



ICAG-ED-IESBA/14

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The Technical Director
International Ethics Standards Board for Accountants (IESBA)
New York

Dear Sir,

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

We are pleased to comment on the above mentioned Exposure draft as below:

Emergency Provisions

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

No. We are quite comfortable with the reasons for the removal of the emergency exception clause from the standard. This makes audit firms more professional. Also these emergencies must not be encouraged as firms might be tempted to always take advantage. Again there must be a distinction between firms that provide bookkeeping/tax services and audit services.

Management Responsibilities

2. Does the change from “significant decisions” to “decisions” when referring to management responsibilities (paragraph 290.162) enhance the clarity of a management responsibility?

Yes it does. Deleting the word “significant” removes the qualification on the kinds of decisions that pass as management responsibility. With the change, it is clear that decisions regarding the acquisition, deployment and control of human, financial, physical, technological and intangible resources whether significant or not, are classified as management responsibility. The element of subjectivity in interpreting this statement is removed when only “decisions” is used.

3. Are the examples of management responsibilities in paragraph 290.163 appropriate?

To some extent they are. The change from “and” to “or” in the last bullet point of the responsibilities makes it clearer that management responsibilities are not only limited to the three activities noted. i.e. Designing, Implementing or Maintaining internal controls.

So, the preamble to the examples could read; *“Examples of activities that would be considered a management responsibility include (but are not limited to)”*. This will take care of any omissions or activities not made mention of.

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

No. The concept is fairly straightforward and successful implementation is based on the monitoring/enforcement of this paragraph. The update of the provision makes it more specific.

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

Yes, we believe it will. We have suggested a qualitative modification through the inclusion of the phrase *“not limited to”* in the preamble that will enable engagement teams to better meet the requirements.

6. Does the relocation of the guidance pertaining to administrative services into its own subsection provide greater clarity?

Yes. By removing it from the general body, it allows the reader to focus on and clearly identify the composition of administrative services. The subsections provide clarity as references can easily be made to the guidance provided.

Routine or Mechanical

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

Yes it does. We have however suggested a qualitative improvement through the inclusion of the phrase *“not limited to”* inserted to enable engagement teams understand that the list is not exhaustive.

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

The general concept of source documents should be expounded on. The vast bulk of documentation for audit nowadays is software generated but nowadays, in practice there is an emerging grey line between originally sourced from the client, documentation sourced from the client but formatted/copied by the auditor from client records or external third party documentation. Additional guidelines would be appropriate and will better assist engagement teams in their identification of what exactly is source documents.

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

Yes it does. We have however suggested a qualitative improvement through the inclusion of the phrase *“not limited to”* inserted to enable engagement teams understand that the list is not exhaustive.

10. Are the examples of management responsibilities in paragraph 291.144 appropriate?

Yes it does. We have however suggested a qualitative improvement through the inclusion of the phrase '*not limited to*' inserted to enable engagement teams understand that the list is not exhaustive.

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

Yes. By removing it from the general body, it allows the reader to focus on and clearly identify the composition of administrative services.

Request for General Comments

In addition to the request for specific comments above, the ICAG comments on the general matters set out below:

(a) *SMPs (Small and Medium-sized Practices)*—The IESBA invites comments regarding the impact of the proposed changes for SMPs, especially the changes regarding management responsibilities.

No comment.

(b) *Preparers (including SMEs), and users (including regulators)*—The IESBA invites comments on the proposed changes from preparers (particularly with respect to the practical impacts of the proposed changes), and users.

No comment.

(c) *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 proposed changes, in particular, on any foreseeable difficulties in applying them in a developing nation environment.

We do not foresee difficulties in applying them in our country.

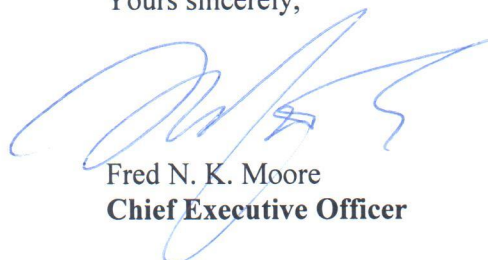
(d) *Translations*—Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposed changes.

There will be no need to translate the final changes.

(e) *Effective Date*—The IESBA proposes that the effective date for the changes will not be less than 12 months after issuance of the final changes. Earlier application would be permitted. The IESBA welcomes comment on whether this minimum period would be sufficient to support effective implementation of the changes.

We deem the minimum period sufficient for the implementation of the changes.

Yours sincerely,



Fred N. K. Moore
Chief Executive Officer