IESBA Independence II
Re-exposure Draft Comments

X ref	Par Ref	Comment	Respondent	Proposed Resolution
General Comments				
1.	General	ACCA welcomes this opportunity to comment on the International Ethics Standards Board for Accountants' (IESBA) exposure draft: *Section 290 of the Code of Ethics – Audit and Review Engagements*. The *IFAC Code of Ethics for Professional Accountants* (the Code) is intended to follow a principles-based approach, which ACCA wholly endorses. Applied properly, the needs of entities of all sizes would be catered for in the Code. We are concerned that the proposed new restrictions move section 290 further away from the threats and safeguards approach, as they take no account of the significance of the threat. Section 290 is becoming a legalistic, rules-based standard, which will only encourage creative, loophole-based avoidance. We believe the robustness of the principles-based approach is being undermined by the proliferation of detailed underlying rules.	ACCA	General comment

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2.	General	These comments are submitted by the Association of International Accountants, with input from a technical committee and members of the Association. AIA would like to thank John Dunn, University of Strathclyde for his input in this consultation response. AIA is one of six statutorily Recognised Qualifying Bodies (RQBs) in the United Kingdom for statutory auditors under the Companies Act 2006. The AIA professional qualification is recognised throughout the European Union and in other major financial centres around the world. The Association promotes and supports the advancement of the accountancy profession both in the UK and internationally. Whilst supporting international accounting and auditing standards the AIA seeks to ensure that its examinations and membership requirements support the development of the accountancy profession in the countries in which it examines. The AIA's examinations for membership have been held half-yearly on a world wide basis for 80 years. The examinations are based on International Financial Reporting and International Auditing Standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic Accounting. As an RQB under the UK Companies Act 2006 the AIA offers to students who take its examinations commencing in or after June 1991 and go on as members to complete special audit-based practical training under the AIA, an accountancy qualification which is recognised by the UK Government under that Act as a recognised professional qualification for statutory auditors in the UK. AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors. AIA thanks the International Federation of Accountants (IFAC) for providing an opportunity to feedback on this consultation. We provide below our responses to the questions asked by IFAC.	AIA	General comment

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3.	General	The AICPA.'s Professional Ethics Executive Committee (PEEC) is pleased to submit this comment letter to the International Ethics Standards Board for Accountants (IESBA or Board) on its May 2008 Exposure Draft: *Section 290, Independence—Audit and Review Engagements* (the "Exposure Draft"). We support the IESBA's efforts to review and strengthen, where necessary, the independence requirements contained in the IFAC *Code of Ethics for Professional Accountants* (the "Code"). Throughout its history the AICPA has been deeply committed to promoting and strengthening auditor independence. It is a core tenet of the accounting profession in the United States, which has a more than 100-year history of working to uphold auditor independence. Through the PEEC, the AICPA devotes significant resources to independence activities, including evaluating existing standards, proposing new standards, and interpreting and enforcing those standards. We offer the following comments in response to the IESBA's requests for specific comments.	AICPA	General comment
4.	General	The Auditing Practices Board (APB) is pleased to provide its comments on the paragraphs of *Section 290 of the IFAC Code of Ethics* (the IFAC Code) which were re-exposed by the International Ethics Standards Board for Accountants (IESBA) in May 2008.	APB	General comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
5.	General	The Accounting Professional & Ethical Standards Board Limited (APESB) welcomes the opportunity to make a submission on the exposure draft *Independence – Audit and Review Engagements of the Code of Ethics for Professional Accountants* issued by the International Ethics Standard Board for Accountants (IESBA) and commends the IESBA on the issue of the exposure draft. APESB was established as an initiative of the Institute of Chartered Accountants in Australia (ICAA) and CPA Australia. In November 2006, the National Institute of Accountants (NIA) was admitted to APESB. The primary role of APESB is to: • Develop and issue in the public interest, professional and ethical standards that will apply to professional body membership; and • Provide a formal and rigorous forum for the consideration, promulgation and approval of professional and ethical standards, which is performed in an open, timely, independent and proactive manner. The Australian equivalent to the *Code of Ethics for Professional Accountants* was issued in July 2006 and a compiled version which includes subsequent amending standards (including network firm amendments) was issued in July 2008. APESB in principle supports the proposed revisions of Section 290 Independence – Audit and Review Engagements provisions. APESB has reviewed the proposed revisions and offer the following comments in respect of IESBA's specific questions.	APESB	General comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
6.	General	The Basel Committee on Banking Supervision (Committee) welcomes the opportunity to comment on your recent exposure draft on auditor independence. The Committee has a strong interest in promoting a high quality international Code of Ethics for accounting firms and auditors, and believes that this exposure draft includes useful follow-up proposals from your last exposure draft on this topic, which was released in July 2007. The Committee continues to strongly believe that auditor independence is at risk when firms are able to provide, on a concomitant basis, external and internal audit services to a significant public interest entity (eg a bank). We appreciate that you intend to revise the code to generally prohibit audit firms from providing internal audit services that relate to the internal accounting controls, financial systems or financial statements for audit clients that are public interest entities. However, 'non-recurring' internal audit services would be allowed, and we are unsure of the basis for this exception. At a minimum, we strongly recommend you clearly define the term 'non-recurring' to minimise risk of misinterpretation. Additionally, we offer suggestions to strengthen the guidance on mitigating self-interest threats related to audit fees. Please find our detailed comments in the attached appendix. These comments have been prepared by the Committee's Accounting Task Force, chaired by Ms Sylvie Mathérat, Director of the Banque de France, and approved by the Basel Committee. The Committee trusts that you will find its comments useful and constructive. The Basel Committee on Banking Supervision[1] has a strong interest in promoting a high quality international code of ethics for accounting firms and auditors and has carefully analysed this proposal of the International Ethics Standards Board for Accountants (IESBA) pertaining to proposed revisions to Section 290 of the Code of Ethics: Independence – Audit and Review Engagements (the Code). The Committee has the following responses to your three discussion questions.	Basel	General comment

[1] The Basel Committee on Banking Supervision is a committee of banking supervisory authorities, which was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of bank supervisory authorities and central banks from Belgium, Canada, France,

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7.	General	The Ethics Committee of the Chartered Accountants Regulatory Board is pleased to respond to your request for comments on the International Ethics Standards Board for Accountants' (IESBA) consultation on the proposed changes to Sections 290: Independence – Audit and Review Engagements as set out in the above Exposure Draft. The Chartered Accountants Regulatory Board is a body established by the Institute of Chartered Accountants in Ireland, in accordance with the provisions of its Bye-Laws, to regulate its members independently, open and in the public interest. We refer specifically to the questions raised within the consultation paper.	CARB	General comment
8.	General	The Canadian Institute of Chartered Accountants welcomes this opportunity to comment on the May 2008 Exposure Draft containing proposed revisions to the Independence requirements of Section 290 of the *Code of Ethics for Professional Accountants* (the Code). We are pleased to provide our responses to the questions set out in the Exposure Draft, as noted below.	CICA	General comment
9.	General	The Chinese Institute of Certified Public Accountants (CICPA) welcomes the opportunity to comment on the Exposure Draft of Section 290 of the IFAC Code of Ethics for Professional Accountants published in May, 2008.	CICPA	General comment

Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States. It usually meets at the Bank for International Settlements in Basel, where its permanent Secretariat is located.

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10.	General	As the representative organisations of the French accountancy profession, the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) and the French Institute of Certified Public Accountants (Conseil Supérieur de l'Ordre des Experts-Comptables) are pleased to submit their comments to the International Ethics and Standards Board for Accountants exposure draft, on section 290 of the Code of Ethics – Independence – Audit and review engagements, and especially on the proposed amendments on paragraphs relating to internal audit services and fees	CNCC	General comment
11.	General	We are pleased to comment on the proposed changes to Section 290 of the *IFAC Code of Ethics for Professional Accountants* (the "Code") published by the IESBA in May 2008. We continue to support the overall strengthening of provisions related to the two areas identified for re-exposure. However, we suggest certain clarifications with respect to internal audit services and the application of safeguards due to the relative size of fees from a public interest entity audit client. The IESBA requested comments on three specific questions and we will address each individually	E&Y	General comment
12.	General	Conceptually, we see in this new proposal a return to a rules based approach which is inconsistent with a principles-based code. It is important to state that the principles-based approach is by for the most secure approach to deal with independence issues. Regarding the two specific changes proposed in the Re-exposute draft our comments are as follows:	ICJCE	General comment
13.	General	FAR SRS, the institute for the accountancy profession in Sweden, is pleased to submit the following comments to the proposed changes to the *Code of Ethics for Professional Accountants* approved for re-exposure in April 2008. We restrict our comments to Question 2 of the Explanatory Memorandum which asks respondents for their views as to whether there should be an exemption for immaterial internal audit services provided to an audit client that is a Public Interest Entity (PIE).	FAR	General comment

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14.	General	Grant Thornton International Ltd (Grant Thornton International) appreciates the opportunity to comment on the May 2008, Exposure Draft ("ED") *Section 290 of the Code of Ethics*, Independence – Audit and Review Engagements, approved for publication by the International Ethics Standards Board for Accountants ("the Board"). Grant Thornton International is a non-practicing, non-trading international umbrella organization and does not deliver services in its own name. Grant Thornton International and its member firms are not a worldwide partnership. Services are delivered independently by the Grant Thornton member firms. Representative Grant Thornton member firms have contributed to and collaborated on this comment letter with the public's interest as their collective overriding concern. We understand that this ED has been issued as a result of specific issues raised by the respondents of the previously issued ED, Section 290 Independence – Audit and Review Engagements and Section 291 Independence – Other Assurance Engagements. Grant Thornton International provided comments on that ED. As such, the Board is seeking comments on three specific questions noted in the current ED. We respectfully submit our responses to the specific questions raised by the Board.	GTI	General comment

