

International Ethics Standards Board for Accountants: Proposed Revisions to the Non-Assurance Provisions of the Code

We welcome the opportunity to comment on this Exposure Draft (ED).

Moore Global is a leading mid-tier network with over 250 independent member firms in 110 countries. Our firms are multi-disciplinary practices, providing a wide-range of professional services, which fall within the scope of this Exposure Draft ("ED").

Executive Summary

Our main concern over the ED is its timing, given the current global economic crisis. The current timeline is impracticable for both audit clients and audit firms. We are concerned that the practical considerations relating to implementing the proposed changes could divert focus (including resources) away from dealing with the economic impact of the current situation – we do not believe this would be in the public interest.

Whilst an extension to the implementation deadline would be welcomed, there is always the risk with a finalised standard, with an extended implementation period, that some regulators may adopt early. It may therefore be appropriate for IESBA to consider deferring finalisation until stability is restored.

Main comments

The review of the Non-Assurance Services ("NAS") provisions of the Code has come at a difficult time given the far-reaching impact of COVID-19.

Due to the unprecedented financial pressures being faced by the majority of businesses in most of the global economies in the world, many businesses may look to their professional and financial advisers to advise them and support them through these difficult times.

The proposals set out in this exposure draft may result in a reduction in services provided by auditors to such clients, and audit clients having to source these services elsewhere.

Now is not a time when audit clients should be forced to take on the additional burden of sourcing new professional firms, who are not familiar with their business. Such processes inevitably require significant inputs of time and money, especially where tendering is required. Additional costs will continue to be incurred by businesses changing professional advisors whilst all parties navigate their individual learning curves.

The public interest lies in stability and promoting an environment which supports business recovery. Whilst these proposals are important, they may not currently be a key priority. The proposals will require time and resources to implement and it is not in the public interest for resources and attention to be diverted in this way during the current challenging times. Again, we feel this indicates that at the least a longer lead time would be the best solution for everyone.

However IESBA should also bear in mind that issuing these proposals in their totality as final amendments to the Code, even with a long lead time, might result in the changes being regarded as effective in some jurisdictions before the IESBA determined effective date. This is always a possibility but given the current challenging circumstances, IESBA might wish to consider, rather than issuing final amendments with a long lead date, delaying the finalisation until the general situation is more settled.

It is also important that the challenges posed by the "new normal" post COVID-19 are given appropriate consideration. We are therefore of the view that now is not the right time to be considering making changes since it is entirely possible that further changes may be necessary in short order to reflect public interest, the changing world and professional circumstances.

Request for Specific Comments***Prohibition on NAS that Will Create a Self-review Threat for PIEs*****1. Do you support the proposal to establish a self-review threat prohibition in proposed paragraph R600.14?****Response:**

In a pre-Covid world we would have supported the proposal to prohibit non-assurance services ("NAS") for a Public Interest Entity (PIE) where they create self-review threat. A number of jurisdictions already contain such a prohibition in national requirements.

However, given the global economic impact of the current COVID-19 pandemic, audit clients are likely to need more professional services to support them through these challenging times than they did previously, and are unlikely to find the need to use more than one adviser, and the added costs of doing so, helpful at this difficult time.

There are significant time and resource costs to a business in sourcing new advisers, including any tendering process, which results in time diverted away from business recovery.

Further, being forced to use, and pay for, additional advisers who are not familiar with the business inevitably results in a learning curve which will not assist companies during this time of crisis, where business-critical decisions need to be taken quickly.

The post-COVID world may look very different and it may be more appropriate for IESBA to postpone consideration of changes until there is more stability and the way that businesses have had to adapt is better understood.

2. Does the proposed application material in 600.11 A2 set out clearly the thought process to be undertaken when considering whether the provision of a NAS to an audit client will create a self-review threat? If not, what other factors should be considered?**Response:**

Yes, we would agree with the application material raised.

Providing Advice and Recommendations**3. Is the proposed application material relating to providing advice and recommendations in proposed paragraph 600.12 A1, including with respect to tax advisory and tax planning in proposed paragraph 604.12 A2, sufficiently clear and appropriate, or is additional application material needed?****Response:**

The proposed application material is appropriate.

Project on Definitions of Listed Entity and PIE**4. Having regard to the material in section I, D, "Project on Definitions of Listed Entity and PIE," and the planned scope and approach set out in the approved project proposal, please share your views about what you believe the IESBA should consider in undertaking its project to review the definition of a PIE.****Response:**

Consistent with our comments in relation to either extending the lead time or postponing the final draft of the NAS proposals until the global economy has settled down, we also consider that the Listed and PIE definition project should similarly be given the time to reflect the potentially changing public interest focus that will arise from recent COVID-19 developments.

Materiality

5. Do you support the IESBA's proposals relating to materiality, including the proposal to withdraw the materiality qualifier in relation to certain NAS prohibitions for audit clients that are PIEs (see Section III, B "Materiality")?

Response:

We would agree with the proposal to remove the materiality qualifier, meaning that certain NAS are prohibited for audit clients that are PIEs. However, our comments about timeframes above still apply.

