

CONSULTATION

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

EXPOSURE DRAFT: PROPOSED CHANGES TO CERTAIN PROVISIONS OF THE CODE ADDRESSING NON – ASSURANCE SERVICES FOR AUDIT CLIENTS

INTRODUCTION

These comments are submitted by the Association of International Accountants (AIA).

ABOUT AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and from conception has promoted the concept of 'international accounting' to create a global network of accountants in over 85 countries worldwide.

AIA is recognised by the UK government as a recognised qualifying body for statutory auditors under the companies act 2006, across the European Union under the mutual recognition of professional qualifications directive and as a prescribed body under the companies (auditing and accounting) act 2003 in the Republic of Ireland. AIA also has supervisory status for its members in the UK under the Money Laundering Regulations 2007.

AIA promotes and supports the advancement of the accountancy profession both in the UK and internationally. The AIA exams are based on international financial reporting and international auditing standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic accounting.

AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

AIA RESPONSE

SUMMARY

QUESTION 1

EMERGENCY PROVISIONS

1. ARE THERE ANY SITUATIONS THAT WARRANT RETENTION OF THE EMERGENCY EXCEPTION PERTAINING TO BOOKKEEPING AND TAXATION SERVICES?

AIA is in broad agreement with the proposal to withdraw the emergency exception provisions pertaining to bookkeeping and taxation services. However, as the proposal is aligned with the expectation of reliance on the guidance contained in paragraph 100.11 - with respect to deviation from the Code in unusual circumstances; we would suggest that, in tandem with this proposal, consideration be given to enhancing the guidance contained in paragraph 100.11 of the Code - by way of providing illustrative examples of the "unusual circumstances" referred to. In our view, an appropriate example for inclusion would be where a remote branch operation or component of a group audit client, finds it totally impracticable to secure the provision of bookkeeping and/or taxation services from another source, and the auditor believes that not to provide such services would result in a disproportionate outcome or would not be in the public interest.

QUESTION 2

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?

In the context of the other proposed changes to the paragraph, the deletion of "significant" does enhance the clarity of a management responsibility.

QUESTION 3

3. ARE THE EXAMPLES OF MANAGEMENT RESPONSIBILITIES IN PARAGRAPH 290.163 APPROPRIATE?

The management responsibility examples as provided are considered to be appropriate. For consistency of tense with paragraph 290.162 and improved clarity, we would suggest the following amendments to the wording:

- In the first sentence change "would be considered" to "are considered to be"
- Change "Hiring or terminating employees" to "Hiring or dismissing employees"

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?

The AIA is of the view that the pre-requisite set out in paragraph 290.165 is clear and reasonable from an audit firm's perspective – it is for the audit client to accept responsibility for embracing the detailed requirements.

The second sentence in bullet point one defines the skill, knowledge and experience required by the “designated individual”. Therefore, for improved clarity of this second sentence we would suggest, changing it to “An individual with suitable, skill, knowledge and experience is one who understands the objectives, nature and results of the services and the respective client and firm responsibilities”.

5. WILL THE ENHANCED GUIDANCE ASSIST ENGAGEMENT TEAMS TO BETTER MEET THE REQUIREMENT OF NOT ASSUMING A MANAGEMENT RESPONSIBILITY?

We believe that the requirement will facilitate this objective.

6. DOES THE RELOCATION OF THE GUIDANCE PERTAINING TO ADMINISTRATIVE SERVICES INTO ITS OWN SUBSECTION PROVIDE GREATER CLARITY?

AIA commends this proposed amendment to the Code, it does provide greater clarity.

7. DOES THE PROPOSED GUIDANCE ON “ROUTINE OR MECHANICAL” CLARIFY THE TERM OR IS ADDITIONAL GUIDANCE NEEDED?

Paragraph 290.166 does not differentiate between the preparation of administrative or statutory forms for client approval and the preparation of ‘client provided’ administrative or statutory forms for client approval. The former task may require professional judgement in the selection process, creating a threat to independence.

We would suggest modification of the wording of the paragraph to highlight the noted threat to independence.

8. IS THE MEANING AND IDENTIFICATION OF SOURCE DOCUMENTS SUFFICIENTLY CLEAR, TAKING INTO ACCOUNT DOCUMENTS THAT MAY BE GENERATED BY SOFTWARE?

We consider that these are sufficiently clear.

SECTION 291

9. DO THE CHANGES PROPOSED TO SECTION 291, SPECIFICALLY THE ADDITIONAL REQUIREMENTS TO PROPOSED PARAGRAPH 291.146; ENHANCE THE CLARITY OF MANAGEMENT RESPONSIBILITY?

Yes, we believe they do.

10. ARE THE EXAMPLES OF MANAGEMENT RESPONSIBILITIES IN PARAGRAPH 291.144 APPROPRIATE?

Yes, but our comments pertaining to question 3 (above) are also relevant here.

11. DOES THE RELOCATION OF THE GUIDANCE PERTAINING TO ADMINISTRATIVE SERVICES PROVIDE GREATER CLARITY?

Yes, but our comments pertaining to question 7 (above) are also relevant here.

REQUEST FOR GENERAL COMMENTS

AIA does not foresee any difficulties with the proposed effective date for the changes.

FURTHER INFORMATION

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

If you require any further information, please contact:

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