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15.	General	This response is prepared by the Ethics Committee of the Institute of Chartered Accountants of Scotland. The Ethics Committee is the medium through which the Institute monitors developments in business ethics for members in practice and business. The Committee is broadly based, with members representing different sizes of accountancy practice, industry, etc. As the Institute's Charter requires, the Committee must act primarily in the public interest, and our proactive projects, responses to consultation documents etc. are predicated on the essential premise that their conclusions must be consistent with the public interest. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount. The Committee has considered the above consultation document and responds as follows:	ICAS	General comment
16.	General	The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the exposure draft of the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC) on Section 290 of the *Code of Ethics for Professional Accountants* (the Code). We believe that the proposals contained in the exposure draft enhances the objective of the IESBA to serve the public interest by setting high quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, thereby enhancing the quality and consistency of services provided by professional accountants. Our comments below address the specific questions set out in the "Request for Specific Comments" section.	ICPAS	General comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
17.	General	In our previous response we mentioned that we support the will to restrict the extent of internal audit services that can be provided to PIEs since we believe that for this type of entity, outsourcing all or part of the entity's internal audit requirements in the areas of accounting internal control, financial reporting systems or financial statement preparation involves too great a risk of self-review Concerning fees relative size, we agree with the 15% threshold; nevertheless, we pointed out that we consider that to be effective as a safeguard in this case, the independent review has to take place prior to issuance of the audit report and be performed on an annual basis. However, we are not necessarily in favour of the need of a communication regarding this situation, as it may be in a network firm a transitional situation, dully known and actively managed in connection with the development of the firm, and that competition and choice must be kept encouraged in the audit market, mainly in a context of group audits.	Mazars	General comment
18.	General	The New Jersey Society of Certified Public Accountants (NJSCPA) Professional Conduct Committee (PCC) is pleased to submit its comments on the May 2008, Exposure Draft ("ED") Section 290 of the Code of Ethics, Independence - Audit and Review Engagements, approved for publication by the International Ethics Standards Board for Accountants ("the Board"). The views expressed in this letter represent the majority of the members of the PCC and are not necessarily indicative of the views of the full membership of the NJSCPA. We understand that this ED has been issued as a result of specific issues raised by the respondents of the previously issued ED, Section 290 Independence - Audit and Review Engagements and Section 291 Independence - Other Assurance Engagements. As such, the Board is seeking comments on three specific questions noted in the current ED. We respectfully submit our responses to the specific questions raised by the Board.	NJCPA	General comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
19.	General	The Institute of Internal Auditors (IIA) welcomes the opportunity to respond to the above referenced section of the IESBA Code of Ethics (the Code). We commend the IESBA for continuing to address ethical considerations, and for carefully considering and addressing comments from respondents to the previous exposure draft	IIA	General comment
20.	General	The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong. We welcome the opportunity to provide you with our comments on the captioned IESBA ReExposure Draft. Overall, as stated in our submission letter dated 2 May 2007 on the IESBA December 2006 Exposure Draft on Auditor Independence, we are supportive of the current work of the IESBA which seeks to consider what revisions to auditor independence requirements might be needed given the changing environment in the past few years and that the last substantive revision to the IFAC Code of Ethics for Professional Accountants was made in November 2001. The attachment set out our comments on each of the two areas under consideration - Internal Audit and Relative Size of Fees for your consideration.	HKICPA	General comment

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21.	General	IOSCO Standing Committee No. 1 on Multinational Disclosure and Accounting ("SC 1") appreciates the opportunity to comment on the proposed revisions to Section 290 of the Code. As an international organization of securities regulators representing the public interest, IOSCO SC 1 is committed to enhancing the integrity of international markets through promotion of high quality accounting, auditing and professional standards. Members of SC 1 seek to further IOSCO's mission through thoughtful consideration of accounting, auditing and disclosure concerns and pursuit of improved global financial reporting. As we review proposed auditing, ethics and independence standards, our concerns focus on whether the standards are sufficient in scope and adequately cover all relevant aspects of the subject area being addressed, whether the standards are clear and understandable, and whether the standards are written in such a way as to be enforceable. Our comments in this letter reflect a consensus among the members of SC 1; however, they are not intended to include all comments that might be provided by individual members on behalf of their respective jurisdictions. We have organized our comments that follow largely around the questions asked by the Board in the Explanatory Memorandum that accompanied the Exposure Draft ("ED"), and have included some additional points that we believe warrant the Board's attention.	IOSCO	General comment
Question 1 Respondents are asked for their views on whether the proposed restriction on providing internal audit services to public interest audit clients is appropriate.				
22.	Q1	We agree with IESBA's proposal to provide an exception for immaterial non-recurring internal audit services provided the conditions in paragraph 290.189 are met and the facts and circumstances related to the internal audit service are discussed with those charged with governance.	APESB	See discussion under Q1 on Agenda Paper 2

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23.	Q1	AIA is of the opinion that there are significant risks associated with the provision of internal audit services to audit clients. It is, therefore, desirable to restrict the provision of internal audit services to public interest audit clients. The draft distinguishes internal audit work relating to internal accounting controls, financial systems and financial statements from other types of internal audit. There are potential risks associated with the external auditor becoming involved in any form of internal audit. However, there are clear semantic difficulties in distinguishing some of these other forms of internal audit from other types of consultancy services. The form of words proposed in paragraph 290.200 of the draft is probably as restrictive as is necessary.	AIA	See discussion under Q1 on Agenda Paper 2
24.	Q1	We note that the exposure draft of the proposed *Code of Ethics for Professional Accountants* define a public interest entity as a listed entity or an entity that is defined by regulation or legislation as a public interest entity. In the case of audits of public interest entities, we agree with the IESBA's proposed restriction on the provision of internal audit services.	APESB	See discussion under Q1 on Agenda Paper 2
25.	Q1	The amendment which proposes the restriction on providing internal audit services to public interest audit clients is appropriate.	MIA	See discussion under Q1 on Agenda Paper 2
26.	Q1	We believe that the IESBA is right to adopt a tougher stance on the provision of internal audit services by auditors to their listed entity clients. In our submission to the earlier consultation we had commented that "We do not believe that the proposed changes to the provision of internal audit services to audit clients by audit firms are sufficiently restrictive". We are therefore pleased that the IESBA has proposed to strengthen its requirements in this area	ICAS	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
27.	Q1	We agree with your plans to revise the code to generally prohibit audit firms from providing internal audit services that relate to the internal accounting controls, financial systems or financial statements for audit clients that are public interest entities. As we have noted in the past, when the external audit client is an entity of public interest, we believe that the self-review threat or management threat in cases where the audit firm is providing both external and internal audit services would be so high that no safeguards could be implemented to mitigate the threat.	Basel	See discussion under Q1 on Agenda Paper 2
28.	Q1	In principle, we agree with the IESBA's view that it is appropriate to impose a more restrictive requirement for audit clients that are public interest entities. In this regard, we are supportive of the IESBA's proposal that a firm should not provide internal audit services that relate to the internal accounting controls, financial systems or financial statements to public interest audit clients. We are also supportive of the IESBA's conclusion that a firm will not be precluded from providing a non-recurring internal audit service to evaluate a specific matter that relates to the internal accounting controls, financial systems or financial statements, provided that specified conditions are met and the facts and circumstances related to the services, including the materiality of the matter related to the financial statements or audit judgments, are discussed with those charged with governance.	KICPA	See discussion under Q1 on Agenda Paper 2
29.	Q1	Due to the potential self-review threat to independence caused by the performance of internal audit services for an audit client, Grant Thornton International is supportive of a restriction on providing internal audit services that relate to the internal accounting controls, financial systems or financial statements to public interest audit clients.	GTI	See discussion under Q1 on Agenda Paper 2
30.	Q1	Without commenting on which entities should be considered "public interest" audit clients in a particular jurisdiction, NASBA believes that the proposed restriction is appropriate.	NASBA	See discussion under Q1 on Agenda Paper 2

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31.	Q1	We believe that the public interest is best served when users of audited financial statements know without doubt that the independent auditor of the financial statements is truly independent of the client. However, we also recognise that procedures performed as part of internal audit services can be similar to those performed during an audit conducted in accordance with International Standards on Auditing, and that there may be valid and practical reasons why, in limited circumstances, it may be necessary for an auditor to provide internal audit services to an audit client which is also a public interest entity. We also accept that the proposed restriction on which IESBA is inviting comment appears to be robust, so on this basis we have no fundamental objection to the proposal put forward for comment.	RSMI	See discussion under Q1 on Agenda Paper 2
32.	Q1	It is our belief that a potential self-review threat to independence exists if internal audit services are performed for an audit client. The PCC supports the restriction on providing internal audit services that relate to the internal accounting controls, financial systems or financial statements to public interest audit clients.	NJCPA	See discussion under Q1 on Agenda Paper 2
33.	Q1	We believe the proposal is appropriate because of the threat to independence. A suggestion to make the safeguards more robust could include a requirement to disclose the value and non-recurring nature of the services to users of the Annual Financial Statements of public interest companies, as well as requiring approval by the appropriate Audit Committee. The fees from non-audit services as a percentage of total fees could also be indicated	SAICA	See discussion under Q1 on Agenda Paper 2

