

International Ethics Standards Board for Accountants (IESBA)  
529 Fifth Avenue - 6th Floor  
New York, New York  
10017

18 August 2014

Dear Sirs

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

PKF International Limited administers the PKF network of legally independent member firms. The network consists of member firms and correspondents in approximately 125 countries providing assurance, accounting and business advisory services. PKF International Limited is a member of the Forum of Firms – an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide. This letter represents the observations of PKF International Limited, but not necessarily the views of any specific member firm or individual.

We welcome the opportunity to comment on the IESBA Exposure Draft “Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients” (“the ED”). We are supportive of the IESBA’s continued efforts to develop and improve its Code of Ethics for Professional Accountants (“the Code”).

We believe that the proposed changes generally enhance the clarity and presentation of provisions in respect of non-assurance services to audit clients. We believe that the majority of these would not have significant practical impact or represent particular implementation challenges. An effective date within 12 months of publication of the revisions could therefore be appropriate. However, it would assist firms and especially SMPs if the effective date of the changes was deferred until other measures to enhance the structure and content of the Code are implemented. We do not believe that emergency situations as provided for in the current Code occur frequently, and there is no urgency to effect the changes. We encourage the Board to consider an effective date in line with other planned revisions to the Code.

These and additional comments are further discussed in response to the IESBA’s specific questions in the appendix attached to this letter.

If you would like to discuss any of our comments, do not hesitate to contact me.

Yours sincerely



**Theo Vermaak**  
Chairman: PKF International Professional Standards Committee  
PKF International Limited

## Appendix – Responses to specific questions

### PKF International Limited Response: IESBA ED Non-assurance Services

#### **Request for Specific Comments**

##### *Emergency Provisions*

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

No, we do not believe that such exceptions should be retained.

##### *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?**

In isolation the proposed change does not significantly enhance the clarity, although it removes the need for interpretation or explanation of “significant”. In combination with the other changes to paragraphs 290.162 and 290.163, clarity is enhanced. We therefore agree with the proposed change.

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

Yes. The IESBA may consider specifically stating that the list of examples is not exhaustive.

- 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?**

The inclusion of “senior management” in the sentence which reads “Designates an individual, preferably within senior management...” is unnecessarily restrictive, as all previous references are to management only. It is not clear why this requirement is extended to senior management. In addition, the use of the word “preferably” is vague and does not aid clarity of understanding.

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

Yes. The addition specifically of language in paragraph 290.171 regarding financial statement preparation from a client approved trial balance, and the depreciation calculations, are very useful as they are often encountered in practice.

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

Yes, relocation to its own subsection provides greater clarity subject to our comments that follow. Given the reference to routine or mechanical accounting services in paragraph 290.171, it would appear that these services are considered administrative. Paragraphs 290.171, and 290.172 may be understood to contradict the statement in paragraph 290.166 that “Providing such services does not generally create a threat to independence.”

##### *Routine or Mechanical*

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

Yes, this is clear. Also see responses to Questions 5 and 6 above.

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

Yes, this is a well understood term.

#### ***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, specific additions of references to the subject matter enhances clarity of the requirements. Also see response to Question 4 above.

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

Yes, the examples are appropriate. Also see response to Question 3 above.

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

See response to Question 6 above.

### **Request for General Comments**

Our general comments regarding the effective date apply to the majority of categories under which general comments were requested, notably SMPs, Developing Nations and Translations.

We do not believe that the majority of the proposed changes would have significant practical impact or represent particular implementation challenges. It would assist firms and especially SMPs, those in developing nations and jurisdictions where translation is required, if the effective date of the proposed changes was deferred until such time as other measures to enhance the structure and content of the Code are implemented. We do not believe that emergency situations such as allowed in the current Code occur frequently, and there is no urgency to effect the changes. We therefore encourage the Board to consider an effective date in line with other planned revisions to the Code.