

Mr K Siong
IESBA Technical Director
IFAC
545 Fifth Avenue – 14th Floor
New York – New York 10017

6 August 2014

Dear Mr. Siong,

Mazars welcomes the opportunity to comment on the exposure draft *Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients* published by the International Ethics and Standards Board of Accountants (IESBA) on 20 May 2014.

1. Who we are

Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, tax, legal and advisory services. We have 13,800 professional staff operating in 72 countries worldwide to assist major international groups, SMEs and public bodies at each stage of their development.

Mazars is a member of the Forum of Firms and is represented at the Transnational Auditors Committee¹, and on this basis undertakes to have policies and methodologies that conform to the IFAC standards and more precisely for the purpose of this response, the IESBA Code of Ethics for Professional Accountants (the Code) and national codes of ethics.

Our response contains both general comments and responses to the specific questions within the consultation paper.

2. General Comments

For Mazars, the changes in regulatory developments on the nature and extent of services which can be provided to audit clients are of great importance.

In principle, we support the proposed changes to the Code in relation to Non-Assurance Services and the additional guidance provided to define management responsibility. The changes will better assist auditors to satisfy themselves that client management will make the necessary judgements and decisions which are the responsibility of management and ensure that auditors are not taking such decisions.

We also agree with the proposed removal of the exemption which permitted auditors to provide bookkeeping or taxation services to audit clients in emergency situations.

Mazars has been a supporter of the European Audit Reform project which was adopted by the European Union in April 2014. An important element in the reform is safeguarding the independence of the auditor. Article 5 of the Regulation implementing the reform includes a list of prohibited non-

¹ The Transnational Auditors Committee (TAC) of the International Federation of Accountants (IFAC) operates as the executive arm of the Forum of Firms (FoF, Forum), an association of international networks of accounting firms that perform transnational audits.

audit services which apply to auditors of Public Interest Entities (PIE's). The proposals in the exposure draft are generally consistent with the prohibited non-audit services in the Regulation.

3. Responses to specific questions

In this section we respond to the specific questions raised in the exposure draft following the order set out in the paper.

3.1 Emergency Provisions

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

We support the proposal to remove the emergency provisions relating to bookkeeping and taxation services. Such situations should be exceedingly rare and therefore not requiring to be addressed by the Code.

3.2 Management responsibilities

3.2.1 Does the change from "significant decisions" to "decisions" when referring to management responsibilities (paragraph 290.162) enhance the clarity of a management responsibility?

Yes, the removal of 'significant' eliminates the risk of subjectivity in interpretation of what is significant.

3.2.2 Are the examples of management responsibilities in paragraph 290.163 appropriate?

Yes.

3.2.3 Are there any challenges in understanding and applying the prerequisite set out in paragraph 290.165 for non-assurance services that should be considered?

We do not foresee any significant challenges in understanding and applying the prerequisite set out in paragraph 290.165. We agree with the proposal that client's management designates an appropriately qualified individual to be responsible for the client's decisions and to oversee the services. However as this may be a new requirement for some companies it may be necessary to consider how it will be communicated to companies and their Boards of Directors.

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

The enhanced guidance clarifies and improves the definition of a management responsibility and will better enable engagement teams to avoid assuming such responsibility.

3.2.5 Does the relocation of the guidance pertaining to administrative services into its own sub section provide greater clarity?

Yes.

3.3 Routine or Mechanical

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

The proposed guidance is sufficiently clear.

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

Yes.

3.4 Section 291

3.4.1 Do the changes proposed to Section 291, specifically the additional requirements to proposed paragraph 291.146 enhance the clarity of a management responsibility?

Yes. This is consistent with our response to the proposed changes to Section 290.165 described above.

3.4.2 Are the examples of management responsibilities in paragraph 291.144 appropriate?

Yes, these are consistent with paragraph 290.163.

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

Yes.

4. Request for General Comments

4.1 SMPs

In a number of countries the Mazars firm would be categorised as a Small and Medium Sized Practice (SMPs) due to the relatively small number of people employed. In these locations, due to their size, it can be difficult to implement appropriate safeguards to reduce potential threats to independence.

4.2 Preparers (including SMEs) and users (including regulators)

N/A for Mazars.

4.3 Developing Nations

N/A for Mazars.

4.4 Translations

We operate in 72 countries, many of which do not have English as their first language. This could raise some challenges in terms of dealing with interpretations linked to the English language. However with appropriate communication and training we will seek to eliminate any significant issues in translation.

4.5 Effective Date

We consider that the proposed implementation period of at least 12 months after issuance of the final changes is sufficient to support effective implementation.

If you have any comments or queries regarding the content of this letter, we would be pleased to answer any issue you might wish to raise.

Yours sincerely,

**Ethics & Acceptance Committee
Mazars**

**Isabelle Sapet (Leader), Jean-Luc Barlet, Anne Veaute, Onno Opzitter,
Kathy Robison, Wendy Stevens, Andrew Goldsworthy**

PS: Please note that Mrs Isabelle Sapet, former member of the IESBA Board as well as the Leader of the Mazars Ethics and Acceptance Committee has not attended the Committee meetings where this Mazars response has been drafted.