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34.	Q1	The restriction is appropriate but there is need to define non- recurring to avoid doubt and put meaning to the proposed restriction e.g. once every two years. There is need also to be clear on those special conditions that would provide the basis for overlooking these prohibitions. Firm's structure influences and could still provide safeguards on the provisions of internal audit services e.g. some firms could be having advisory division. This scenario should be considered in restricting the nature of internal audit services.	ICPAK	See discussion under Q1 on Agenda Paper 2
35.	Q1	We agree with the proposed restriction on providing internal audit services to public interest audit clients. Nevertheless, we disagree allowing an exception for a non-recurring internal audit service to evaluate a specific matter, if the service provided could have a significant impact on financial statement. Instead, we would welcome an exception for services that are insignificant. It could help groups to implement strong internal control with a great level of confidence in the application of this control even in very small entities within the group.	Mazars	See discussion under Q1 on Agenda Paper 2
36.	Q1	Paragraph 290.201 in the proposed revision to the Code permits an audit firm to provide an internal audit service for a public interest entity when it is 'non-recurring' and with no limitation based on whether it is material. We are unclear of the rationale for this proposed exemption as there could still be a substantial self-review threat from providing a material, non-recurring internal audit service. We strongly recommend you clarify the rationale for any proposed exemption, which in our view should be limited to immaterial internal audit services.	Basel	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
37.	Q1	In general, we believe that it is appropriate to prohibit a firm from providing internal audit services that relate to the internal accounting controls, financial systems or financial statements to an audit client that is a public interest entity as stated in paragraph 290.200 of the proposed section 290. We also agree that a firm should not, however, be precluded from providing a non-recurring internal audit service to evaluate a specific matter that relates to the internal accounting controls, financial systems or financial statements provided specified conditions as stated in paragraph 290.198 are met and the facts and circumstances related to the service are discussed with those charged with governance. While we note that the IESBA has provided guidance on internal audit activities and those assuming management responsibilities, we are of the view that the IESBA should define "internal audit services". By defining "internal audit services", it would provide clarity as to the internal audit services prohibited in paragraph 290.200. In addition, the IESBA should also clarify what it means by "non-recurring internal audit service" in paragraph 290.201. This would provide guidance on whether internal audit service that relates to the internal accounting controls, financial systems or financial statements to evaluate different specific matters (e.g. different class of transactions) are allowed or prohibited under paragraph 290.201.	HKICPA	See discussion under Q1 on Agenda Paper 2
38.	Q1	The proposed restriction to prohibit firms from providing internal audit services that relate to the internal accounting controls, financial systems, or financial statements to an audit client that is a public interest entity is appropriate. However, the restriction could go further as, according to the exposure, firms would not be precluded from providing a non-recurring internal audit service to evaluate a specific matter related to the areas identified above. The definition of non-recurring work could be difficult to apply and enforce. Further, non-recurring work has a higher potential of having a management focus and thus could more easily create issues of the auditor taking a management role.	IIA	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
39.	Q1	We agree with the proposal to restrict the provision of internal audit services to public interest audit clients as set out in new paragraph 290.200. We noted that the wording of newly proposed paragraph 290.195 containing examples of internal audit activities differs significantly from proposed paragraph 290.186 in the July 2007 Exposure Draft. New paragraph 290.195(c) refers to "Review of the economy, efficiency and effectiveness of operating activities including non-financial activities of an entity" whereas the earlier paragraph 290.186(c) refers to "conducting operational internal audit activities unrelated to internal controls over financial reporting". The Explanatory Memorandum does not indicate whether these different wordings are intended to describe the same activities. Assuming that they do, we are pleased that the new provisions of paragraph 290.200, which limit the ability of the auditor to perform "internal audit services that relate to the internal accounting controls, financial systems or financial statements", do not appear to extend the public interest audit client internal audit restrictions to those activities described in 290.195(c). We might suggest that this interpretation, if correct, be clarified in the Code, perhaps by referring to the specific activities in paragraph 290.195 that are prohibited.	CICA	See discussion under Q1 on Agenda Paper 2
40.	Q1	We agree with the proposed restriction on providing internal audit services to public interest audit clients. We suggest that the Code indicate that "internal audit services" do not include operational internal audit services unrelated to the internal accounting controls, financial systems or financial statements of the audit client.	ICPAS	See discussion under Q1 on Agenda Paper 2
41.	Q1	As noted in our covering letter, the PSB supports measures to improve actual and perceived auditor independence. We agree that the threats created by providing internal audit services of the type referred to in proposed paragraph 290.200 are such that no safeguard could reduce the threats to an acceptable level. However, we can see no reason why this restriction should only apply to public interest entities and would support extending this prohibition to all audit clients	ICANZ	See discussion under Q1 on Agenda Paper 2

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42.	Q1	Yes, we agree that one-off services to evaluate a specific matter should be able to be performed provided the situation has been fully considered by the auditor and appropriate safeguards put in place where necessary.	ICANZ	See discussion under Q1 on Agenda Paper 2
43.	Q1	We support the IESBA's efforts to strengthen the provisions of the Code relating to auditor independenee, including the proposal to strengthen the provision relating to internal audit services. However, in our view, the limitations proposed by the Board go too far. We favor the principles-based approach used in the Code, which provides a framework for defining threats to independence and identifying safeguards to eliminate those threats or reduce them to an acceptable level. It is this approach that provides the structure for addressing independence issues, with the hope that the resulting conclusions will be logical and supportable. We do not believe, however, that the application of the conceptual framework approach leads to the result proposed in the ED for the reasons described below. Paragraph 290.196 highlights the fact that "the performance of a significant part of the client's internal audit activities increases the possibility that firm personnel providing internal audit services will assume a management responsibility.", Given these concerns, for non-public interest entitles. the Board has determined that the provision of internal audit services is permissible, provided the firm does not assume management responsibilities, by requiring that safeguards be implemented to ensure that management is taking responsibility for the internal audit activities. Yet in the case of public-interest entities, the Board has concluded that no amount of internal audit services, even with required safeguards, is acceptable, other than the exception for a non-recurring service to evaluate a specific matter.	DTT	See discussion under Q1 on Agenda Paper 2

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44.	Q1	No rationale has been provided as to why required safeguards adequately address the risk that the firm will assume management responsibilities in the case of non-public-interest entities but will not suffice in the case of public-interest entities. Moreover, no argument can be made that the prohibition on assuming management functions does not apply as strictly to non-public-interest entities. Thus, we believe there is no logical support for the distinction between public and non-public-interest entities in so far as the efficacy of the required safeguards to mitigate the risk that the firm will assume management responsibilities when providing internal audit services. Paragraph 290.196 also identifies the self-review threat as the threat created when internal audit services are provided to audit clients. The self-review threat often exists in the case of' non-assurance services, and the Code addresses such threat by including limitations on the services that may be provided to audit clients, and in particular. audit clients that are public interest entities. We agree that because of the heightened public interest in public-interest entities, the independence provisions that apply to such entities may need to be more stringent. This notion is evidenced in other provisions of Section 290 covering non-assurance services where self-review is the threat identified. Specifically. the limitations on nonassurance services to public-interest entities include the following:	DTT	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
45.	Q1	• Accounting and bookkeeping services, and the preparation of financial statements or other financial information, except that the firm may provide such services of a routine or mechanical nature for divisions or related entities of a public-interest audit client if the divisions or related entities arc collectively immaterial to the Financial statements on which the firm will express an opinion, or the services relate to matters that arc collectively immaterial to the financial statements of the division or related entity. • Valuation services if the valuations would have a material effect, separately or in the aggregate. on the financial statements. • Preparation of tax calculations of current and deferred tax liabilities for the purposes of preparing accounting entries that are material to the financial statements. • Design or implementation of IT systems that (a) form a significant part of the internal control over financial reporting. or (b) generate information that is significant to the client's accounting records or financial statements.	DTT	See discussion under Q1 on Agenda Paper 2

