

MISCELLANEOUS MANAGEMENT RESPONSIBILITY COMMENTS

51. A regulatory respondent<sup>19</sup> expressed concern that paragraph 290.164 states that “providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.” The respondent argued that while doing so may not in itself constitute the assumption of a management responsibility, it may in substance amount to that depending on the circumstances.
52. The Task Force notes that the auditor must use professional judgment when providing advice and recommendations to be satisfied such actions do not, in substance, amount to a management responsibility. The Code does preclude an auditor from accepting a management responsibility. The enhancements proposed in the Exposure Draft will assist the auditor in being satisfied that such responsibilities are not assumed.
53. Another regulatory respondent<sup>20</sup> stated that description of a management responsibility in paragraph 290.162 should include “ongoing monitoring function on behalf of the entity.” On the broad scope, the term monitoring may include a plethora of activities that may exceed the scope of what may be included as a management responsibility. Monitoring of internal controls and other internal control-related matters are addressed specifically as a service under the guidance pertaining to internal audit within the Code.

---

<sup>18</sup> IOSCO

<sup>19</sup> FRC

<sup>20</sup> IOSCO

**C. Routine or Mechanical**

54. The Exposure Draft proposed clarifications to the phrase “routine or mechanical” as used in subsection “preparing accounting records and financial statements.” Specifically, clarifying edits were made to paragraphs 290.167 and 290.171. Also, additional examples of routine or mechanical services were added to paragraph 290.171.
55. The Exposure Draft contained the following question for specific comment: *Does the proposed guidance on ‘routine or mechanical’ clarify the term, or is additional guidance needed?*

*Comments Concerning “Routine or Mechanical” Clarifying Edits*

56. Forty-six respondents indicated that the proposed guidance on “routine or mechanical” clarified the term or indicated so with comment. Almost all of the comments provided pertained to the examples of services that are “routine or mechanical.” A regulatory respondent<sup>21</sup> stated that the proposed additional guidance would help clarify the meaning of the phrase.

*Examples of Activities that are Routine or Mechanical*

57. The Task Force noted that most of the comments concerning the guidance pertaining to “routine or mechanical” services pertained to the examples in paragraph 290.171. There was general support for the proposed edits within the Exposure Draft and the Task Force considered the various wording edits within the responses.
58. A regulatory respondent<sup>22</sup> expressed a concern that establishing a fine line between what may be acceptable and what creates a threat to the auditor’s independence may not be easily discernable and can place the auditor in a compromising position. The Task Force clarified the phrase “routine or mechanical” which strengthened the Code as it prescribes little to no judgment. This edit affects administrative services and bookkeeping services where the phrase is used.
59. The regulatory respondent further expressed concerns about specific examples noted in paragraph 290.171. It should be noted that bookkeeping that is routine or mechanical is only permitted for non-PIEs. All threats throughout the Code are consistently measured by the reasonable and informed third party test. The guidance pertaining to routine or mechanical services is consistent with this approach.
60. The Task Force proposes the following changes to paragraph 290.171 based on the comments above:

The firm may provide services related to the preparation of accounting records and financial statements to an audit client that is not a public interest entity where the services are of a routine or mechanical nature, so long as any self-review threat created is reduced to an acceptable level. In addition, the firm should be satisfied that the services would not result in assuming a management responsibility for the client and the requirements set forth in paragraph 290.165 are met. Services that are routine or mechanical in nature require little to no professional judgment from the professional accountant. Examples of such services include:

---

<sup>21</sup> FRC

<sup>22</sup> IOSCO

- **Preparing payroll calculations or reports** ~~Providing payroll services based on client-originated data~~ **for approval and payment by the client;**
  - Recording recurring transactions **for which amounts are easily determinable from source documents or originating data**, ~~of a routine nature~~ such as a utility bill ~~for which~~ **where** the client has determined or approved the appropriate account classification;
  - Recording a transaction **for which** ~~involving a significant degree of subjectivity, for example the valuation of an asset when~~ the client has **already** determined the amount to be recorded, **although the transaction involves a significant degree of subjectivity, for example, the valuation of an asset;**
  - Calculating depreciation on fixed assets when the client ~~provides~~ **determines** the accounting policy and estimates of useful life and residual values;
  - Posting client-approved entries to the trial balance; and
  - Preparing financial statements based on information in the client approved trial balance **and preparing the related notes based on client-approved records.**
61. The Task Force concluded that the confusion perceived between bullets two and three is now remedied. The second bullet is routine in that the entry is recurring and taken directly from a source document. The third bullet is an example of a mechanical activity in that it may not be recurring and the entry is not simply taken from a source document. However, the client has determined the amount of this non-recurring transaction and the professional accountant is making the entry.
62. Some Board members expressed concern regarding the “example within the example” in the third bullet. The Task Force agreed with the comment and proposes to delete the phrase “for example the valuation of an asset” at the end of the sentence.

