

Institute of Certified Public Accountants of Kenya
CPA Centre, Ruaraka, Thika Road.
P. O. Box 59963 – 00200 Nairobi, Kenya
Tel: (020) 2304226/7; 8068570/1
Mcbile: (+254) 727531006 / 733856262 / 721469796
Fax: (020) 8562206
Drop in box no. 164 Revlon Professional Plaza



Our Ref: PSD/C&S/ED18/2014

Friday, 15 August 2014

Ken Siong
Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
529 5th Avenue, New York
USA

Email: kensiong@ethicsboard.org

Dear Ken,

RE: Exposure Draft: International Ethics Standards Board for Accountants (IESBA) - Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Exposure Draft: Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients issued by the International Ethics Standards Board for Accountants (IESBA).

ICPAK supports the Board's efforts to clarify and strengthen the Code of Ethics for Professional Accountants (the Code) by proposing amendments relating to certain provisions of the Code Addressing Non-Assurance Services for Audit Clients with the view to enhancing independence.

We agree that the matters concerning non-assurance services for audit clients raised in the ED are appropriate for clarification particularly, the clarification of management responsibility and Proposing enhancements to the corresponding non-assurance services provisions in Section 291.

We attach hereto an appendix with our responses to questions for specific comment.

If you would like to discuss these comments further, please contact the undersigned on icpak@icpak.com or the undersigned at nixon.omindi@icpak.com.

Yours Sincerely,

Nixon Omindi
For Professional Standards Committee

Request for Specific Comments

The IESBA would welcome views on the following questions:

Emergency Provisions

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

We support proposal to remove the emergency exceptions paragraph on the basis that in extremely rare circumstances where such an exception would be appropriate the general “unusual circumstances” provision in paragraph 100.11 of the Code would apply.

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?

We agree with the proposed deletion of “significant” on the basis that all decisions are the responsibility of management.

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

We are in agreement that the examples are appropriate.

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?

Even though, we consider the prerequisite set out in paragraph 290.165 to be clearly described and appropriate, we are concerned that these requirements may not be practical in the case of small entities due to the organisational structure in place. [See general comments below].

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

Yes. The enhanced guidance now make it easier for auditors to inform management adequately what their responsibility entail and this will enhance auditor independence especially with regard to non-assurance services.

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

We agree with the relocation of the guidance pertaining to administrative services as a subsection. Routine or Mechanical

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

We are of the view that the proposed guidance clarifies the term “routine and mechanical” hence there is no need for further guidance.

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

Yes

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?

Yes, the changes proposed to Section 291 enhance the clarity of a management responsibility.

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

We are in agreement that the examples are appropriate.

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

Yes

Request for General Comments

In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

- (a) *SMPs*—The IESBA invites comments regarding the impact of the proposed changes for SMPs, especially the changes regarding management responsibilities.

We are concerned that certain issues pertaining to management responsibilities and the concept of routine and mechanical services are frequently relevant for SMPs, given the extensive support SMP clients often require. While we support the proposed clarifications to the Code, we note that these are matters that are likely to continue to pose implementation challenges for the SMPs when providing non-assurance services to SMEs due to the nature and size of operations especially in environments where audit exemptions are non-existing.

- (b) *Preparers (including SMEs), and users (including regulators)*—The IESBA invites comments on the proposed changes from preparers (particularly with respect to the practical impacts of the proposed changes), and users.

No Comment

- (c) *Developing Nations*—Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposed changes, in particular, on any foreseeable difficulties in applying them in a developing nation environment.

No Comment

- (d) *Translations*—Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposed changes.

Not applicable in our jurisdiction.

- (e) *Effective Date*—The IESBA proposes that the effective date for the changes will not be less than 12 months after issuance of the final changes. Earlier application would be permitted. The IESBA welcomes comment on whether this minimum period would be sufficient to support effective implementation of the changes.

We agree with the proposed effective date as it will allow implementers to appreciate the proposed clarifications and guidance.