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46.	Q1	What is obvious and striking in the above list is that, in each instance an exception exists that would permit services that would otherwise be prohibited for public-interest entities because of their immateriality or insignificance. We believe these provisions are the proper result of applying the conceptual framework approach mandated in the Code. However, we do not understand why a similar result would not follow in the case of internal audit services. If the only argument is that to some there is greater risk of assuming management functions. then the required safeguards, which are not required in the case of the above non-assurance services, adequately address that risk. If the concern is the self-review threat, then as is the case of the other non-assurance services, the threat is not considered significant when the services are immaterial or insignificant. In our view, the Code should include a prohibition on the provision of internal audit services to public-interest entities; however, the prohibition should not be absolute. In addition to the cxception provided, we strongly believe that there should be some amount of internal audit services that, if provided to a public-interest entity, would not impair the firm's independence. It seems the logical result of applying the conceptual framework approach to include an exception based on whether either the internal audit services represent a signficant part of the internal audit activities of the audit client or the divisions or related entities for which such services are provided are collectively immaterial to the financial statements on which the firm will express an opinion, provided the required safeguards are implemented.	DTT	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
47.	Q1	Given the challenges a global organization has in complying with different independence requirements depending on the jurisdiction of the audit firm. network firms, the audit client and its affiliates. we strongly support efforts to enhance the Code in a way that takes into recount the more recent changes in independence standards adopted in various jurisdictions. By doing so, the likelihood of convergence with the IFAC independence standards is increased because they will be seen as high-quality and credible standards. However. convergence will only be achieved if the standards are also viewed as reasonable, comprehensive and appropriate, while at the same time protecting the public interest. We believe the proposed provision on internal audit services is not only illogical for the reasons stated but will have potential unintended consequences. For example, the public will not be wel1-served by requiring the audit firm to resign if the audit firm provides insignificant internal audit services without assuming a management responsibility. Finally, we believe a prohibition on internal audit services that includes the exception noted will not negatively impact audit quality, the promotion of convergence, or the need to protect investors and others relying on audited financial statements.	DTT	See discussion under Q1 on Agenda Paper 2
48.	Q1	As mentioned in our Comment Letter of 15 October 2007, whilst we are not wholly persuaded by the inference that doing more audit work in relation to internal controls results in an increased self-review threat, we recognise that in the case of public interest entities there may be a heightened perception of a threat to independence in appearance, and in particular a perception that the firm might be seen as performing activities that are the responsibility of management if such services would cause the appearance that a firm has become part of the entity's system of controls. Accordingly, we do not object to a restriction as outlined in paragraph 290.200 on providing internal audit services to PIE audit clients, but we believe that some refinement of the language is required to clarify the intent (see below).	PwC	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
49.	Q1	The provision of advice to clients on internal controls and financial systems is a core competency of many accounting firms and such advice is often expected by clients. Providing, as part of that advice, 'recommended improvements' to such systems and controls is clearly in the public interest. Such advice is often given in the context of an external audit and the Code recognises that such advice may also be provided as part of rendering other services (see paragraph 290.203(d) for example). The restriction in paragraph 290.200 will be interpreted by reference to paragraph 290.195 which gives examples of internal audit activities. Accordingly, we recommend that 290.195(a) be clarified to avoid the possible interpretation that 'recommending improvements' on internal controls and financial systems of PIE audit clients is always prohibited. Clearly this is not the case. It is recurring or regular "ongoing monitoring" that is problematic. . We recommend that 290.195 (a) read as follows: (a) Ongoing monitoring of internal control – regularly reviewing controls and monitoring their operation and, as a result of such activity, recommending improvements thereto;	PwC	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
50.	Q1	Secondly, we recognise that in other parts of the Code the language focuses on the provision of services to an audit client in the context of the "financial statements on which the firm will express an opinion". This correctly has the effect of allowing services to 'parent' and 'sister' entities that are not audit clients of the firm and thus are not subject to audit by the firm. Paragraph 290.200 does not have the same construct and although it references "an audit client that is a public interest entity", the way the 'related entity' definitions work, we believe that this could be misinterpreted to prohibit the provision of services to entities that are upstream or lateral to the audit client and thus are not subject to audit by the firm. As mentioned in our letter of 15 October 2007, we believe that in many circumstances such services may be provided without impairing independence. Furthermore, we believe that the provision in paragraph 290.200 as currently worded could be interpreted very broadly. We believe that, in the case of PIEs, the intention is to prohibit the activities that would fall within paragraph 290.195 (a) and (b), and we recommend that this be explicit. Accordingly, we recommend that paragraph 290.200 be amended to read as follows: "In the case of an audit client that is a public interest entity, a firm should not provide internal audit services that relate to the ongoing monitoring of internal accounting controls or the examination of financial information of the entity on whose financial statements the firm will express an opinion".	PwC	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
51.	Q1	While we support the overall strengthening of provisions applicable to internal audit services and do not disagree with more restrictive rules in this regard for public interest entities, we would like to see some additional clarification with respect to the scope of this prohibition. More specifically, Section 290.200 states that "in the case of an audit client that is a public interest entity, a firm should not provide internal audit services that relate to the internal accounting controls, financial systems or financial statements". The definition of internal audit services in Section 290.196 describes internal audit services as "assisting the audit client in the performance of its internal audit activities." We believe the breadth of this statement could be viewed as precluding all advisory and/or consulting services related to internal audit and lead to a more restrictive interpretation than intended. In those countries, such as the United States and Italy, where regulators have implemented rules that severely restrict the ability to perform internal audit services, such rules refrain from prohibiting internal audit services generally but instead limit the prohibition to internal audit "outsourcing." We believe that the IESBA does not intend to introduce a broader prohibition than that proscribed by these regulators. Accordingly, we believe that Section 290.200 should be more specific and state that outsourcing of internal audit services is prohibited for public interest entities.	E&Y	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
52.	Q1	Furthermore, we believe Section 290.201 could also be enhanced by including examples of permissible services. One such example would be the performance of non-recurring "agreed-upon procedures" engagements related to the company's internal controls provided management takes responsibility for the scope and assertions in such engagements. Another example would be an assessment of the effectiveness of the internal audit function through discussions with internal audit personnel, management and the audit committee, and through comparison with best practices. We believe the inclusion of such examples would add clarity to Section 290.201. We also suggest the requirement in Section 290.201 to discuss the provision of non-recurring internal audit services with those charged with governance at a public interest entity audit client could benefit from further clarification. Our concerns are two fold.	E&Y	See discussion under Q1 on Agenda Paper 2
53.	Q1	First, the requirement to conduct audit committee discussions for relatively minor and limited engagements such as those contemplated in Section 290.201 in each instance would appear to be excessively burdensome to the audit committee and the Company. The only comparable provision in the Code to require similar discussions involves bookkeeping services in emergency situations. Unlike the services described in Section 290.201, which can occur periodically, emergency bookkeeping services are expected to be rare and therefore discussion with the audit committee in every instance would be appropriate.	E&Y	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
54.	Q1	Our second concern is the scope of applicability for the pre-approval requirement in Section 290.201. Discussion with those in charge of governance is required by this section for the provision of non-recurring internal audit services provided to a public interest entity "audit client." As the definition of "audit client" in the Code includes all related entities, we consider the applicability of this pre-approval requirement to be overly expansive and potentially inconsistent with other guidance in the Code. Related entities include the client's parents, investors with significant influence over the client, entities under common control and equity investees. By comparison, the US SEC rule requires pre-approval for services provided only to the issuer and its subsidiaries while, depending on the facts and circumstances, there is no pre-approval obligation for other affiliates of the audit client (e.g., parents, investors, material investees, or entities under common control). The Code seems to follow a similar approach to the US SEC rule in Section 290.160[2] which allows for the provision of non-assurance services, including potentially extensive internal audit services, without prior discussion with those charged with governance for certain related entities of the audit client. In contrast, Section 290.201 requires discussion with those charged with governance at the audit client and all related entities for non-recurring discrete internal audit engagements. We suggest the applicability of the pre-approval requirement in Section 290.201 be modified to align with Section 290.160 of the Code or with the SEC rules on pre-approval of services.	E&Y	See discussion under Q1 on Agenda Paper 2

[2] 290.160 A firm may provide non-assurance services that would otherwise be restricted under this section to the following related entities of the audit client:
(a) An entity, which is not an audit client, that has direct or indirect control over the audit client; or
(b) An entity, which is not an audit client, that is under common control with the audit client if it is reasonable to conclude that (a) the services do not create a self-review threat because the results of the services will not be subject to audit procedures and (b) any threats that are created by the provision of such services are eliminated or reduced to an acceptable level by the application of safeguards.(b) An entity, which is not an audit client, that is under common control with the audit client if it is reasonable to conclude that (a) the services do not create a self-review threat because the results of the services will not be subject to audit procedures and (b) any threats that are created by the provision of such services are eliminated or reduced to an acceptable level by the application of safeguards.

X ref	Par Ref	Comment	Respondent	Proposed Resolution
55.	Q1	We are not of the opinion that the proposed restriction on providing internal audit services to public interest clients is appropriate, as we do not see the reasons, why the International Ethics Standards Board for Accountants (herein after called The Board) attaches such a much greater importance to the provision of internal audit services compared to other services provided by an auditor of financial statements. Regarding all other services that might be provided by an auditor of financial statements to his or her audit client, the Board applies an approach of materiality, with the result that those services are not completely forbidden, as long as they are immaterial to the financial statements on which the firm will express an opinion. According to the revised Code of Ethics, in emergency situations even the provision of accounting and bookkeeping services, including payroll services, or the preparation of financial statements are basically allowed for audit clients that are public interest entities. For us it not understandable, why the Board considers the provision of internal audit services, to be more compromising then the creation of the data that will be subject to the subsequent audit. Therefore we would like to ask the Board to reconsider their decision to restrict internal audit services to public interest audit clients and to retain the materiality-approach.	WpK	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
56.	Q1	290.200 We agree the proposed restriction is appropriate provided that it is made clear that this restriction relates to circumstances where the PIE is of such a size that it requires and has an internal audit function or where an internal audit function is required by law or regulation. In such circumstances we agree the internal audit function should not be outsourced to the PIE's external auditor. The key issue is whether, by providing internal audit services, the auditor is assuming management responsibilities. This is unlikely to be the case in a very small listed/ public interest entity where the scale and nature of activities is such that no internal audit function exists or is required. In such an entity, the occasional provision of the types of additional services specified in para 290.195 by the auditor at the request of the board/ audit committee is unlikely to impair independence, provided the self review threat has been addressed. On the other hand, where the scale or complexity of activities is much greater (e.g. in a full service bank, where the regular checking and testing of systems and controls by personnel independent of operations is a core management responsibility) then such services should not be outsourced to the auditor.	CARB	See discussion under Q1 on Agenda Paper 2
57.	Q1	An accountant who performs an external audit must evaluate the results of the internal audit work done thoroughly and perform audit procedures on that work, to determine whether he can rely on these results. The procedures to evaluate the results of the internal audit work are dealt with in ISA 610[3]. NIVRA kindly requests IESBA to reconsider the necessity for a prohibition on internal audit services to public interest audit clients, from the perspective of ISA 610.	NIVRA	See discussion under Q1 on Agenda Paper 2

[3]International Standard on Auditing 610: Considering the work of internal audit.

