



**Instituto Mexicano de
Contadores Públicos**

Mr. Ken Siong
IESBA Technical Director
IFAC

Dear Mr. Siong:

Regarding the Exposure Draft on Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients. We hereby discuss our comments that came from the analysis that we performed on this document.

General Comments:

The Ethics Committee of the Mexican Institute of Public Accountants generally considers appropriate and applicable in Mexico, the proposed changes to the Code of Ethics for Professional Accountants.

The issues that we believe should be evaluated by the IESBA are related to the following:

- I. Audit clients that are public interest entities and Audit clients that are not public interest entities (paragraphs: 290.171 and 290.173)

In this matter, we consider that the self-review threat may be to such importance that, it should not allow providing accounting and/or bookkeeping services to audit clients, regardless if they are in the public interest or not.

- II. Irrespective of the discussion in I. above, if providing accounting and/or bookkeeping services to audit clients that are not in the public interest would remain permissible, additional guidance should be provided to SMP (Small and Medium Practices (SMP)).

Request for Specific Comments – questions:

Emergency Provisions

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

R: We believe that no emergency conditions should be retained or considered. Note that in the code of ethics applicable in Mexico, is not allowed to provide accounting and / or bookkeeping services to an audit client, including payroll services, financial statements preparation or any financial information on which the audit firm has to express an opinion for. These activities will be considered a self-review threat to such significance that no safeguards could eliminate or reduce the threat to an acceptable level. As a result of this, no emergency situations are considered.

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?

R: We believe it is an appropriate change. Prioritizing decisions may generate gaps or departures of compliance with the Code.

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

R: We believe that they are appropriate. We only suggest adding "Risk management", as part of the "strategic Direction policies implemented"

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?

R: No, they are not.

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

R: Yes, it will.

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

R: Yes, it does.

Routine or Mechanical

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

R: See section I of general comments.

Regardless of our discussion in paragraph I of the general comments, we consider the guidance appropriate. However, it is important to consider additional guidance intended to smaller practices / firms.

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

R: We consider it is not sufficiently clear. More details on the definition are required; we even experience problems for translation.

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?

R: Yes, they do.

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

R: We believe that they are appropriate. We only suggest adding "Risk management", as part of the "implemented strategic direction policies."

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

Yes, It does

Request for General Comments:

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

Comment: We believe that the changes are appropriate and should apply to SMPs.

- (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.

Comment: 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.

Comment: We foresee potential constraints on compliance with the proposed changes in the Code, particularly in the Mexican business environment with respect to:

- ***Smaller audit practices/firms- Where application would represent a significant challenge due to their structures.***
- ***Lack of technical skills within management of companies.***

- (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.

Comment: We believe that a more meaningful description is required in the concepts addressed in the following bullets of paragraph 290.167:

- ***Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction (for example, purchase orders, payroll time records, and customer orders).***
- ***Originating or changing journal entries, or determining or approving the account classifications of transactions.”***

- (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.

Comment: We believe that the proposal is appropriate.

Hopefully the above comments will be useful. We are at your orders in case of comments or suggestions related to this bulletin.

Best regards,



Mario Arregoytia-García
Chairman of the Committee on Professional Ethics
Of the Mexican Institute of Public Accountants

Mexico, D.F.
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