



# Grant Thornton

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## Proposed Revisions to the Non-Assurance Services Provisions in the Code

To the members of the International Ethics Standards Board for Accountants:

Grant Thornton International Ltd. (GTIL) appreciates the opportunity to comment on the exposure draft, Proposed Revisions to the Non-Assurance Services Provisions in the Code, approved for publication by the International Ethics Standards Board for Accountants (the IESBA or the Board).

GTIL is an umbrella organisation that does not provide professional services to clients. Professional services are delivered by GTIL member firms around the world. Representative GTIL member firms have contributed to and collaborated on this comment letter with the public interest as their overriding focus.

We support the Board's proposals and believe they will enable IFAC in its mission to serve the public interest and allow the Board to achieve its objective of strengthening the IESBA Code (the Code) by continuing to set high-quality standards that will enhance the profession.

### **Request for Specific Comment**

#### *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?

GTIL supports the proposal to establish a self-review threat prohibition in proposed paragraph R600.14. We believe this approach is appropriate for PIE audit clients because there is a heightened concern by stakeholders of risks associated with performing non-assurance services that can create a self-review threat.

Many stakeholders do have the perception that it can be difficult to maintain the requisite objectivity when providing non-assurance services to an audit client. The self-review threat in these situations is associated with the complexity of continuing to maintain a neutral, objective position when an auditor assesses their own work, or the work performed by a network firm. Some stakeholders believe it can be difficult and challenging to make critical assessments in these situations, for example, when an error is discovered, or the non-assurance services need to be challenged. We believe the proposed revisions will strengthen the Code, further enhancing audit quality.

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?

GTIL believes the proposed application material in 600.11 A2 clearly sets out the thought process to be undertaken when considering whether the provision of a NAS to an audit client will create a self-review threat.

When identifying whether the provision of a non-assurance service to an audit client will create a self-review threat, section 600.11 A2 (a) discusses that if the results of the service will affect the accounting records, internal controls over financial reporting, or the financial statements on which the firm will express an opinion, there is a risk that a self-review threat may arise. We also believe a self-review threat may arise if the non-assurance service “becomes part” of the accounting records or financial statements the professional accountant will express an opinion on.

Therefore, we ask the Board to consider adding this language to section 600.11 A2 (a) as follows: The results of the service will affect *or become part of* the accounting records, internal controls over financial reporting, or the financial statements on which the firm will express an opinion.

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?*

GTIL believes 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, is sufficiently clear and appropriate and additional application material is not needed.

*Project on definition of Listed Entity and PIE*

4. *Having regard the material in section I, D “Project on Definitions of Listed Entity and PIE,” and the planned scope of 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?*

GTIL supports the project proposal regarding the definitions of listed entity and PIEs and believes IESBA should consider the following in undertaking its project to review the definition of a PIE:

- the term “recognized stock exchange” in the current definition, and whether this term is intended to be the same as, or broader than, the concept of a “regulated market” in the definition of a PIE in the EU Audit Legislation and in other jurisdictions,
- various jurisdictions (such as the EU,) have taken different or more specific approaches to defining a PIE. The new definition should consider the jurisdictional approaches and create a definition that balances the differences and commonalities so that the PIE definition in the Code is fit for purpose at a global level,
- having greater alignment between the IAASB’s definition of “entities of significant public interest” and the Code’s definition of PIE, in order to minimize the differences between the definitions and promote consistent application of the standards,
- consideration of the current related entity definition for PIEs and will it be fit for purpose under the new definition,
- consideration as to which related entities of the PIE will provisions of the Code apply, and
- the impact the NAS and Fees provisions will have on entities impacted by the new PIE definition, and the potential consideration/need of the Board to re-expose the NAS and Fees exposure drafts so that stakeholders can consider any matters or implications the exposure drafts could have on these entities.

#### *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”)?*

GTIL supports 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. We believe this approach is appropriate for PIE audit clients because there is a heightened concern by stakeholders of risks associated with performing non-assurance services that can create a self-review threat.

