

June 4, 2020

Mr. Ken Siong  
Senior Technical Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue  
New York, NY 10017 USA

Dear Mr. Siong:

**Re: January 2020 Exposure Draft, *Proposed Revisions to the Non-Assurance Services Provisions of the Code***

I am writing on behalf of the Public Trust Committee (PTC) of the Chartered Professional Accountants of Canada (CPA Canada) in response to your request to comment on the Exposure Draft entitled *Proposed Revisions to the Non-Assurance Services Provisions of the Code* (“*the Exposure Draft*”).

CPA Canada is the national body of Canada’s accounting profession, with more than 217,000 members both at home and abroad. It conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. CPA Canada issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the Canadian CPA profession nationally and internationally.

The PTC is responsible for overseeing the regulatory structures and processes across provincial jurisdictions in Canada. The PTC’s goals include achieving consistency between the provincial CPA bodies in Canada and ensuring that the processes and standards in Canada meet or exceed the international standards.

We are generally supportive of the proposed revisions to strengthen the non-assurance services independence provisions. Through our consultation efforts, we received views that varied regarding the specific questions for comments and we have referenced these perspectives where it may be helpful for IESBA to be aware.

We appreciate the coordination efforts undertaken with the IAASB in the development of the proposals contained in the Exposure Draft and the provision of the webinar to provide additional context and address questions.

Please find below our responses to the requested matters for input from Respondents as outlined in the Explanatory Memorandum's Guide for Respondents.

***Request for Specific Comments:***

**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?**

We generally support the proposal to establish a self-review threat prohibition in proposed paragraph R600.14 and have provided comments under Question 4 concerning the need to address proportionality of the requirements regarding smaller PIEs as well as noting a relevant exception in Canada's harmonized independence rules.

In reviewing this proposed prohibition, we noted that some additional clarification would be appropriate in R600.19 (b) which indicates that a firm may be able to provide a non-assurance service to a PIE audit client if "The firm's conclusion that any threat to independence has been eliminated or that safeguards that the firm proposes to apply will reduce such threat to an acceptable level." We believe that clarification that this does not apply if there is a self-review threat is in order, to avoid any potential confusion with the prohibition presented in R600.14.

**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?**

We agree that the proposed application material in 600.11 A2 sets 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. During our consultation, we received feedback that what has been indicated appears to be an exhaustive list and that it may be preferable to adjust the wording to allow for other possible risks that be necessary to consider depending upon the situation.

Consistent feedback was also received regarding the desirability of adding illustrative examples to assist readers as to how the process would apply in various circumstances.

**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?**

We are generally supportive of the proposed application material. Through our consultation, we received feedback that the material proposed in 600.12 A1 and 604.12 A2 should be expanded to make it clear that providing advice and recommendations in the capacity of management is excluded.

In reviewing 604.12 A2 (c), the phrase “likely to prevail” was identified as being subjective in nature and it was also noted in R604.4. The questions raised were focused on how the phrase might be interpreted and practically applied.

We received consistent feedback regarding the desirability of adding illustrative examples of advice and recommendations which might create a self-review threat and those that would not create a self-review threat.

#### **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.**

We are supportive of the project underway on the definitions of Listed Entity and PIE and we agree that a clearer definition of PIE is needed for the NAS proposals to achieve greater consistency of application. Also, we concur that the following matters need to be addressed:

- Developments in capital markets and new ways of capital raising,
- Clarification of the meaning of “recognized stock exchange”,
- Financial institutions not explicitly scoped into the definition of PIE,
- Limitation of many jurisdictions in setting their own PIE definitions, and
- SMP concerns related to any PIE requirements in the Code to be proportionate to the size of the client (i.e. small entities that fall within the definition of PIE).

We appreciate the difficulty of defining such terms for international use and note that Canada’s harmonized independence Rule 204 includes an exception, in the public interest, for “reporting issuers” or “listed entities” that have, in respect of a particular fiscal year, market capitalization and total assets that are each less than \$10,000,000.

#### **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”)?**

We are supportive of the proposals relating to materiality, including the proposal to withdraw the materiality qualifier in relation to certain NAS prohibitions for audit clients that are PIEs. In reviewing the application material, we noted some instances such as in Subsections 603 and 607 where the material referring to **all** clients includes materiality as

a relevant factor in identifying self-review threats. We believe it would be appropriate to amend the application material to only refer to non-PIEs where materiality is referenced to avoid creating confusion.

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)?**

During our consultation, we received mixed feedback with some evaluating the proposal as appropriate for all entities while others supported it for PIEs but leaving a materiality qualifier in place for non-PIEs. Also, some feedback received was out of concern for the practical implications that might arise for SMPs without the materiality qualifier regarding tax planning and tax advisory services.

Generally, there was greater support for the prohibition regarding corporate finance services to be applicable for all clients and some support for retaining a materiality qualifier for tax planning and tax advisory services with application material addressing the relevant threats and safeguards

### **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)?**

We are supportive of the proposals for improved firm communication with TCWG including the requirement to obtain concurrence from TCWG for the provision of a NAS to an audit client that is a PIE.

### **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?**

The proposal received a mixed response through our consultation as some indicated that the repositioning was positive and would increase the prominence of the sections whereas others thought the current locations were acceptable noting that moving them may be detrimental to users in changing an already familiar location. A suggestion was received

to consider effectively using references to various parts of the Code to draw the attention of the user as needed without the need to make structural refinements.

- 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 support the proposal and found the related application material to be relevant and helpful. Through our consultation, we received some feedback that the addition of examples would be helpful regarding the process to be undertaken where combined threats created (e.g., by quantum or scope) could be mitigated or could not be mitigated by appropriate safeguards.

### **Proposed Revisions to Subsections**

- 10. Do you support the proposed revisions to subsections 601 to 610, including:**
- a. The concluding paragraph relating to the provision of services that are “routine or mechanical” in proposed paragraph 601.4 A1?**

We generally support the proposed concluding paragraph to clarify the provision of services that are “routine or mechanical” to non-PIE clients, provided that the member/firm does not assume a management responsibility. Specifically, we recommend that this application material should be expanded to discuss the importance of management’s review and approval of such services including calculations and posting of transactions performed by the auditor.

- b. 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?**

We generally support the proposed revision.

- c. 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 favor of a tax treatment, and a significant purpose of the tax treatment or transaction is tax avoidance (see proposed paragraph R604.4)?**

We generally support the proposed revision noting our comments in Question 3 above regarding the phrase “likely to prevail”.

- d. 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?**

We generally support the proposed revisions.

**Proposed Consequential Amendments**

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

We are supportive of the proposed consequential amendments to Section 950.

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

We did not identify any other sections of the Code that warrant a conforming change as a result of the NAS project.

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We thank you for the opportunity to comment on this Exposure Draft and we appreciate that further revisions to these proposals may result through the feedback provided by stakeholders and as IESBA continues its close coordination regarding this and other related matters with the IAASB.

Yours truly,



Jamie Midgley, FCPA, FCA  
Chair, Public Trust Committee