

Comments of the Institute of Chartered Accountants of India (ICAI) on IESBA Consultancy paper on Proposed Strategy and Work Plan, 2019 - 2023

We are of the view that the IESBA Consultancy paper on Proposed Strategy and Work Plan, 2019 – 2023 is very well prepared document. It really captures all issues of relevance to the Accountancy profession contemporarily, and in the immediate future. We appreciate this foresighted and meticulous planning.

We understand that all issues are important. However, as of now, we would like to make suggestions on a couple of issues only. On rest of the issues, we will be pleased to share our views as and when they are taken up in future separately:-

Definition of PIE

The proposed review of definition of Public Interest entity (PIE) and Listed entity is welcome. We believe that definition of a PIE varies from country to country; however, it may be worthwhile to go ahead with the project of finding a common denominator of these terms.

A PIE is presently understood to be defined in the IESBA Code of Ethics, 2018 as under:-

(a) A listed entity; or

(b) An entity:

(i) Defined by regulation or legislation as a public interest entity; or

(ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.

Other entities might also be considered to be Public Interest Entities as set out in paragraph 400.8

We have following observations in the matter:-

(a) The statutes in India (as may also be in other jurisdictions) do not specifically declare an entity to be a public interest entity. In case of some entities , e.g. Companies, the Statute governing Companies in India i.e Companies Act, 2013 makes a distinction between Private and Public Companies, but do not use the term

Public Interest entities.

(b) There may be entities which are not listed, but wherein shares can be freely traded between shareholders.

(c) Statutes may prescribe mandatory audit, but may not prescribe that audit is to be conducted in compliance with the same independence requirements that apply to the audit of listed entities.

These may be taken into account in the review of above definitions.

Materiality

We appreciate that IESBA will consider whether clarity is needed regarding how the concept of materiality should be applied in the various places where it is referred to in Code, and not just in relation to NAS, e.g. in relation to other independence matters and in relation to financial interests of an individual.

With respect to India, materiality has manifestation in the domestic regulations, with regard to materiality in relation to NAS provided to certain audit clients, as well as in case of auditor holding substantial interest in the client (substantial interest has been defined separately), wherein professional accountant's does not remain eligible to do audit , if his threshold of interest comes within the category of substantial interest.

Tax Planning and related services

We are supportive of this proposal, given the expectations of Governments vis-à-vis demands of clients on the issue, which needs comprehensive consideration.

We would like to add that at present, Taxation advice has mainly been seen in context of Audit client and related conflicts, it may be relevant to note whether additional guidance needs to be in place for Taxation services given to Non-Audit clients as well.

Documentation

While we are supportive of this, we believe that the Code should invariably contain requirement of Independence documentation to be of a standard that would enable another professional to understand the judgments made , and the reasons supporting judgments.

The requirement of documentation may also be considered in case of resignation by the auditor, to give fair chance to the new auditor to know the threats faced by the earlier auditor. So far as it may be possible, it may also be considered that the previous auditor should document the relevant facts in case of change of auditors resulting from reasons other than resignation of the auditor.

Responses to questions in the Consultation paper

Q. Do you agree with the proposed criteria for the IESBA to determine its actions and priorities over the Strategy period?

We agree with the proposed criteria for the IESBA to determine its actions and priorities over the strategy period, i.e 2019 -23. In our view, the criteria are comprehensive and satisfactory. The criteria i.e it would lead to the benefits to the public interest of undertaking the particular action is aptly put at first.

Q. Do you support the actions that have been identified with respect to each strategic theme? If not, please explain why?

We are supportive of actions that have been identified by IESBA with respect to each strategic theme. We take note with appreciation of the fact that the

IESBA plans to continue to monitor relevant external developments through its Emerging Issues and Outreach Committee (EIOC).

Q. Recognizing that this proposed SWP is ambitious, do you believe the IESBA should Accelerate or defer any particular work stream(s)? If so, please explain why

We think that while the general road map prepared by SWP is fine, the area of Tax planning and related services may need to be taken on priority , given the strong hold of professional accountants in rendering Tax related advice, and substantial dependence of Tax compliance by the entities on such advice, and further dependence of Governments on the revenue generated from the same.

Q. Do you have comments on any other matters addressed in this consultation paper or any significant matters not covered in this consultation paper that you believe the IESBA should address?

None.
