

04 June 2020

Mr. Ken Siong
Senior Technical Director
International Ethics Standard Board for Accountants (IESBA)
529 5th Avenue, New York 10017
New York, USA

Dear Ken,

Re: Comments on Exposure Draft, "Proposed revisions to the Non-Assurance Services provisions of the Code"

We are pleased to comment on the Exposure Draft, Proposed revisions to the Non-Assurance Services provisions of the Code published by the International Ethics Standard Board for Accountants (IESBA) in January 2020.

These comments are prepared by the Technical Division of the Institute of Chartered Accountants of Bangladesh (ICAB) and reviewed by the Technical and Research Committee (TRC) of the Institute.

Our responses detailed by the questions contained by the Exposure Draft, are presented in the 'Appendix' to this letter.

Should you require any further clarification, please contact me at mahbub@icab.org.bd

Thanking you,

Mahbub Ahmed Siddique FCA
Director Technical, ICAB

Comments on the “Proposed revisions to the Non-Assurance Services provisions of the Code”

The Technical Division of the Institute of Chartered Accountants of Bangladesh (ICAB) has gone through the Exposure Draft (ED) on **Proposed revisions to the Non-Assurance Services provisions of the Code** issued by **International Ethics Standard Board for Accountants (IESBA)** on Proposed Changes for **clarify the Non-Assurance Services provisions of the Code**. The following specific comments on the requested specific questions along with the general comments have been prepared by the Technical Division of the Institute of Chartered Accountants of Bangladesh (ICAB) and reviewed by the Technical and Research Committee (TRC) of ICAB.

Our Comments on the Requested Specific Questions are as follows:

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?**

ICAB's Comment:

We support the proposal to establish a self-review threat prohibition in proposed paragraph R600.14 for PIEs *subject to further clarification of PIEs. As the PIEs are not defined in the same way in every jurisdiction, we may at initially strict this prohibition specifically to the listed entities and entities having public accountability.*

The definition of PIE also needs further clarity for determining such fee dependency. In Bangladesh, PIE has been very widely defined by one of the local regulators recently which is not aligned with the concepts that underlie the definition of a PIE in the Code relevant to the term “entity of significant public interest” in the IAASB’s extant or proposed standards. Because of inclusion of wide variety of entities under PIE category specifically in Bangladesh, this prohibition may not be in line with the essence and meaning of PIEs as indicated by IESBA.

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?**

ICAB's Comment:

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

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?**

ICAB's Comment:

We believe that 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.

However, there should be mechanism within the firm that in case of tax advisory and tax planning service to the audit client, the services should be provided by any partner other than the audit engagement partner to reduce the self-review threat, if any.

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.**

ICAB's Comment:

We appreciate the IESBA to converge the concepts of PIEs as entity of significant public interest in the Code. We also appreciate the IESBA initiatives relating to Project on Definitions of Listed Entity and PIE.

We know that the PIEs are not defined in the same way in every jurisdiction. So the definition of PIE needs further clarity. In Bangladesh, PIE has been very widely defined by one of the local regulators recently which is not aligned with the concepts that underline the definition of a PIE in the Code relevant to the term "entity of significant public interest" in the IAASB's extant or proposed standards.

We think IESBA should further explain the concept of "entity of significant public interest" for clarity and simplicity so that each jurisdiction will have clear guideline for defining the PIE. If an entity is not of significant public interest but defined under PIE by any jurisdiction then it would be misleading and not in line with that concept.

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")?**

ICAB's Comment:

Yes, we 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.

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)?

ICAB's Comment:

Yes, we support the proposal to prohibit tax planning, tax advisory services, and corporate finance services to an audit client under these circumstances as noted in the proposed paragraph R604.13 and R610.6. We think that such NAS should be prohibited, irrespective of materiality.

Communication with TCWG

7. Do you support the proposals for improved firm communication with TCWG (see proposed paragraphs R600.18 to 600.19 AI), 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)?

ICAB's Comment:

Yes, we support 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 have concern that *in some sectors, there are challenges in implementing the said proposals, specially, where there are ineffective governance structures.*

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?

ICAB's Comment:

Yes, we do support the said proposal.

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 AI helpful to implement the new requirement?

ICAB's Comment:

Yes, we support the proposal to elevate the extant application material relating to the provision of multiple NAS to the same audit client to a requirement as proposed in paragraph R600.10. We think that the related application material in paragraph 600.10 AI will be helpful to implement 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 or mechanical” in proposed paragraph 601.4 AI?
- 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?
- 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?

ICAB’s Comment:

Yes, we support the proposed revisions to subsections 601 to 610 including the revisions as mentioned above. We believe, this approach will ensure transparency regarding the provisions of providing the mentioned services to the audit clients.

Proposed Consequential Amendments

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

ICAB’s Comment:

Yes, we do support 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?

ICAB’s Comment:

We did not find any other sections of the Code that warrant a conforming change as a result of the NAS project.

.....

General Comments

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

- (a) **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.**
- (b) **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.**
- (c) **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.**
- (d) **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.**
- (e) **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.**

ICAB's Comment:

- (a) **Those Charged with Governance, including Audit Committee Members –**
For listed entities Bangladesh Securities and Exchange Commission (BSEC) issued notification and also corporate governance code, where structure & accountability of the audit committee and reporting issues are mentioned. But there is no clear guideline for small businesses governance role here. We think IESBA can address to some extent on this part in general so that the local Institutes can refer the issue to the responsible regulators for best practice.
- (b) **Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs) –** the definitions of SMEs and SMPs need to be more clarified. Both the SMEs and SMPs have huge impact on business and practices globally, so IESBA may consider to insert separate section(s) on these two area as much as practicable depending on relevance in general.
- (c) **Regulators and Audit Oversight Bodies –** Financial Reporting Council (FRC) of Bangladesh was established under the Financial Reporting Act 2015 for the purpose of making provisions for establishing a Council for bringing public interest entities' financial reporting activities under a well-regulated structure, setting standards for the accounting and auditing profession, properly observing, implementing, supervising and executing other activities relating thereto. Visibility and activities of oversight bodies have prominence in the global context; so, IESBA may consider provision in the Code on how to deal with oversight bodies in general.

- (d) Developing Nations – Bangladesh is a developing country, an emerging and very prospective economy too. The ethical issues are always have significance in developing nation. ICAB has adopted the Code of Ethics as issued by the IESBA, although there are challenges in implementation of the Code in such an emerging economy. However, at present, we do not foresee any difficulties in applying them in our environment.
- (e) Translations – English is the medium of ICAB's education and general communication. We adopt and use the original text of relevant standards and pronouncements issued by IFAC and IASB and we always prefer English medium. However, translation of the Code in local language may be considered in future subject to review and feedback from IESBA. In such a case, ICAB can provide resource person(s) to assist IESBA for translation in Bengali.