X ref	Par Ref	Comment	Respondent	Proposed Resolution
58.	Q1	In addition to the fact that we do not support a rules based approach, we do not understand why the provisions on these kinds of engagements are more restrictive than on other non-audit services, for instance: • accounting ,and bookkeeping services for divisions and subsidiaties of PIEs arc permitted, if of routine and mechanical nature and if collectively immaterial to the respective entity, • valuation services for PIES are permitted, if not material to the financial statements, • IT services for PIEs are only prohibited if they form a "significant part" in relation to the internal control of financial reporting or generate significant information to the financial staternents, " What we consider to be important is not to assume management responsibilities. If they are not assumed and the procedures in ISA 610 are applied, internal audit services should be perinitted, regardless if the audit client is a PIE or not. We do not share this separation from the general concept of principles instead of rules and therefore we urge IESBA to reconsider its position. Finally, and taking into account that the definition of PIE may differ from one jurisdiction to another, we believe that this prohibition may be difficult to apply by those firms with insufficient infrastructure to identify all particular services provided by any member of the firm or of the network.	ICJCE	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
59.	Q1	We believe the position adopted by the IESBA in July 2007 was appropriate. In our view, additional prohibitions should only be introduced if it is clear that there are significant threats in the vast majority of circumstances and that public confidence in audit and review engagements is adversely affected by the absence of a prohibition We believe a fuller analysis of the threats and the adequacy of the safeguards is required, taking into account the public interest. The IESBA has not provided any market-based factual evidence or regulatory impact assessment to support its proposals. We believe the IESBA should carry out research into the need for and effects of the proposed changes before embarking on them. We do not believe, therefore, that the proposed 'blanket' prohibitions are justified. There needs to be recognition that often, safeguards are available, and that professional standards should not unreasonably fetter the ability of businesses to have access to professional services in the most cost-effective manner	ACCA	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
60.	Q1	The proposals prohibit, except as noted, a firm from providing internal audit services that relate to the internal accounting controls, financial systems or financial statements to an audit client that is a public interest entity. A firm would not, however, be precluded from providing a non-recurring internal audit service to evaluate a specific matter that relates to the internal accounting controls, financial systems or financial statements provided specified conditions are met and the facts and circumstances related to the service are discussed with those charged with governance. Before the IESBA adopts a more restrictive standard for the provision of internal audit services to public interest entity audit clients, we think the reasons for doing so need to be better articulated. The explanatory memo notes that where an auditor was likely to place significant reliance on internal audit work performed by the firm, a self-review threat would be unacceptably high. However, that threat would seem to be the same regardless of whether the audit client is a public interest entity or not, and we note that for audit clients that are not public interest entities, a safeguards approach would be acceptable. Accordingly, we believe it is important for the IESBA to clarify its rationale for prohibiting such services to public interest entity audit clients, and clarify why the proposed guidance should not contain an exception for immaterial or insignificant internal audit services. (See our response to Question 2 below.) In determining how it will better articulate its rationale for these positions, it is possible the Board could reach a different conclusion about the proposed prohibitions. We encourage the Board to be open to this possibility.	AICPA	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
61.	Q1	We note that the majority of respondents to the exposure draft of July 2007 agreed, expressly or implicitly, with the proposal to permit the provision of internal audit services to audit clients provided that certain conditions are met. We also note that several respondents (principally regulators) were of the view that the proposals with respect to public interest entities were not sufficiently robust. In our view, the explanatory memorandum does not explain why the IESBA has departed from its original position and the view of the majority of the respondents. We do not believe that the IESBA has made a case for prohibiting internal audit services that relate to the internal accounting controls, financial systems or financial statements of audit clients that are public interest entities.	KPMG	See discussion under Q1 on Agenda Paper 2
62.	Q1	Paragraph 290.199 states that when a firm accepts an engagement to provide internal audit services to an audit client, and the results of those services will be used in conducting the external audit, a self-review threat is created because of the possibility that the audit team will use the results of the internal audit service without appropriately evaluating those results or exercising the same level of professional scepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm. We accept that this might be the case, but do not accept that this threat cannot necessarily be reduced to an acceptable level by the application of safeguards, including in the case of audit clients which are public interest entities. We consider that in evaluating whether this is the case, the significance of the threat should be evaluated and agree that factors such as those outlined in paragraph 290.199 are likely to be relevant, ie: • The materiality of the related financial statement amounts; • The risk of misstatement of the assertions related to those financial statement amounts; and • The degree of reliance that will be placed on the internal audit service.	KPMG	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
63.	Q1	We do not believe that a prohibition on internal audit services that relate to the internal accounting controls, financial systems or financial statements for public interest entities flows logically from the conceptual framework. We consider that the self review threat is often capable of being safeguarded, for example, by arranging for additional independent reviews to be undertaken. Indeed, if non-recurring internal audit services of a financial nature may be performed with certain conditions (paragraph 290.201), we do not understand why logically recurring internal audit services may not also be performed. Further, we are unaware of any other section of the Code where different positions are taken with respect to a non-audit service depending on whether or not it is expected to recur.	KPMG	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
64.	Q1	We do, however, accept that the same type of work that might routinely be carried out to support the internal audit function could also be carried out, more typically as a special exercise, to assist management in many different situations, for example in connection with the implementation of a new system or process or to address an area of special focus, for example where there is a suggestion of a compliance failure or even fraudulent activity in a part of a company's operations. In these situations, an auditor might be requested to perform work of an investigative nature, maybe reporting directly to management, to those charged with governance or to the internal audit function. However, rather than carving out such work from a general prohibition on internal audit services, we consider it would be appropriate to articulate why it is, specifically, that involvement in recurring internal audit services, regardless of whether any of the factors above are present, is prohibited in the circumstances of paragraph 290.200. We would also note that there is already a prohibition, emphasized in paragraph 290.196 and 197, on undertaking internal audit services in which the auditor assumes a management responsibility. Although we do not agree that the threats arising from the provision of internal audit services are greater than many other types of non-audit services, if IESBA wishes to respond to the concerns expressed by a small number of regulators by imposing a higher standard with respect to internal audit services for public interest audit clients, we would suggest that a mandatory safeguard could be introduced. This could require, for example, an additional review of the internal audit work and the manner in which it has been relied upon for external audit purposes, by a professional accountant who is not involved either in the audit or internal audit work. This would at least have the merit of being similar to the approach outlined in the EU Recommendation on Auditor Independence	KPMG	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
65.	Q1	**Description of Internal Audit Services** We believe that the Board should provide a more comprehensive discussion concerning activities that typically take place under the label of "internal audit services." The Board should clarify the difference between those internal audit services that create an unacceptable self-review threat and those services that the Board believes would be permitted, specifically, • Internal audit services which relate to financial reporting (not permitted) • Internal audit services that relate to the system of controls over financial reporting (not permitted) • "Other" types of internal audit services (which the Board believes should be permitted, with or without safeguards) Because the Board has not included a clear and comprehensive description of what activities the Board considers to constitute the kinds of internal audit services that are intended to be prohibited by paragraph 290.200, versus internal audit services that the Board believes should be allowed, it is not possible to conclude whether the proposed restriction is appropriate or not. We recognize that paragraph 290.195 of the latest draft of the Code has been revised in an effort to better describe examples of internal audit activities. However, the proposed Code does not clearly differentiate internal audit services from other types of non-audit services, and in paragraph 290.201 it uses the term "internal audit" for services to evaluate a specific matter that relates to internal accounting controls and financial reporting matters that the Board describes as "non-recurring". We find this description to be confusing. Contd	IOSCO	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
66.	Q1	There is also a lack of clarity in paragraph 290.195(d) in regard to, "review of compliance with laws and regulations and other external requirements." As many laws and regulations relate to financial reporting and associated internal controls, it is unclear whether this activity meets the conditions described in paragraph 290.200 that "a firm should not provide internal audit services [to an audit client that is a public interest entity] that relate to the internal accounting controls, financial systems, or financial statements", and would therefore be considered a prohibited internal audit service, or whether the Board intends that a review of compliance with such laws and regulations would be considered an activity that would be permitted. Without further discussion about what is intended to be covered by the internal audit services prohibition for public interest entities, we believe that the Code will likely be applied inconsistently. We request that the Code provide more explicit guidance to help distinguish which types of internal audit services may create an unacceptable self-review threat, as intended by the restriction in paragraph 290.200. Cont'd	IOSCO	See discussion under Q1 on Agenda Paper 2
67.	Q1	**Need to Include Central Principle and Rationale for Treatment of Internal Audit Services** It would be very desirable for the Board to also present a central principle and the rationale involved in explaining its proposed treatment of internal audit services. In this regard, it may be helpful to incorporate some of the discussion that appears in the conceptual framework in the earlier portions of the Code. The articulation of one or more clear principles is desirable as it may not be possible to provide an all-inclusive list of internal audit services, as well the threats and safeguards that the auditor might need to consider in all particular circumstances. Cont'd	IOSCO	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
68.	Q1	**Safeguards Relating to Provision of Internal Audit Services and Communication with Those Charged with Governance** In our letter of December 14, 2007, which was in response to the IESBA's initially proposed exposure draft issued in July 2007, we provided several comments with respect to the safeguards described in paragraph 290.198 (paragraph 290.190 in the July 2007 exposure draft). We continue to think this area needs further development. While we acknowledge that management or those charged with governance (i.e. Boards of Directors and Audit Committees) generally have an oversight role with respect to the work of internal and external auditors; the proposed safeguards in paragraph 290.198 are presented in such a way that they could be interpreted as indirectly attempting, through an auditor ethical standard, to specify requirements for the audit client or those charged with governance, rather than the auditor. Instead of presenting the auditor's guidance in terms of what management or those charged with governance should do, we believe the focus should be on conditions and actions that are required to be met or performed by the auditor him or herself, including the need to supply the appropriate information to management and those charged with governance. Cont'd	IOSCO	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
