

April 24, 2017

International Ethics Standards Board for Accountants  
14<sup>th</sup> Floor, 545 – 5<sup>th</sup> Avenue  
New York, New York  
10017

Dear Sirs and Mesdames:

**Re: Exposure Drafts: Improving the Structure of the Code of Ethics for Professional Accountants, Proposed Revisions Pertaining to Safeguards in the Code and Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice**

Thank you for the opportunity to comment on the above-noted Exposure Drafts (“EDs”). We support the efforts made to strengthen the independence standards through the Code of Ethics for Professional Accountants (the “Code”). We have provided our comments to the EDs below:

***Improving the Structure of the Code of Ethics for Professional Accountants***

We do not believe that the proposals in the above-mentioned ED have resulted in any unintended changes in meaning of any of the provisions. We believe that the proposals are consistent with the key features of the restructuring with the following exceptions:

- The word “generally” should be removed from paragraph 210.8 A1 because its use implies that disclosure of a conflict of interest and the safeguards applied is optional. We believe that it is in the client’s interests to disclose any actual or perceived conflicts of interest and how the professional accountant has managed such conflicts to accept or continue the professional service.
- We recommend that the word “scheme”, used in paragraph 260.20 A2 and in 360.25 A2, be defined in the guidance, as it is not a term commonly used by professional accountants and could be subject to misinterpretation.

Further, we agree with the proposed effective dates of the restructured Code and believe that they provide sufficient time for professional accountants to familiarize themselves with, and implement, the changes.

***Proposed Revisions Pertaining to Safeguards in the Code***

Overall, we agree with the proposed revisions to the safeguards pertaining to the provision of non-assurance services. We would, however, like to bring the following concerns to the Board’s attention:

- We do not believe that a firm or network firm should be permitted to assume management responsibilities to the related entities outlined in paragraph R600.10. The ability to control, lead or direct an entity that has control or significant influence over the assurance (i.e., audit and review) client may create a situation whereby the client’s business is impacted, negatively or positively, because of decisions made at the related entity level. We believe that the inter-relationship between an assurance client and the related entities referred to in paragraph R600.10 is too significant.
- In our view, acting as an expert witness for an assurance client creates a significant advocacy threat that cannot be appropriately mitigated when that expert witness offers opinions on the litigation matter. This is a different role than that of a fact, factual or fact-finding witness who recites the facts of the matter in litigation and the results of the litigation support services engagement. Therefore, we recommend the Board consider adding a prohibition to the Code, to disallow the provision of litigation support services for public interest entities for the purpose of advancing

the entity's interest in a legal proceeding or investigation with respect to amount(s) that are material to the financial statements subject to audit or review.

- Paragraph 608.4 A1 which describes the types of independence threats that may be created as a result of the provision of legal advisory services should also refer to advocacy threats.
- We have concerns with the prohibition in paragraph R609.6 related to the provision of recruiting services with respect to a director or officer of the entity or senior management in a position to exert significant influence over the preparation of the client's accounting records or financial statements. We would like to recommend that the prohibition continue to be restricted to public interest entities only as presented in the extant Code. We believe that smaller review and audit clients may not have the necessary knowledge or skill to effectively recruit candidates with the appropriate competence for financial accounting, administrative or control positions.

***Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice***

We agree with the Board's proposal to expand the applicability of Part C of the extant Code to professional accountants in public practice. We believe that the independence provisions in the Code should apply to all professional accountants equally, if the relevant circumstances exist, despite whether they are employed in industry or public practice. We do not have any specific concerns in regards to the proposed location of the applicability paragraphs.

We are pleased to offer our assistance to the Board in further exploring issues raised in our response and in helping to find solutions to meet the needs of all stakeholders.

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Yours truly,

**MNP LLP**

*Jody MacKenzie*

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