

International Ethics Standards Board for Accountants

Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients

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?

By their very nature, such emergencies cannot be predicted. It is not inconceivable that there may be future occurrences of emergency situations. Whilst the intention to remove the potential misuse of the emergency exceptions is to be welcomed, the withdrawal of all such provisions will bring uncertainty as to how any emergency situations may be dealt with if not set out in this Code. It would be preferable to try to find suitable wording for the Code to achieve the desired goal.

The advice in paragraph 100.11 of suggesting firms consult with a member body or the relevant regulator may prove problematic. Our member body, the ICAEW, provides an Ethics Service and this has demonstrated itself to be a useful source for consultation. At time of writing, there is no similarly established consultation service provided by the regulator. The efficacy of this suggestion may depend more on individual member bodies and relevant regulators.

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?

It does.

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

They are appropriate given that the preparation of accounting records and financial statements is dealt with separately later.

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?

Conceptually this does not present any challenges. Nevertheless audit documentation may need to be increased to address how the firm is satisfied that client’s management is fulfilling its responsibilities as set out in paragraph 290.165.

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

Yes, it has been made clearer.

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

It does.

Routine or Mechanical

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

It does add some clarity. Nevertheless one can still find a view in the profession that inputting client numbers into an accounts preparation software package and thus producing the accounts is also routine or mechanical notwithstanding that there will need to have been some judgemental tailoring of the software at least initially. This scenario could be more specifically addressed in paragraph 290.168.

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

This will likely be the subject of some interpretation.

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?

They do.

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

It follows that this paragraph reflects paragraph 290.163.

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

Relocation helps to provide greater clarity.

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.
- (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.
- (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.
- (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.
- (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.

The proposed timeframe should be adequate.