69.	Q1	Rephrasing the safeguards to state something more focused on the auditor's responsibilities would improve the Code's clarity and appropriateness. For example, the Code might state "An auditor shall not perform internal audit services unless the auditor has sufficient evidence that the client and those charged with governance retain appropriate responsibility for the management and oversight of the internal audit work and do not rely upon the auditor to perform management functions. The auditor shall supply appropriate information to management and those charged with governance to enable their understanding of the internal audit work to be performed and the auditor's requirement for independence." We urge that the Board make this change because in order for the client or those charged with governance to have a basis to understand and approve the scope, risk, and frequency of internal audit work, the client and/or those charged with governance must receive sufficient information from the auditor that is proposing to perform the internal audit services. Management and those charged with governance, including Supervisory Boards and Audit Committees, need factual information that will enable them to sufficiently evaluate the basis for engaging the auditor to provide internal audit services, including descriptions of any threats to independence. The current draft of the Code does not impose any responsibility on the auditor to provide such information to management or those charged with governance and we believe that it should. Cont'd	IOSCO	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
70.	Q1	**Non-Recurring Internal Audit Services Exception** We would like to express a concern regarding the proposed exception in paragraph 290.201 for "non-recurring" internal audit services relating to financial reporting. We believe that writing exceptions to the general principles and prohibitions in the Code seriously weaken the Code and will make it harder to work for convergence and global acceptance of the Code. We do not understand the need for such an exception and find it confusing and unclear. Unless such services would be "de minimus" or "trivial and inconsequential" when any amounts involved are considered from the perspective of both the financial statements and the audit firm's revenues, we do not think any internal audit services that relate to financial reporting should be provided. We are concerned that writing an exception like this into the Code creates the potential for inconsistent application and misuse. Our members recognize that on occasion auditors and regulators may need to make exceptions for catastrophic situations; however, we have concerns about whether the "non-recurring" internal audit service exception in the ED is adequately defined and it is unclear why such an *internal audit* service would be needed as an urgent service to respond to a natural disaster or other catastrophe. We believe that establishing a requirement or a prohibition and then immediately following it with an exception is contradictory and confusing, and could undermine the prohibition or principle involved. We also have concerns about the way that the non-recurring internal audit service exception in the ED is defined and explained. Further, given that an auditor would not be considered independent for certain recurring internal audit services, it is unclear why the auditor would be considered independent for the same internal audit service simply because it was non-recurring. Cont'd	IOSCO	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
71.	Q1	As the Code is now written in the ED, it raises the possibility that an auditor could provide any type of internal audit service that creates an unacceptable self-review threat utilizing a rationale, "it is just this one time" and then apply safeguards as necessary to reduce the threat to an acceptable level. We do not consider a blanket "non-recurring exception" an acceptable approach in a Code applicable to audits of a public interest entity. As one example of our concern, 290.201 includes language stating that "A firm is not, however, precluded from providing to an audit client that is a public interest entity a non-recurring internal audit service to evaluate a specific matter that relates to the internal accounting controls, financial systems, or financial statements provided …" (several conditions are listed and a reference to application of safeguards as necessary). Investigating the causes of a one-time significant fraud in an audit client is one example of an internal audit service that would appear to fit into this "non-recurring" exception the Board is proposing. However, we believe such a non-recurring internal audit service could create an unacceptable self-review threat as well as a potential self-interest threat (i.e., conflict of interest) that could not be mitigated with the application of safeguards, if performed by the auditor who has audited the period in which the fraud occurred. We do not understand why this type of service would be described as an internal audit service (as defined in paragraph 290.196) or would be proposed to be permitted. Finally, we note that the term non-recurring does not have a universally accepted definition, nor do we see it utilized or defined elsewhere in the proposed clarity version of the Code. We believe the use of the term non-recurring in any type of exception in the Code could be inconsistently applied if the Board does not provide additional clarification as to how the term is defined, as well as a rationale for having an entity's auditor perform such a service if this is what is intended.	IOSCO	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
72.	Q1	We believe that the provisions relating to the provision of internal audit services to audit clients that are public interest entities need significant amendment. In particular, we believe that: • There is no logical basis for excluding non-recurring internal audit services from the prohibition in paragraph 290.200. Doing so runs the risk that it will be permissible to provide services that present a significant threat to independence for public interest entity audits. • There should be an exception for immaterial internal audit services provided to an audit client that is a public interest entity as there is in other parts of Section 290, such as valuations. • There is no definition provided of internal accounting controls, financial systems and financial statements. This may lead to inconsistency in the application of any prohibition. Furthermore, limiting the prohibition to just internal audit services relating to internal accounting controls, financial systems and financial statements may omit other internal audit services that could impact audit judgments. There are a number of ways in which the APB believes that the IESBA could address some or all of the criticisms set out above and these are explained in detail below: Contd	APB	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
73.	Q1	1. **Remove the exception in paragraph 290.201.** We believe that the exception for non-recurring internal audit services to evaluate a specific matter that relates to the internal accounting controls, financial systems or financial statements, is illogical. The self review threat may arise even if the service is non-recurring. 2. **Include a provision to permit immaterial internal audit services.** We believe that the only exception that should be provided in a prohibition for public interest entity audit clients is for immaterial internal audit services. This would be appropriate in the same way as immaterial non-assurance services are permitted to be provided to public interest entity audit clients elsewhere in the IFAC Code (e.g. valuations). Paragraph 290.200 could be followed by guidance similar to that in other parts of the Code, for example: Despite paragraph 290.200, a firm may provide internal audit services that relate to the internal accounting controls, financial systems or financial statements where this is related to matters that are, both separately and in aggregate, reasonably expected to be immaterial to the financial statements.	APB	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
74.	Q1	3. **Amend the basis for prohibition of internal audit services.** The suggested amendments in paragraphs 1 and 2 above deal with some of the individual deficiencies set out at the start of this letter. However, they are all based on maintaining a prohibition for internal audit services that relate to the internal accounting controls, financial systems or financial statements. While we recognise that the proposed restriction follows the SEC wording, we believe that the IFAC approach should be different for two reasons: • There is no definition provided of internal accounting controls, financial systems and financial statements. In our experience, practitioners often request more guidance on points such as this, in order that they can be certain as to how the prohibition should be applied. In the absence of such guidance, such a rule-based mentality may lead to inconsistency in the application of the prohibition. • As currently drafted we do not believe that it would restrict all internal audit services that could impact the financial statements. For example, internal audit work on compliance with law and regulations might be reviewed and relied on, but it could be argued that it does not relate to the internal accounting controls, financial systems or financial statements.	APB	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
75.	Q1	An alternative approach to this issue is to focus on the impact on auditor judgment rather than the nature of the internal audit service. This approach is illustrated by rewording paragraph 290.200 as follows: In the case of an audit client that is a public interest entity, a firm should not provide internal audit services where internal audit work is likely to be relied upon in making audit judgments related to matters that are, separately or in aggregate, material to the financial statements. If this approach were to be adopted, it would address all of the deficiencies that we have highlighted above and there would be no need for paragraph 290.201. The suggested wording would not prohibit any additional services (for example, on internal financial controls or to assist the client in an investigation of a suspected fraud) which might be requested by the client as an extension of the audit, as long as they would not be relied upon in making audit judgments.	APB	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
76.	Q1	Finally, our suggested approach closely mirrors the provision for non-public interest entities. We believe that the use of consistent wording will help auditors understand the prohibition without the need to define what constitutes internal accounting controls or financial systems. While this is our preferred approach, one alternative, which recognises that the most relevant criteria to determine if a service should be prohibited is whether the audit team is going to rely on the work in making audit judgments, would be to limit the application of the current prohibition. On this basis, the prohibition in paragraph 290.200 could be amended to read: In the case of an audit client that is a public interest entity, a firm should not provide internal audit services that relate to the internal accounting controls, financial systems or financial statements where these services relate to matters that are likely to be relied upon in making audit judgments that are, separately or in aggregate, material to the financial statements.	APB	See discussion under Q1 on Agenda Paper 2
77.	Q1	In summary, we believe that the current drafting of the provision relating to internal audit services provided to audit clients that are public interest entities is unacceptable. The provisions need to recognise that the most relevant criteria to determine if an internal audit service should be prohibited is whether the audit team is going to rely on the work in making audit judgments.	APB	See discussion under Q1 on Agenda Paper 2
78.	Q1	We believe that there should be an exception for immaterial internal audit services provided to an audit client that is a public interest entity, as we do not consider it necessary to prohibit such services.	JICPA	See discussion under Q1 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
79.	Q1	We broadly support the structure and content of the general provisions for internal audit services section but in our view, the proposed restriction should not be applied when internal audit services are dealing with immaterial subsidiaries or when they are not material to the financial statements. We also have a serious reservation with the proposed restriction on providing internal audit services to public interest entities.	CNCC	See discussion under Q1 on Agenda Paper 2
Question 2 Respondents are asked for their views as to whether there should be an exception for immaterial internal audit services provided to an audit client that is a public interest entity.				
80.	Q2	The PCC does not support the need for an exemption on immaterial internal audit services being provided to public interest entities, as the wording of what is "immaterial" or a "specific" matter is vague and may lead to different interpretations of Section 209 of the Code.	NJCPA	See discussion under Q2 on Agenda Paper 2
81.	Q2	Defining immaterial is judgemental and this allows a certain amount of discretion which should be avoided especially with respect to public interest audit clients.	MIA	See discussion under Q2 on Agenda Paper 2
82.	Q2	In view of the nature of internal audit services, we believe that it is not appropriate to permit "immaterial" internal audit services for public interest audit clients other than a non-recurring service as described in 1 above.	HKICPA	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
