

August 18<sup>th</sup>, 2014

International Ethics Standards Board for Accountants

International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, NY 10017

Dear Sir or Madam,

**KICPA's Comments on IESBA Exposure Draft "Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients"**

The Korean Institute of Certified Public Accountants (KICPA) is pleased to comment on the Exposure Draft issued by the International Ethics Standards Board for Accountants (IESBA) regarding "Proposed Changes to Certain Provision of the Code Addressing Non-Assurance Services for Audit Clients." KICPA is a strong advocate of IESBA for its relentless efforts to increase the level of ethical standards that professional accountants are expected to perform and to serve the public interest by developing high-quality professional ethical standards.

Please see the below for our comments.

### *Emergency Provisions*

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

Given that emergency situations are very rare, KICPA supports the background behind IESBA's ED that proposes to withdraw the emergency provisions and allows to apply the general principles of paragraph 100.11 recommending that professional accountants consult with a member body or a relevant regulator in the unusual circumstances, instead of addressing emergency situations individually in the non-assurance services subsections and leaving whether they are emergency situations up to the judgment of auditors.

### *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?**

KICPA supports IESBA's proposal that the term “significant” be deleted to clarify that all decisions on acquisition, deployment, and control of financial, human, tangible and intangible resources belong to management responsibilities.

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

The examples are considered to provide the greater clarity with more guidance and clarification as to what constitutes management responsibilities.

#### **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?**

KICPA supports this proposed provision that is designed to supplement safeguards to ensure that a firm does not assume management responsibilities in relation to the performance of

non-assurance services.

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

Please refer to our comment on the question No. 4. We support the provision except for the deletion of the two last sentences in the paragraph – “This reduces the risk of the firm inadvertently making any significant judgments or decisions on behalf of management. The risk 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,” - since there is considered no specific reasons.

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

The current paragraph 290.164 further explains management responsibilities, instead of considered as another subsections on non-assurance services. Thus, we believe maintaining the current structure of the Code increases the clarity of the Code.

*Routine or Mechanical*

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

The proposed guidance could increase clarity and specification of the Code. Too much focus on detailing examples, however, runs the risk of firms’ judgment solely based on the specified examples instead of making principle-based judgments in all situations.

In case of “calculating depreciation on assets” in particular, we believe it would be more desirable to come up with more general expressions meaning mechanical calculation service, not limiting the examples to depreciation.

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

The source documents are unlikely to be interpreted into documents automatically generated as a result of permitted bookkeeping services, as the current paragraph 290.167 refers to source documents as “evidencing the occurrence of a transaction (for example, purchase orders, payroll time records, and customer orders”.

*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?**

Please refer to our comments on the question No. 4.

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

Please refer to our comments on the question No. 3.

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

Please refer to our comments on the question No. 6.

We hope our comments would be useful for IESBA’s project that aims to ensure clarification of the provisions on non-assurance services. Please feel free to contact [global@kicpa.or.kr](mailto:global@kicpa.or.kr) for further inquiries.

Thank you.