

**International Ethics Standards  
Board for Accountants (IESBA)**

Mr Ken SIONG  
Technical Director  
529 Fifth Avenue, 6th Floor  
New York, NY 10017  
USA

Submitted via the IESBA website  
and via e-mail to:  
kensiong@ethicsboard.org

Paris, tuesday 22nd July 2014

Référence : YN/DIPAC/PFO : 2014 0517

Dear Mr. Siong,

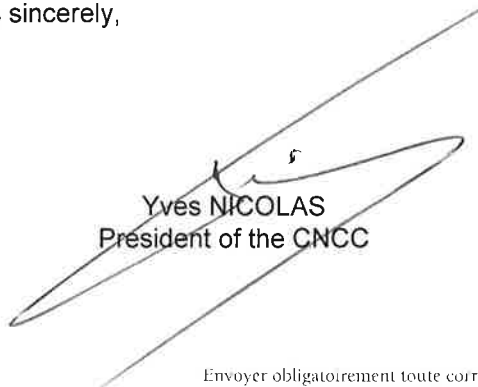
The French accountancy bodies « Compagnie Nationale des Commissaires aux comptes » (CNCC) and « Conseil Supérieur de l'Ordre des Experts-comptables » (CSOEC) are pleased to provide you with their comments on the IESBA exposure draft "proposed changes to certain provisions of the Code addressing non-assurance services to audit clients" ("the ED") in the IESBA Code of Ethics for professional accountants ("the Code").

Please note that Mrs. I. Sapet, although president of the CNCC's Ethics Committee, did not take part in our response as she was a member of the task force on NAS and is currently a member of the IESBA NOCLAR task force.

Our response is twofold: it comprises general comments and some answers to specific questions raised by the ED.

If you have comments or queries regarding our response, please do not hesitate to contact us.

Yours sincerely,



Yves NICOLAS  
President of the CNCC



Joseph ZORNIOTTI  
President of the CSOEC

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

## **General comments**

First of all, we would like to highlight that we approve the intention of clarifying the non-assurance services provisions concerning management responsibilities and routine and mechanical tasks. But we would also like to draw your attention to the fact that the proposed changes may lead to a rule-based approach of the Code due mainly to the deletion of the exercise of professional judgment in some provisions. Therefore, we believe that particular attention should be paid in order to continue to provide guidance and not requirements. In that sense, the increasing number of examples may be understood as exhaustive thereby leaving little space to professional judgment. We would like to emphasize our attachment to a principle-based Code and to the necessity of being aware of the temptation of readers to see lists of examples as “blacklists” (prohibitions) and those not listed as potentially permitted.

Secondly, we are of the opinion that the current proposed changes to the code addressing non-assurance services for audit clients also need to be re-examined in regard to the Code as a whole. We suggest that implementation of those changes can wait until the next proposal to modify the Code.

## **Emergency provisions**

Neither CNCC nor CSOEC has identified situations where emergency provisions are absolutely necessary. In fact, we believe that the code already provides a framework which can accommodate extraordinary situations in paragraph 100.11. Moreover, the code identifies situations where, if not material, non-assurance services are not prohibited. We have therefore no objection to the proposed changes.

## **Management Responsibilities**

In the examples of management responsibilities in paragraph 290.163, we would suggest reinstating the word “generally” as in its absence, all professional judgment is removed because a so called “blacklist” (prohibition) is created, including situations where, due to special circumstances or national legislation, no independence threat exists. It is therefore necessary not to prevent the professional from taking into account all the circumstances including the local regulation, in order to use his professional judgment.

The proposed changes on the guidance as to what constitutes a management responsibility are not appropriate because they could be understood as prohibitions (see above our General comments). The interpretation of those terms raises more questions than it helps to understand what management responsibilities are all about, for examples it is the case for “hiring or terminating employees” or for “supervising activities for the purpose of management oversight” in paragraph 290.163.

We would like to highlight, that, in paragraph 290.165, the identification by the professional accountant of an individual to be responsible at all times for the client’s decisions and to oversee the services should be a safeguard measure and not a requirement. The only requirement should be the prohibition for the professional accountant to be responsible for the client’s decisions.

Therefore, the wording of § 290.165 (as well as the corresponding reference made under § 290.171) should be changed to qualify clearly the provisions set out as regard to “management responsibility” as a safeguard rather than a requirement. Accordingly, the terms “this includes ensuring that...” or “designate...” should be deleted (please refer to our drafting proposal in appendix).

### **Routine or Mechanical**

The proposed clarification to « routine or mechanical tasks» in paragraph 290.171 with additional examples of activities that are « routine or mechanical » do not help and, in fact, it could be misinterpreted. Therefore, we would like to avoid any additional examples.

Also, we believe that the preparation of financial statements is not always “routine or mechanical”. When preparing financial statements, professional judgment including due consideration to the local legislation needs to be applied.

290.164 A firm shall not assume a management responsibility for an audit client. The threats created would be so significant that no safeguards could reduce the threats to an acceptable level. For example, deciding which recommendations of the firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management. ~~Subject to compliance with paragraph 290.165, Nevertheless,~~ providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.

290.165 When providing non-assurance services to an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the responsibility of management. ~~This includes identifying ensuring that an individual who possesses suitable skill, knowledge and experience has been identified within~~ the client's management is an appropriate safeguard to reduce the threat to an acceptable level if this individual :

- is responsible at all times for the client's decisions and to oversee the services.
- ~~P~~rovides oversight of the services and evaluates the adequacy of the results of the services performed for the client's purpose;
- Accepts responsibility for the actions to be taken arising from the results of the services.

~~A suitable individual, preferably within senior management, should understand the objectives, nature and results of the services and the respective client and firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services;~~

~~Designates an individual, preferably within senior management, who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. A suitable individual should understand the objectives, nature and results of the services and the respective client and firm responsibilities. However, the individual is not required to possess the expertise to perform or re-perform the services;~~

~~(...)~~<sup>a</sup>

290.171 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 shall 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.~~ (...)