#### *Conclusion*

63. The Task Force continues to support the clarifying edits proposed concerning the phrase “routine or mechanical” based on the fact that the majority of the respondents expressed support and the proposed edits address the key issues.
64. The Board agreed with the conclusions and proposals of the Task Force.

#### **Matter for Consideration**

6. Do CAG Representatives agree with the Task Force’s and the Board’s conclusion?

#### **D. Other Comments**

65. Other general comments concerning the project as received from some regulatory respondents<sup>23</sup> included suggestions that the Board further consider the following:
- Clear lines with regards to NAS that an auditor may provide should be set.
  - The Board should take into account the prohibitions addressed by the audit reform in Europe and possibly bring the Code more in line with the EU audit reform.

---

<sup>23</sup> IOSCO, 18EUAR, FRC

- Enforceability of the provisions should be considered.
  - Incorporation of documentation requirements.
  - More clarity is needed concerning the threats and safeguards approach of the Code.
66. The Board has been monitoring the outcome of the EU developments in a number of different ways, including through outreach to representatives of the European Commission and other stakeholders based in the EU, the work of its Emerging Issues and Outreach Committee (EIOC), and discussions with the CAG. However, just as it is important to monitor and consider developments in the EU, the Task Force believes that as an international standard setter the Board should also consider developments in other jurisdictions. As an independent body, the Board's role requires that it consider and contrast developments in its constituent jurisdictions through a global lens and in an objective manner. This includes being open to all views about the extent and importance of an issue globally in the public interest, and considering the diversity of alternative ideas and trade-offs to addressing a particular matter. The Task Force believes that it is through taking such a global and objective approach that the Board strives to achieve a set of high-quality standards that is globally accepted and capable of being operationalized widely.
67. In specifically addressing the developments of the EU, the Task Force notes that the Code could be used in a complementary manner to the EU audit reform provisions. The threats and safeguards approach of the Code is consistent with the threats and safeguards approach to be used outside of the EU as required by EU audit reform provisions. The Code may assist professional accountants from the EU performing services outside of the EU and all other professional accountants performing services outside of the EU. Thus, the threats and safeguards approach of the Code may provide synergy in meeting the ultimate goals of the directives of the EU audit reform.

**E. Section 291**

68. The Exposure Draft proposed edits to Section 291 of the Code that were conforming in nature based on edits proposed in Section 290. Most of the comments received pertaining to Section 291 were in line with comments on corresponding changes to Section 290 in the Exposure Draft. However, there are two edits from the original Exposure Draft that are not based on conforming changes.
69. The term "significant" was not deleted from paragraph 291.143. It was the intention of the Task Force that the description of a management responsibility remain the same in Section 290 and 291. Thus, the Task Force is recommending the term be deleted.
70. The Task Force is recommending the deletion of the guidance concerning administrative services, as Section 291 does not address specific services as is the case in Section 290. Thus, this deletion is being proposed for consistency purposes.

**F. Effective Date**

71. The Exposure Draft posed the following question: *The IESBA proposes that the effective date for the changes will not be less than 12 months after issuance of the final changes. Earlier application would be permitted. The IESBA welcomes comment on whether this minimum period would be sufficient to support effective implementation of the changes.*

72. The Task Force noted that 22 of the respondents supported the proposed effective date or supported it with further comment. Most of the comments in opposition related to the fact that the adoption of the proposed edits should be in conjunction with other edits or with the implementation of the new structure of the Code currently being developed. The Task Force continues to support an effective date twelve months after issuance of the final changes due to the following reasons:

- The changes are of a clarifying nature and will not require major changes in practice;
- Most of the respondents supported the proposed effective date;
- Waiting to include these changes to align with the Structure project would mean they would not take effect until December 2017 at the earliest;
- Waiting to include these changes to align with the proposed changes in the Long Association project would mean they would not take effect until December 2017; and
- Independence provisions of the EU audit reform legislation in relation to management responsibility do not provide any definition and risk being interpreted differently. The Code is the most used point of reference and should be helpful when there is ambiguity. Article 5.1(b) of the new EU regulatory provisions prohibits NAS “that involve playing any part in the management or decision making of the audited entity.”

