

Ken Siong
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529 Fifth Avenue
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4 June 2020
(sent via email)

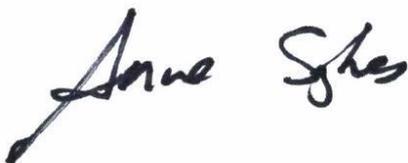
Dear Mr Siong

Exposure Draft: Proposed Revisions to The Non-assurance Services Provisions of The Code

Chartered Accountants Ireland ('the Institute') is pleased to have the opportunity to comment on the Exposure Draft Proposed Revisions to the Non Assurance Services Provisions of the Code. We have commented on the individual question posed in the attached.

If there are any matters in our comments which would be helpful to discuss in more detail, we would be happy to do so. Please feel free to contact me in that regard on +353-1-6377313 or by email to Anne.Sykes@charteredaccountants.ie).

Yours sincerely



Anne Sykes
Secretary
Audit and Assurance Committee
Chartered Accountants Ireland.

Response to the questions

Prohibition on NAS that Will Create a Self-review Threat for PIEs

1. Do you support the proposal to establish a self-review threat prohibition in proposed paragraph R600.14?

The current definition of a PIE as set out in the extant Code of Ethics includes all listed entities. This is a very broad definition and exceeds current legislative requirements in Ireland. For example, the extant definition captures entities such as Special Purpose Vehicles (SPVs), which may merely hold a debt listing on a recognised market. Under the proposed self-review threat prohibition, such entities would be required to engage additional professional advisors. This may lead to a risk of a decrease in audit quality arising from the loss of technical knowledge and expertise auditors gain through the provision of certain non-audit services.

It is welcomed that IESBA have committed to undertake a project to review and revise the definition of a PIE; however, it is challenging to appropriately consider the impact of the proposed self-review threat prohibition when the definition of a PIE may change.

2. Does the proposed application material in 600.11 A2 set out clearly the thought process to be undertaken when considering whether the provision of a NAS to an audit client will create a self-review threat? If not, what other factors should be considered?

Paragraph 600.11 A2 of the Exposure Draft (ED) is very broad and prohibits a significant number of non-audit services being provided to an audit client. Please see response to question 1.

Providing Advice and Recommendations

3. Is the proposed application material relating to providing advice and recommendations in proposed paragraph 600.12 A1, including with respect to tax advisory and tax planning in proposed paragraph 604.12 A2, sufficiently clear and appropriate, or is additional application material needed?

Please see response to question 2. Further, the use of the term in paragraph 604.12 A2 (c) “have a basis in tax law that is likely to prevail” is very subjective and will lead to differing interpretations, in particular, where situations are considered in hindsight.

Project on Definitions of Listed Entity and PIE

4. Having regard to the material in section I, D, “Project on Definitions of Listed Entity and PIE,” and the planned scope and approach set out in the approved project proposal, please share your views about what you believe the IESBA should consider in undertaking its project to review the definition of a PIE.

Consideration should be given to the varying definitions across different jurisdictions. Such consideration should ensure that the definition would not exceed legislative requirements, which may inadvertently impact unintended entities. The current independence requirements are disproportionate where firms provide audit and review services to small entities that fall within the PIE definition.

Materiality

5. Do you support the IESBA's proposals relating to materiality, including the proposal to withdraw the materiality qualifier in relation to certain NAS prohibitions for audit clients that are PIEs (see Section III, B "Materiality")?

See responses to questions 1 and 4.

6. Do you support the proposal to prohibit the following NAS for all audit clients, irrespective of materiality:

- Tax planning and tax advisory services provided to an audit client when the effectiveness of the tax advice is dependent on a particular accounting treatment or presentation and the audit team has doubt about the appropriateness of that treatment or presentation (see proposed paragraph R604.13)?
- Corporate finance services provided to an audit client when the effectiveness of such advice depends on a particular accounting treatment or presentation and the audit team has doubt about the appropriateness of that treatment or presentation (see proposed paragraph R610.6)?

See responses to questions above.

We believe that R610.6 will be difficult to judge and quantify. We believe that the use of the term "has doubt" is too subjective and is likely to be a very difficult yardstick when used in retrospect.

Communication with TCWG

7. Do you support the proposals for improved firm communication with TCWG (see proposed paragraphs R600.18 to 600.19 A1), including the requirement to obtain concurrence from TCWG for the provision of a NAS to an audit client that is a PIE (see proposed paragraph R600.19)?

Yes, we do support improved communication with TCWG. However, please also see issues raised above regarding the definition of a PIE.

We note that the materiality of the services being provided is not considered, in our view this further reduces efficiency and increases costs as minor immaterial services which need a quick turnaround could be subject to delays and costs.

R600.19 requires TCWG to concur with the provision of each non audit service. This is imposing an additional responsibility on TCWG requiring a knowledge and appreciation of this IESBA Code including a requirement to understand and appreciate the firms safeguards.

From an efficiency perspective, if IESBA decide to proceed with this proposal, IESBA should consider permitting or requiring TCWG pre-approve a list of NAS to avoid having to approve each NAS individually.

Other Proposed Revisions to General NAS Provisions

8. Do you support the proposal to move the provisions relating to assuming management responsibility from Section 600 to Section 400, and from Section 950 to Section 900?

We have no comments on this section.

9. Do you support the proposal to elevate the extant application material relating to the provision of multiple NAS to the same audit client to a requirement (see proposed paragraph R600.10)? Is the related application material in paragraph 600.10 A1 helpful to implement the new requirement?

[We have no comments on this section.](#)

Proposed Revisions to Subsections

10. Do you support the proposed revisions to subsections 601 to 610, including:

- The concluding paragraph relating to the provision of services that are “routine or mechanical” in proposed paragraph 601.4 A1?

[See our comments above regarding the definition of a PIE.](#)

- The withdrawal of the exemption in extant paragraph R601.7 that permits firms and network firms to provide accounting and bookkeeping services for divisions and related entities of a PIE if certain conditions are met?

[See our comments above regarding the definition of a PIE.](#)

- The prohibition on the provision of a tax service or recommending a tax transaction if the service or transaction relates to marketing, planning or opining in favour of a tax treatment, and a significant purpose of the tax treatment or transaction is tax avoidance (see proposed paragraph R604.4)?

[We have no comments on this section.](#)

- The new provisions relating to acting as a witness in subsection 607, including the new prohibition relating to acting as an expert witness in proposed paragraph R607.6? Proposed Consequential Amendments

[We have no comments on this section.](#)

11. Do you support the proposed consequential amendments to Section 950?

[We have no comments on this section.](#)

12. Are there any other sections of the Code that warrant a conforming change as a result of the NAS project?

[We have no comments on this section.](#)

Request for General Comments

In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

- Those Charged with Governance, including Audit Committee Members – The IESBA invites comments regarding any aspect of the proposals from individuals with responsibilities for governance and financial reporting oversight responsibilities. This includes small businesses where a single owner manages the entity and also has a governance role.
- Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

- Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.
- Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.
- Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

[We have no comments on these matters.](#)