83.	Q2	AIA would prefer to see a total prohibition of the provision of such internal audit services to external audit clients. One reason for this is that it may not always be possible to be clear about the materiality of an investigation until it has been completed. Any audit failures in the conduct of an internal audit investigation could prove to have unforeseen consequences that call the materiality question into doubt. Furthermore, the scope of an immaterial investigation might have to be revised in the light of the initial findings. It might be argued that there is no need to provide an express exception in the manner envisaged by paragraph 290.201of the draft. There is no particular need for management to label a request for the external auditor to consider some aspect of internal accounting controls, financial systems or financial statements as an internal audit. In reality, immaterial requests for advice and opinions on such matters occur as a matter of course throughout audit engagements. For example, the finance director and audit partner might have an informal discussion about the application of a new accounting standard or the suitability of a new system as part of their ongoing working relationship. Typically, no separate fee is charged for such informal comment and the only written record is likely to take the form of a mention in the management letter. Such exchanges are both inevitable and desirable. Anything that requires a separate engagement or appointment is unlikely to be immaterial. On that basis, AIA believes that the exemption proposed in the draft is redundant.	AIA	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
84.	Q2	The IIA believes that it would not be appropriate to provide even those internal audit services deemed immaterial to an audit client that is a public interest entity. The term "immaterial" could be unclear; for example, does it mean that the results of internal audit service do not materially affect the audit opinion, or that the fees from internal audit service is immaterial with respect to the fees received from the financial statement audit. In addition, allowing these services would contradict the restriction of providing internal audit services. Further, internal audit results address significant issues within the organization. Thus if the firm were providing both internal audit services and attest services, the firm may be in a position where it would be caused to evaluate its own work which could potentially create a conflict of interest for the opinion. Such a situation would be regardless of the internal audit services fees charged.	IIA	See discussion under Q2 on Agenda Paper 2
85.	Q2	Before any exception could be granted on the grounds of immateriality, greater guidance would be required in the definition of immateriality. As this may prove difficult, and could otherwise be open to abuse, no exception should be granted.	SAICA	See discussion under Q2 on Agenda Paper 2
86.	Q2	In relation to "immaterial internal audit services" we are inclined to agree with the IESBA's proposed approach, however, we would add that to allow proper consideration, more explanation would be required as to what exactly is meant by "immaterial internal audit services". Additionally, we support the IESBA's proposed approach that auditors should not be precluded from providing a non-recurring internal audit service to evaluate a specific matter that relates to the internal accounting controls, financial systems or financial statements, provided specified conditions are met and the facts and circumstances related to the service are discussed with those charged with governance.	ICAS	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
87.	Q2	We understand that the exception that would permit a firm to provide "immaterial" internal audit services to its public interest entity client would be a broad exception and in addition to the non-recurring exception provided for in paragraph 290.201. As previously noted, we do not support the use of exceptions to the Code's general principles and stated prohibitions as we believe that stating exceptions in the Code increases the likelihood that the principle underlying the reason for the prohibition will be undermined and compromised. If the Board ultimately decides to retain some type of exception for immaterial internal audit services relating to financial reporting, we would be concerned about the ability to sufficiently define an "immaterial" internal audit service. Such a definition would need to mitigate the likelihood that exceptions could be applied inconsistently or abused. For example, multiple "immaterial" internal audit service engagements could, in the aggregate, have a significant impact on the financial reporting of the audit client or a more than inconsequential impact on an audit firm's revenues, yet it appears that each could be considered individually to be "immaterial" and presumably, judged by an auditor to be allowed. We believe an "immaterial" exception should only apply to situations where all amounts involved are de minimus to all parties involved, meaning that they are trivial and inconsequential to both the auditor's revenues or compensation and the client's financial statements. If the Board believes that it is appropriate to retain an exception for immaterial internal audit services, we request that the term be clarified and defined, and that the Code contain some guidance for how the auditor should judge immateriality from all relevant standpoints.	IOSCO	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
88.	Q2	The fact that views are sought on whether an exception for immaterial internal audit services provided to an audit client that is a public interest entity exposes the fact that the IESBA has failed to produce standards that are in the public interest. Section 290 seeks to impose rules designed for the audits of significant listed companies - for example SEC-registered entities - on even the smallest public interest entity. It disregards the basic principle that regulation should be proportionate. We nevertheless believe there should be an exception for immaterial internal audit services provided to an audit client that is a public interest entity.	ACCA	See discussion under Q2 on Agenda Paper 2
89.	Q2	We agree with the proposed restriction on providing internal audit services to public interest audit clients. Nevertheless, we disagree allowing an exception for a non-recurring internal audit service to evaluate a specific matter, if the service provided could have a significant impact on financial statement. Instead, we would welcome an exception for services that are insignificant. It could help groups to implement strong internal control with a great level of confidence in the application of this control even in very small entities within the group.	Mazars	See discussion under Q2 on Agenda Paper 2
90.	Q2	We agree, on balance, with the IESBA that immaterial internal audit services should not be made an exception to the restrictions on services provided to an audit client that is a public interest entity.	CICA	See discussion under Q2 on Agenda Paper 2
91.	Q2	We agree with the IESBA's views that because of the nature of internal audit services and other than as a non-recurring service, it would not be appropriate to permit an exception for immaterial internal audit services *provided to an audit client that is a public interest entity.*	ICPAS	See discussion under Q2 on Agenda Paper 2
92.	Q2	As indicated in our response to point 1, we believe the public interest is better served by separation. However, as a practical matter, we believe that there are circumstances where an exception allowing firms to provide immaterial internal audit services to any audit client that is a public interest entity should be granted.	RSMI	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
93.	Q2	We support the inclusion of an exception for immaterial internal audit services provided to an audit client that is a PIE. To not have such an exception would place a greater restriction on internal audit services than exists for non-audit services for PIEs.	CARB	See discussion under Q2 on Agenda Paper 2
94.	Q2	We agree that immaterial accounting and bookkeeping services and immaterial valuation services for public interest audit clients do not cause any threat. Therefore they are permitted. We believe immaterial internal audit services do not imply a threat either, so it would be consistent with the Code to also permit immaterial internal audit services. Besides, there is no reason to prohibit internal audit services to an immaterial subsidiary, which due to its immateriality – in accordance with auditing standards - would not become subject of detailed audit procedures anyway.	NIVRA	See discussion under Q2 on Agenda Paper 2
95.	Q2	NASBA believes that an exception for non-recurring immaterial internal audit services is acceptable. A series of "immaterial internal audit services' could constitute more than "immaterial services" when considered as a whole. NASBA believes that the Board should include the thought in Section 290.201 that "non-recurring" refers to the service provided and not to a particular question, and that provision of such immaterial services would be expected to be unusual.	NASBA	See discussion under Q2 on Agenda Paper 2
96.	Q2	We are of the opinion that no internal audit services that are immaterial to the financial statements, on which the firm will express an opinion, should be prohibited, as this prohibition does not provide any strengthening of the statutory auditor's independence. This is especially the case, when an audit firm or one of its network firms provides internal audit services for an affiliate that is immaterial to the group financial statements, on which the firm will express an opinion. In this case the affiliate may not even be included in regular audit procedures. Therefore at least this case should be excluded from the prohibition.	WpK	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
97.	Q2	There should be an exception for immaterial internal audit services provided to an audit client that is a public interest entity as there is in other parts of Section 290, such as valuations.	APB	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
98.	Q2	We will restrict our comments to question 2, which asks whether there should be an exemption for immaterial internal audit services provided to an audit client that is a public interest entity (PIE). According to the proposed changes to the Code of Ethics approved for re-exposure by the IESBA in April 2008, there is no room for materiality considerations or de-minimis exemptions. Consequently, the independence of an auditor (irrespective of whether this is a large firm or an SMP) auditing a public interest entity is regarded to be impaired even when a network member firm of that auditor provides any de-minimis internal audit services to an immaterial subsidiary of that PIE. The IDW is of the opinion that with regard to the provision of internal audit ser-vices to a PIE audit client, the principle of materiality should be taken into account and therefore strongly recommends a de-minimis exemption for the following reasons: 1. A blanket prohibition as proposed by the IESBA without any de-minimis exemption would be inconsistent with a conceptual respectively a principles-based approach. 2. This prohibition would be far more restrictive than all the other provisions of the Code relating to non-audit services for public interest entities; it would therefore lead to inconsistencies within the IFAC Code itself, e.g., • accounting and bookkeeping services for divisions and subsidiaries of PIEs are permitted, if of routine and mechanical nature and if collectively immaterial to the respective entity, • valuation services for PIEs are permitted, if not material to the financial statements, and • IT services for PIEs are only prohibited if they form a "significant part" in relation to the systems or generate "significant" information. In view of the above, we are of the opinion that it is appropriate to permit "immaterial" internal audit services for public audit clients.	IDW	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
99.	Q2	FAR SRS is of the opinion that it is appropriate to permit "immaterial" internal audit services for PIE audit clients. A prohibition would be a departure from the principle-based conceptual framework of IFAC. It would also be more restrictive than other provisions of the Code relating to non-audit services. For example, accounting and book-keeping services including preparation of financial statements for divisions and related entities of an audit client that is a PIE, is permitted under certain conditions.	FAR	See discussion under Q2 on Agenda Paper 2
100.	Q2	We recognise that other sections of the Code properly allow for the provision of services by the firm that are 'immaterial' in the context of the financial statements (see valuations and bookkeeping), and we believe that the same principle can be applied to the provision of internal audit services. We believe that if the service is immaterial and thus does not create a threat to independence, it is not appropriate or necessary for a global code to prohibit such services. Accordingly we recommend that the provisions be amended to allow for this.	PwC	See discussion under Q2 on Agenda Paper 2
101.	Q2	We support an exception for immaterial internal audit services provided to an audit client that is a public interest entity and believe this position is consistent with other provisions of the Code which address self interest threats and public interest entities such as those pertaining to bookkeeping services provided to an immaterial subsidiary. If the level of self-review threat is considered acceptable in these instances, we see no rationale for internal audit services performed at an immaterial subsidiary to be treated more restrictively. Furthermore, if such immaterial internal audit services were not subject to an exception and were inadvertently performed, we also question what course of action would be appropriate. For example, resignation from the entire audit even when services would satisfy the criteria set out in Section 290.199 (e.g., not material to the related financial accounts, no risk of misstatement, no need for the audit team to rely on that work in particular etc.) would be a disproportionate response.	E&Y	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