**Matter for Consideration**

7. Do CAG Representatives agree with the Task Force’s conclusion?

**Material Presented – CAG Papers**

Agenda Item B-1	Proposed Revised Provisions (Mark-Up)
Agenda Item B-2	Report-Back on March 2014 CAG Discussion
Agenda Item B-3	NAS Exposure Draft

## APPENDIX

### List of Respondents

ABBR.	ORG.
<b>REGULATORS &amp; PUBLIC AUTHORITIES</b>	
DFSA	Dubai Financial Services Authority
IRBA	Independent Regulatory Board for Auditors, South Africa
18EUAR	Group of 18 EU Audit Regulators <sup>24</sup>
FRC	Financial Reporting Council
IOSCO	International Organization of Securities Commissions
SCM	Audit Oversight Board, Malaysia
<b>IFAC MEMBER BODIES AND ASSOCIATES</b>	
ACCA	The Association of Chartered Certified Accountants
AIA	The Association of International Accountants
ANAN	Association of National Accountants of Nigeria
AICPA	American Institute of CPA
CCPCR	Colegio Contadores Publicos Costa Rica
CPA Canada	The Canadian Institute of Chartered Accountants
CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes + Conseil Supérieur de l'Ordre des Experts-Comptables
CPA Au	CPA Australia
FAR	Institute for the Accountancy Profession in Sweden
HKICPA	Hong Kong Institute of Certified Public Accountants
ICAB	The Institute of Chartered Accountants of Bangladesh
ICAEW	The Institute of Chartered Accountants in England and Wales
ICAGH	The Institute of Chartered Accountants (Ghana)
ICAI-India	The Institute of Chartered Accountants of India
ICAP	Institute of Chartered Accountants of Pakistan
ICAS	The Institute of Chartered Accountants of Scotland
IMCP	Instituto Mexicano de Contadores Publicos

<sup>24</sup> Austria, Czech Republic, Denmark, Estonia, France, Germany, Hungary, Ireland, Lithuania, Luxembourg, Norway, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland

ABBR.	ORG.
ICPAK	Institute of Certified Public Accountants of Kenya
ICASL	Institute of Chartered Accountants of Sri Lanka
ISCA	Institute of Singapore Chartered Accountants
IDW	Institut der Wirtschaftsprüfer
JICPA	The Japanese Institute of Certified Public Accountants
KICPA	Korean Institute of Certified Public Accountants
MIA	Malaysian Institute of Accountants
MICPA	The Malaysian Institute of Certified Public Accountants
NASBA	National Association of State Boards of Accountancy
SAICA	The South African Institute of Chartered Accountants
WPK	Wirtschaftsprüferkammer
ZICA	Zambia Institute of Chartered Accountants
<b>FIRMS</b>	
Crowe Horwath	Crowe Horwath International
DTT	Deloitte Touche Tohmatsu
EYG	Ernst & Young Global
GTI	Grant Thornton International
KPMG	KPMG
Kreston International	Kreston International
Mazars & Guerard	Mazars and Guérard
MS	Moore Stephens
PKF	PKF Accountants & Business Advisors
PwC	PricewaterhouseCoopers
<b>PUBLIC SECTOR AUDITORS</b>	
Auditor-General, NZ	Office of the Auditor-General of New Zealand
GAO	United States Government Accountability Office
NAO	National Audit Office, UK
<b>OTHER PROFESSIONAL ORGANIZATIONS</b>	
APESB	Accounting Professional & Ethical Standards Board Limited-Australia
ASSIREVI	ASSIREVI - Italy

<b>ABBR.</b>	<b>ORG.</b>
FEE	Fédération des Experts Comptables Européens
IAA	Inter-American Accounting Association
IMA	Institute of Management Accountants
NZAuASB	New Zealand Auditing and Assurance Standards Board
NYSSCPA	New York State Society of Certified Public Accountants
SMPC IFAC	IFAC Small and Medium Practices (SMP) Committee
<b>INDIVIDUALS &amp; OTHERS</b>	
Denise Juvenal	Denise Silva Ferreira Juvenal
Altaf Noor Ali CA	Altaf Noor Ali Chartered Accountants