6. Do you support the proposal to prohibit the following NAS for all audit clients, irrespective of materiality:

- Tax planning and tax advisory services provided to an audit client when the effectiveness of the tax advice is dependent on a particular accounting treatment or presentation and the audit team has doubt about the appropriateness of that treatment or presentation (see proposed paragraph R604.13)?
- Corporate finance services provided to an audit client when the effectiveness of such advice depends on a particular accounting treatment or presentation and the audit team has doubt about the appropriateness of that treatment or presentation (see proposed paragraph R610.6)?

Response:

Yes, we support these changes.

Communication with TCWG

7. Do you support the proposals for improved firm communication with TCWG (see proposed paragraphs R600.18 to 600.19 A1), including the requirement to obtain concurrence from TCWG for the provision of a NAS to an audit client that is a PIE (see proposed paragraph R600.19)?

Response:

Whilst we would agree theoretically with the principle underlying this proposed change, practical aspects need to be considered, particularly in the light of the current global circumstances. At the least, we believe the proposed changes would require an extended implementation period. To be effective, proposed changes will need coordination not only within networks but also within client governance structures to support this communication.

This will be particularly challenging for complex group structures and where there are multiple network firms involved where the firms operate independently of each other. Audit client governance structures will need to accommodate these changes. Given the current challenging global context now is not the time to be adding in additional corporate governance requirements.

Other Proposed Revisions to General NAS Provisions

8. Do you support the proposal to move the provisions relating to assuming management responsibility from Section 600 to Section 400, and from Section 950 to Section 900?

Response:

Yes, we would agree that these would sit more appropriately in the section that covers applying the conceptual framework.

9. Do you support the proposal to elevate the extant application material relating to the provision of multiple NAS to the same audit client to a requirement (see proposed paragraph R600.10)? Is the related application material in paragraph 600.10 A1 helpful to implement the new requirement?

Response:

Again our overarching comments above about the timing of these changes apply.

Whilst we would support considering making the cumulative effect of NAS a requirement for PIE audits, we do not support this change for non-PIE audits.

As members of a mid-tier network of independent firms (rather than an integrated or highly centralised network), our firms have complete operational autonomy. Requiring our network to track the NAS provided to each audit client (defined in the glossary as an audit client and any related entity it has direct or indirect controls) across the network would be overly burdensome, impracticable and costly, when the risk in relation to each firm conducting NAS for non-PIE clients is minimal.

Extending the scope of considerations to NAS data for all audit clients would result in network conflict checking systems needing to be significantly re-engineered, which would be costly and take significant time to introduce, which would be disproportionate to the benefit obtained and would be disproportionately onerous for mid-tier and smaller networks. This would also have a significant knock on impact on the implementation time period required in order to make such software platform changes.

Proposed Revisions to Subsections

10. Do you support the proposed revisions to subsections 601 to 610, including:

- **The concluding paragraph relating to the provision of services that are “routine or mechanical” in proposed paragraph 601.4 A1?**
- **The withdrawal of the exemption in extant paragraph R601.7 that permits firms and network firms to provide accounting and bookkeeping services for divisions and related entities of a PIE if EXPLANATORY MEMORANDUM: NAS 24 certain conditions are met?**
- **The prohibition on the provision of a tax service or recommending a tax transaction if the service or transaction relates to marketing, planning or opining in favor of a tax treatment, and a significant purpose of the tax treatment or transaction is tax avoidance (see proposed paragraph R604.4)?**
- **The new provisions relating to acting as a witness in subsection 607, including the new prohibition relating to acting as an expert witness in proposed paragraph R607.6?**

Response:

We agree with the explanatory guidance in 601.4.A1.

We would agree with the removal of the exemption in relation to providing accounting and bookkeeping services to divisions or related entities but would again question the timing of this change, given the current economic crisis.

We would agree with the proposed changes in relation to R604.4.

We would support the changes made in 607 regarding acting as an expert witness.

Proposed Consequential Amendments

11. Do you support the proposed consequential amendments to Section 950?

Response:

No further comments. Our comments in relation to the changes to audit equally apply to the mirroring changes in 950.

12. Are there any other sections of the Code that warrant a conforming change as a result of the NAS project?

Response:

No further comments

Request for General Comments

105. In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

Those Charged with Governance, including Audit Committee Members

The IESBA invites comments regarding any aspect of the proposals from individuals with responsibilities for governance and financial reporting oversight. This includes small businesses where a single owner manages the entity and also has a governance role.

Response:

N/A

Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)

The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

Response:

The concepts contained in the proposal is straightforward and simple enough to easily be implemented by SMEs and SMPs, with the exception of the network firm requirements. However, the timescales and timing is problematic due to the COVID-19 pandemic, as set out earlier in our response.

Regulators and Audit Oversight Bodies

The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

Response:

N/A

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 proposals, and in particular on any foreseeable difficulties in applying them in their environment.

Response:

Developing countries are likely to be hit the hardest by these changes, given the impact of the economic crisis and the fact that these changes may extend prohibitions beyond national requirements.

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 proposals.

Response:

As noted above the impact of the COVID 19 pandemic is and will continue to be far reaching. Given that translation can be an issue at the best of times, it is not unlikely that any ordinary translation challenges (eg over timescale) will be amplified by current events. This is another argument for deferring the implementation date of any final revisions.