



# Grant Thornton

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

To the members of the International Ethics Standards Board for Accountants:

Grant Thornton International Ltd. (Grant Thornton) appreciates the opportunity to comment on the May 2014, Exposure Draft: Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients (ED), approved for publication by the International Ethics Standards Board for Accountants (the IESBA or the Board).

Grant Thornton is a non-practicing, non-trading international umbrella organization and does not deliver services in its own name. Representative Grant Thornton member firms have contributed to and collaborated on this comment letter with the public interest as their overriding concern.

We support the proposed provisions to IESBA Code of Ethics Code and believe that continuing to set high quality ethical standards for the accounting profession will assist the IESBA with its mission to serve the public interest.

## Request for Specific Comment

### Emergency Provisions

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

Grant Thornton is supportive of the proposal to the Code to remove the emergency provision and concurs that removing this provision will strengthen the Code by removing the potential for misuse of the provisions due to subjective terms such as “emergency” and “unusual situations”.



We do believe that certain situations, such as natural disasters and acts of war may warrant an exemption. However, we believe such occurrences will be narrow in scope, and agree with the Board that such exceptions should not be addressed by the Code, but are more appropriately dealt with by local regulators or other professional bodies.

#### 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?*

We agree the proposal to change “significant decisions” to “decisions” when referring to management responsibilities will assist both professional accountants and management understand that decision making in areas that may not have been considered significant previously (such as acquisition, deployment and control of human, financial, physical, technological and intangible resources) are management responsibilities. We agree with the Board’s conclusion that this change will enhance auditor independence and further clarify expectations from the client’s management in relation to the performance of non-assurance services by an auditor.

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

We believe the examples of management responsibilities in paragraph 290.163 are appropriate and support the Board’s objective to strengthen the Code and enhance the guidance in this section, particularly with the addition of the example of “control or management of bank accounts or investments”. We believe this example will clarify services that cannot be performed for an audit client when the auditor is also performing bookkeeping/payroll services for the client.

We are proposing the following recommendations for the Board’s consideration:

1. In order to promote consistency and ease of use of the Code, we recommend that the Board incorporate the following examples, currently in section 290.167, into section 290.163 so users of the Code have a single reference point of examples of services that would constitute a management function or a management responsibility:
  - determining accounting policies and the accounting treatment within those policies
  - preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction (for example, purchase orders, payroll time records, and customer orders)
  - originating or changing journal entries, or determining the account classification of transactions, and



2. Tax compliance/tax return preparation involves assisting clients with their tax reporting obligations, including the amount of tax due to the applicable tax authorities. Generally, providing these services to an audit client will not create threats to the auditor's independence if management takes responsibility for the returns including any significant judgments made.

However in performing these services, many auditors sign the tax returns on behalf of their client. Signing the tax return is the responsibility of management and if done by the auditor creates a threat to the auditor's independence because they performed a management function. Accordingly, we would like the Board to consider adding the following to the list of examples contained in paragraph 290.163:

- “signing tax returns on behalf of the client”

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 do not believe there are challenges in understanding or applying the prerequisites set out in paragraph 290.165 for non-assurance services.

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

The enhanced guidance will establish appropriate parameters regarding the respective role of management and the professional accountant and assist the professional accountant to not assume management responsibilities or make management decisions.

We believe that a clear delineation in management's versus the professional accountant's responsibilities will help reduce self-review and management participation threats. Furthermore, the segregation of duties will allow firm's to perform audit procedures of these services with an

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

We agree that relocating the guidance pertaining to administrative services into its own subsection provides greater clarity.

#### **Routine or Mechanical**

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



We believe the proposed guidance on “routine or mechanical” activities is appropriate. However, we recommend the Board consider adding guidance that pertains to “routine” activities where the auditor “provides advice or assistance to the client on an informal basis as part of the normal client-member relationship.” Such services can include assisting the client with technical questions or providing best practices or benchmarking studies to the client.

We believe adding such guidance will further clarify routine activities an auditor can perform for their client without impairing their independence.

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

We believe the meaning and identification of source documents is sufficiently clear and takes into account documents that may be generated by software.

#### 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, the proposed changes to section 291, specifically the additional requirements that are being proposed to paragraph 291.146, enhance the clarity of management responsibilities.

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

Yes, we believe the examples of management responsibilities in paragraph 291.144 are appropriate.

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

Yes, the relocation of the guidance pertaining to administrative services provides greater clarity.

#### Request for General Comments

- e) *Effective Date—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.*



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We believe the proposed effective date of 12 months after the issuance of the changes is sufficient to support effective implementation of the changes.

Grant Thornton would like to thank the IESBA for this opportunity to comment. As always we welcome an opportunity to meet with representatives of the IESBA to discuss these matters further. My contact information is below.

Sincerely,

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