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)?*

GTIL supports the proposal to prohibit 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. We believe in these circumstances that the advice the professional accountant is linked to is no longer unbiased and a potential self-review threat can be created.

With respect to the application material in sections 604.12 A2 (a) and 604.12 A3, third bullet point, it appears the proposed provisions are requiring the applicable taxing authorities to pre-clear the tax treatment before the preparation of the financial statements. We are confused with the Board's proposal and believe this requirement would not be pragmatic in practice. Therefore, we are asking the Board to consider clarifying this position or providing additional guidance.

- *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)?*

GTIL supports the proposal to prohibit corporate finance services provided to an audit client when the effectiveness of the advice is dependent on a particular accounting treatment or presentation, and the audit team has doubt about the appropriateness of that treatment or presentation. We believe in these circumstances that the advice the professional accountant is linked to is no longer unbiased and a potential self-review threat can be created.

However, we do not believe due diligences services should be categorized as a corporate finance service. Corporate finance services typically include a wide range of services such as assisting clients in acquisitions and disposals, developing corporate finance strategies, and sourcing of capital; such as promoting, dealing in, or underwriting a firm's securities which are already prohibited by the Code.

Due diligence services involve reviewing financial information before entering into a transaction with the other party. Performing due diligence services may not necessarily impair an auditor's independence, as the output of the due diligence work may not have a direct linkage with the financial statements. Due diligence services are positioned in the middle of an 'acquisition' or 'disposal' transaction as price negotiations occur, post completion of the services. The key threat that can arise from performing due diligence

services is not a self-review threat, but a threat that the audit firm may “assume a management responsibility”.

Accordingly, we are asking the Board to consider removing due diligences services from the listing of examples of corporate finance services.

#### *Communications 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) ?*

GTIL supports the proposals for improved firm communication with TCWG, including the requirement to obtain concurrence from TCWG for the provision of a NAS to an audit client that is a PIE.

However, we would recommend the Board include application material that encourages the professional accountant to document the substance of their conversations with TCWG and the conclusions reached. The documentation should include the points discussed in paragraphs R600.18 – 600.18 A2.

*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?*

GTIL supports the proposal to move the provisions relating to assuming management responsibility from Section 600 to Section 400, and from Section 950 to Section 900 because we believe moving these provisions to Section 400 makes the prohibitions relating to assuming management responsibilities more prominent and underscores the necessity of the professional accountant to avoid assuming a management responsibility when performing non-assurance services for all audit clients.

*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 600.10A1 helpful in implementing the new requirement?*

GTIL supports the proposal to elevate the extant application material relating to the provisions of multiple NAS to the same audit client a requirement. We believe the related application material in paragraph 600.10A1 is helpful in implementing the new requirement.

#### *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 and mechanical” in proposed paragraph 601.4 A1?*

GTIL supports the proposed revision relating to the provision of services that are “routine and 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 certain conditions are met?*

GTIL supports 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 certain conditions are met, because we believe removing this provision further strengthens the Board’s proposals related to non-assurance services that can create self-review threats regardless of materiality thresholds..

- *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 favour of a tax treatment, and a significant purpose of the tax treatment or transaction is tax avoidance (see proposed paragraph R604.4)?*

GTIL supports 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 favour of a tax treatment, and a significant purpose of the tax treatment or transaction is tax avoidance.

- *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?*

GTIL supports the new prohibitions 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.

#### *Proposed Revisions to Subsections*

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

GTIL supports the proposed consequential amendments to Section 950.

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

GTIL does not believe there are other sections of the Code that warrant a conforming change as a result of the NAS project.

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GTIL would like to thank the IESBA for this opportunity to comment. As always, we welcome an opportunity to meet with representatives of the IESBA to discuss these matters further. If you have any questions, please contact Gina Maldonado-Rodek, Director - Global Independence at [gina.maldonado-rodek@gti.gt.com](mailto:gina.maldonado-rodek@gti.gt.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Peneycad', with a large, stylized flourish at the end.

**David Peneycad** – Global Chief Operating Officer  
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