



National Association of State Boards of Accountancy

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August 8, 2014

International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, New York 10017

Attention: Ken Siong, IESBA Technical Director

Re: May 2014 Exposure Draft on Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients

Dear Members and Staff of the International Ethics Standards Board for Accountants:

We appreciate the opportunity to offer comments on the Exposure Draft referred to above. The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all certified public accountants and their firms in the United States and its territories. In furtherance of that objective, we offer the following comments on the Exposure Draft. Our comments are structured around the Exposure Draft's request for specific comments.

### **Emergency Provisions**

We support the view that there are no situations that warrant retention of the emergency exceptions pertaining to bookkeeping and taxation services in the *Handbook of the Code of Ethics for Professional Accountants*. We support the removal of the emergency provisions and concur with the conclusion that this strengthens the Code by removing the potential for misuse of the current provisions due to the subjective terms such as "emergency" or "unusual situations."

### **Management Responsibilities**

We are supportive of the changes to the section on Management Responsibilities in conjunction with non-assurance services provided by professional accountants. We believe that the examples in paragraph 290.163 are appropriate and we are supportive of the guidance in paragraph 290.165 that explains management's responsibility and the skill, knowledge and experience that is expected of management.

### **Administrative Services**

We are supportive of the guidance provided in paragraph 291.150 regarding administrative services. We concur that these services are of such routine or mechanical nature that they do not create a threat to independence. We further support the guidance in the final sentence of this paragraph that the significance of any threat should be evaluated, and appropriate safeguards should be applied to eliminate the threat or reduce it to an acceptable level.

**Subject Matter and Subject Matter Information**

The exposure draft refers to the "subject matter and subject matter information of an assurance engagement" a number of times. However, these terms are not defined within the exposure draft and we found it difficult to distinguish between the two terms "subject matter" and "subject matter information." We feel that these terms were not clearly explained, and the differences between "subject matter" and "subject matter information" are not widely understood by a number of professional accountants in the United States. While we find that these terms are used elsewhere in the *Handbook of the Code of Ethics for Professional Accountants*, we believe that each term should be clearly defined, and that the definitions clearly distinguish between these two terms as they are used in the Code.

**Documentation**

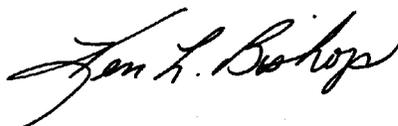
We note that the exposure draft does not include any documentation requirements. In our opinion, the professional accountant's evaluation of a significant threat should be documented along with any safeguards that are applied to eliminate the threat or to reduce it to an acceptable level. However, we are comfortable with the current documentation requirements in the existing *Handbook of the Code of Ethics for Professional Accountants* in paragraphs 290.29 and 291.29. It should be clear that the evaluation of non-assurance services for any audit client is covered by these paragraphs.

Thank you for the opportunity to comment on the Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients.

Sincerely,



Carlos Johnson, CPA  
NASBA Chair



Ken L. Bishop  
NASBA President and CEO