



18 August 2014

International Ethics Standards Board for Accountants (IESBA)  
529 5th Avenue, 6th Floor  
New York, New York 10017

Dear Sirs,

**Kreston International comments on IESBA Exposure Draft: “Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients”**

Kreston International appreciates the opportunity to respond to the IESBA Exposure Draft: “Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients”.

Kreston International Limited is a global network of independent accounting firms. Currently ranking as the 13th largest accounting network in the world, Kreston covers 108 countries with 600 offices providing a resource of over 20,000 professional and support staff. Our member firms are involved in the audit of a range of businesses, from listed entities to SMEs and we have sought their input in preparing this response.

Kreston International members recognise the need to clarify and strengthen the ethical standards in the area of non-assurance services.

We have given our responses to the detailed questions below.

*Emergency Provisions*

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

*There are no situations that warrant retention of the emergency exceptions. As noted the provisions in respect of unusual circumstances can be used where needed.*

*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?

*The change to “decisions” enhances the clarity of management responsibility. Significance is a subjective term and therefore is open to interpretation both by management and firms which can lead to differences in application.*

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

*The list of examples is appropriate. However, it may be clearer if the examples were included in paragraph 290.162 so that they are linked to the explanation of management responsibilities. Consideration should be given to specifying that the list is not meant to be 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?

*A challenge in understanding and applying the prerequisite set out in paragraph 290.165 is determining the level of effort that is required by the firm to be satisfied that the individual designated by management possesses suitable skill, knowledge and experience. This may be especially difficult in the case of new clients where the firm does not have a history of working with the individual.*

*A further challenge would arise if the firm was not satisfied with the skill knowledge and experience of the designated individual and what actions would be needed in those circumstances.*

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

*The enhanced guidance should assist engagement teams to meet the requirement of not assuming management responsibility.*

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

*The location of administrative services into its own subsection does provide greater clarity. One area that arises frequently is the involvement of the firm in the desktop publishing/word*

*processing of financial statements and whether this is an administrative service or an accounting service. Clarification of the nature of this service would be welcome especially by smaller public interest entities and their auditors.*

#### *Routine or Mechanical*

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

*The guidance on “routine or mechanical” does clarify the term but there some areas where the guidance could be improved:*

- *The reference to transactions of a routine nature such as a utility bill does not provide clarity. In many businesses the vast majority of transactions are of a routine nature and the definition given is too restrictive.*
- *When recording transactions involving a significant degree of subjectivity this could be extended to cover non routine transactions which are not subjective with respect to amount. The client should determine both the amount to be recorded and its classification.*
- *Calculating depreciation on fixed assets could be generalised to any area where calculations are based on accounting policies and/or estimates provided by the client.*

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

*The meaning and identification of source documents is sufficiently clear.*

#### *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 see our comments in respect of changes to Section 290.*

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

*The examples are appropriate although preparation of financial statements is not included on this list.*



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

*The relocation of the guidance on administrative services does provide greater clarity.*

If you have any questions please contact [andrew.collier@kreston.com](mailto:andrew.collier@kreston.com)

Yours faithfully  
For and on behalf of Kreston International

A handwritten signature in black ink, appearing to read 'A. Collier'.

Andrew Collier  
Director of Quality and Professional Standards