Dear Sir,

**Comments on Exposure Draft: Proposed Revisions to the Non-Assurance Services (NAS) Provisions of the Code**

We are grateful to the IESBA for the opportunity given us to comment on the Exposure Draft (ED); “Proposed Revisions to the Non-Assurance Services (NAS) Provisions of the Code”. We welcome the initiative of the IESBA in trying to identify challenges of Non-Assurance Services provisions of the Code, and come out with some possible solutions to the challenges auditors face in applying the ethical codes relating to providing non-assurance services to their clients.

Below are our responses to the questions raised in the Exposure Draft:

**Specific Matter for Comment**

**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?

Yes, we do support the proposal to establish a self-review threat prohibition. This is an absolute prohibition for PIE as the guidance indicates because of the heightened expectations, self-review threats cannot be eliminated, and safeguards are not capable of being applied to reduce them to an acceptable level. For Non-PIEs an exception is made when the identified self-review threat is reduced to an acceptable level in accordance with provisions in the conceptual framework. This is achieved through:

- Using professionals who are not audit team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.
- Obtaining pre-clearance or confirmation of the outcome of the service from an appropriate authority (e.g., a tax authority).
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 believe it does; the thought process is clear and adequate. It addresses the possible areas touched by an audit, namely;
  i. Accounting records, internal controls over financial reporting or the financial statements themselves
  ii. The results of the NAS itself will be subject to audit procedures in the audit of the financial statements
  iii. In performing the audit, key judgments made by the NAS will be relied on when undertaking the financial statement audit.

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?

Yes, the proposed application material is appropriate and sufficient. It seems to be comprehensive. Generally, for non-PIE clients, safeguards are to be applied and these are illustrated in the guidance. For PIE clients where a self-review threat is created, there can be no sufficient safeguards applied.

However, with respect to providing Tax advisory and tax planning services, a self-review threat is not created if the services are;
  a. Supported by Tax authority or other precedent
  b. Based on long established practice and has not been challenged by the Tax authority
  c. Have a basis in Tax law that is likely to prevail.

In such a situation, these services can also be provided to PIE’s since self-review threats are not created.

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.

A public interest entity should be defined based on the relative size of the entity as well as its prominence in the society that it operates. We especially like the approach of letting the regulatory oversight agency weigh in on this distinction as there are significant variances worldwide and it would be impossible to set one standard worldwide; yet we do need a consistent approach to provide guidance. In our opinion, the current definition of a public interest entity is okay and do not need a change.
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”)?

Yes, we do. We agree with the IESBA that given the heightened threat to auditor independence for PIEs, the materiality qualifier be withdrawn for audit clients that are PIEs. Even though the materiality qualifier in itself is an audit safeguard measure that is frequently deployed to determine the impact of a possible misrepresentation due to fraud or error or both, the discretionary nature of its application highlights potential for inconsistency in whether to perform NAS to a client. The NAS self-review threat prohibition would therefore apply even if the outcome or result of the NAS is immaterial. There is no materiality that should allow risk for PIEs.

Fee Dependency for non-PIE Audit Clients

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)?

There is a direct link between the performance of the audit and the performance of the NAS which is problematic as the services appear to have a relationship or influence between them which cannot be acceptable. However, we do not support the prohibition of the provision of NAS, be it tax planning or corporate finance services, to audit clients, especially if the firm has sufficient appropriate safeguard that can significantly reduce potential risks to an acceptable level, upon evaluation of those risks. This includes public interest entities, listed entities and not-a-public interest or listed entity.

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 support the proposal for improved firm communication with TCWG. Though the guidance provides conditions under which NAS can be provided to PIE’s (concurrence of TCWG), this
seems a bit contradictory as there is a prohibition of providing NAS to PIE. R600.14 and no materiality can exclude this. This seems to provide an option to still provide these services if TCWG agree. Further clarifications or guidelines need to be provided to dispel any seeming contradictions.

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 support the proposal to move the provisions relating to assuming management responsibility to appropriate sections realignment and better reading and understanding of the Code. What this does is to move it from a specialized section (600) to a general required section (400).

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?

Yes, we support the proposal to evaluate the application material and we confirm it is helpful to implement the new requirement.

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?

  Yes, we support the proposed revisions.

- 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?

  Yes, we do support the withdrawal of the exemptions, especially where the relevant conditions set-out are not met. These conditions include applying sufficient appropriate safeguards. Given the heightened restrictions on PIE, this restriction is consistent and acceptable.

- 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)?
Yes, we support 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. We support the withdrawal of the exemptions, especially where the relevant conditions set-out are not met. These conditions include applying sufficient appropriate safeguards.

- 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?

Yes, we support the proposal on the new provisions not allowing a firm or a professional accountant to act as a witness or expert witness where all sufficient appropriate safeguard conditions have not been met.

**Proposed Consequential Amendments**

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

Yes, we support the proposed consequential amendments. They provide a more direct theoretical basis for evaluating NAS as potential threats.

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

No, in our view, there are no other sections of the Code that warrant a conforming change as a result of the NAS Project that we can think of.

We hope the IESBA finds these comments helpful in further developing its consultations on Proposed Revisions to the Non-Assurance Services Provisions of the Code. In turn, we are committed to helping the IESBA in whatever way possible to build upon the results of this Exposure Draft. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours Sincerely,

[Signature]

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DIRECTOR, TECHNICAL AND RESEARCH