102.	Q2	The Explanatory Memorandum requests views on whether there should be an exception for immaterial internal audit services. Although we do not believe that the case has been made for an automatic prohibition of certain internal audit services, however material, we do note, for example, that in the case of most other non-audit services for which guidance is included in the Code, there is an exception from any prohibition for audit clients that are public interest entities of services that are not material or significant to the financial statements on which the auditor's opinion is to be expressed. For example in the case of valuation services that have an effect on the financial statements, (a service that we consider generally gives rise to a greater self review threat than internal audit work), the auditor is nevertheless able to perform such work provided it is immaterial to the financial statements and safeguards are applied as appropriate. We believe that the absence of any materiality consideration in the proposed internal audit services prohibition, therefore, puts it even further out of line with the rest of the Code	KPMG	See discussion under Q2 on Agenda Paper 2
103.	Q2	The reason Parts B & C of the code exists is so that members are guided on how to minimise the threats to self review and so it would be appropriate to have exceptions to immaterial internal services. However, it is important to offer guidance on the level of materiality for avoidance of doubt. There is always the case for offering the client the benefit of the knowledge of his business gathered over the years by the member so long as the member is not involved in designing the specifics Terms of Reference(s) for the internal audit or gets involved in the implementation of the internal audit findings. Public interest entities need to be defined. For example are brokerage firms included in this category?	ICPAK	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
104.	Q2	According to the proposed changes to the IFAC *Code of Ethics for Professional Accountants* (the Code) approved for re-exposure by the IESBA in April 2008, there is no opportunity for materiality considerations or de-minimis exemptions. Consequently, the independence of an auditor, irrespective of whether this is a large firm or an SMP, auditing a PIE is deemed to be impaired even when a network member firm of that auditor provides any de-minimis internal audit services to an immaterial subsidiary of that PIE. The SMP Committee is strongly of the view that with regard to the provision of internal audit services to a PIE audit client, application of the principle of materiality should be permitted and accordingly we strongly recommend the inclusion of a de-minimis exemption. We cite the following reasons for this recommendation: 1. A blanket prohibition as proposed by the IESBA without any de-minimis exemption is inconsistent with a principles-based approach. 2. This prohibition would be far more restrictive than all the other provisions of the Code relating to non-audit services for PIE and, therefore, result in inconsistencies within the Code itself, e.g.: (a) Accounting and bookkeeping services for divisions and subsidiaries of PIEs are permitted, if of routine and mechanical nature and if collectively immaterial to the respective entity; (b) Valuation services for PIEs are permitted, if not material to the financial statements; and (c) IT services for PIEs are only prohibited if they form a "significant part" in relation to the systems or generate "significant" information. 3. An impact assessment of this proposed prohibition would likely conclude that the costs associated with applying this prohibition far exceed the benefits. In view of the above, we are of the opinion that it is appropriate to permit "immaterial" internal audit services for PIE audit clients.	SMP	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
105.	Q2	The IFAC Code includes guidance on the provision of the following nonaudit services to public interest entity audit clients: accounting and bookkeeping services; valuation services; preparation of tax calculations; and design or implementation of IT systems. For these services, some measure of materiality or significance, often in relation to the financial statements, is taken into consideration when determining whether the service can be provided. We believe the exceptions provided in the Code for these nonaudit services based on materiality or significance are appropriate and supported by the Code's conceptual framework. The IESBA has tentatively concluded that it would not be appropriate for the auditor to provide immaterial internal audit services to a public interest entity audit client "because of the nature of internal audit services." It is unclear what this phrase means. We recommend that the IESBA provide a better explanation of why it views internal audit services differently than the other nonaudit services described above and why a comparable exception based on materiality or significance should not be provided for such services. Before doing this, the Board should first reassess whether there are any circumstances in which it would be appropriate for a firm to provide internal audit services that are immaterial or insignificant to a public interest entity audit client.	AICPA	See discussion under Q2 on Agenda Paper 2
106.	Q2	We believe that there should be an exception for immaterial internal audit services provided to an audit client that is a public interest entity, as we do not consider it necessary to prohibit such services.	JICPA	See discussion under Q2 on Agenda Paper 2
107.	Q2	We strongly recommend you clarify the rationale for any proposed exemption, which in our view should be limited to immaterial internal audit services.	Basel	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
108.	Q2	Grant Thornton International supports the need for an exemption on non-recurring internal audit services being provided to public interest entities. Paragraph 290.201 indicates that in certain situations and with the application of necessary safeguards, any threat that is clearly not insignificant can be reduced to an acceptable level. We would ask the Board to indicate which safeguards are appropriate in this situation to reduce the self review threat to an acceptable level. In addition, we would like to confirm that the prohibition and corresponding exemption on non-recurring internal audit services applies to public interest entities and their related entities as currently defined in the Code of Ethics and does not extend beyond entities which the client has direct or indirect control or are not material to the group.	GTI	See discussion under Q2 on Agenda Paper 2
109.	Q2	The CNCC draws the attention of the IESBA on the fact that the French Code applies without any distinction to all statutory audit engagements, whether they be performed on behalf of listed entities or not, of public interest entities or not. However, we understand the concern of regulators and standard setters on the fact that there should be restrictions on providing internal audit services to public interest entities. Nevertheless, we don't approve a general prohibition. We are of the view that criterions such as materiality and nature of the internal audit service should be taken in account. We note that no other part of the code dealing with services provided to public interest entities conducts to a full prohibition. Therefore the new proposed approach is not consistent with the other provisions of the code, such as for other non audit services (§ 290-166 and next), valuation services (§ 290-174 and next) or IT services (290-187 and next).	CNCC	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
110.	Q2	For instance, in our view, such a "blank prohibition" is inconsistent with a principal based approach. • Accounting and bookkeeping for divisions and subsidiaries of public interest entities are permitted if they are of routine and mechanical nature and if collectively immaterial to the respective entity. • Valuation services for public interest entities are permitted provided they are not material to the financial statements. • IT services are also permitted, and a prohibition applies only when forming a significant part in relation to the system or when it generates significant information. We believe that a similar approach should also be used regarding internal audit services, for example when dealing with an immaterial subsidiary which due to the fact that it is immaterial would not be subject to detailed audit procedures.	CNCC	See discussion under Q2 on Agenda Paper 2
111.	Q2	While we believe that a firm should not provide internal audit work that is relied upon in the making of a significant audit judgment related to a matter material to the financial statements, we are of the view that it is appropriate to permit "immaterial" internal audit services for public interest audit clients, which is consistent with the IESBA's position taken with bookkeeping services and valuation services. As a result, we suggest that the IESBA allow an exception based on materiality for internal audit services provided to public interest audit entities, provided that specified conditions are met and the facts and circumstances related to the services, including the materiality of a matter related to the financial statements or audit judgments which will be made in conducting the external audit, are fully discussed with those charged with governance.	KICPA	See discussion under Q2 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
112.	Q2	GENERALLY, the restriction is proper except in the following areas: (a) There are foreseeable difficulties in implementation for developing countries, governments with expropriation tendencies, specific disaster recovery situations and areas of the world where audit services are unavailable generally or there are significant restrictions. i.e. Russia, operations in a Tsunami area, Burma Discussion: For instance, the disaster recovery effort after a Tsunami or major earthquake may be conducted under emergency conditions with very limited audit personnel available in any event. More specific guidance or exceptions would be needed in this instance. In fact, the only people available may be the International Red Cross or relief agencies. Practically speaking, audit personnel may need to accompany the International Red Cross. Another problem area is employment of a "Transformational Strategy" no matter who is responsible for preparing the F/S for a Public Interest Audit Client. i.e. Russia a) Analyze the accounting records and decide on the practicality of presenting the F/S in ruples or a more stable currency b) Prepare an open T/B from existing G/L balances c) Analyze T/B accounts (key ratios etc.) d) Craft proposed adjusting entries e) Comply with IAS f) Develop a formal chart of accounts g) Prepare support for the Income Statement and Statements of Cash Flow h) Draft the F/S and relevant footnotes	Maresca	Isolated comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
113.	Q2	There are a myriad of exception areas in the routine determination of both material and immaterial I/A services. These problem areas are: a) the availability of I/A services in remote areas b) hyperinflation in host countries. i.e. Russia c) wealth may be denominated in non-monetary assets d) sales and purchases on credit take place at prices that compensate for expected loss of purchasing power e) under-estimating sale price f) over-estimating the value of unprofitable goods g) indeterminate prime costs h) Property, plant and equipment is difficult to estimate and high pollution equipment may require a total write-off i) profit is over-estimated j) intercorporate transactions are difficult to monitor for fair elimination purposes k) cumulative inflation/deflation is difficult to measure on a consistent basis although consistency may be more important than precision per se l) the impact of inflation on net monetary assets or liabilities may be expressed in the Income Statement as net profit or loss reflecting loss of the host currency purchasing power i.e. ruble m) comparative amounts for prior reporting periods may be restated by applying a general price index to comply with measurement units current at the B/S date n) items at current cost may not be restated because they are expressed already in the measurement unit at the B/S date o) amounts in the Income Statement may be restated by applying general price indices from the date of occurrence to the F/S preparation date p) gains/losses on net monetary positions may be estimated by applying changes in the general price index with respect to changes in net monetary items during the period Generally, there may be no efficient mechanism for inflation reporting in the host country accounting system. In addition, certain countries may have expropriatory issues. i.e. Burma Still other countries have particular problems in migrating technical expertise. For instance, China has had challenges in migrating technical expertise from the coastal communities inland to the more rural areas. The Asian Tsunami, earthquakes and other catastrophic events cause special problems in accounting personnel availability generally. Outsourcing requires a very significant monitoring problem to ensure consistency in the formulation and implementation of Generally Accepted Accounting Principles and Generally Accepted Audit Standards.	Maresca	Isolated comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
Respondents are asked for their views on the appropriateness of the required frequency of the application of the safeguard and the requirement to determine whether a pre-issuance review is required in those instances when total fees significantly exceed 15%.				
114.	Q3	We are broadly supportive of the proposals concerning the required frequency of the application of the safeguards when the total fees exceed 15%.	ACCA	See discussion under Q3 on Agenda Paper 2
115.	Q3	We are in agreement with the appropriateness of the required frequency of the application of the safeguard, and support the requirement of a pre-issuance review in matters where the total fees significantly exceed 15%.	SAICA	See discussion under Q3 on Agenda Paper 2
116.	Q3	The required frequency of the application of the safeguard for 2 consecutive years is appropriate. The suggested safeguard to consider pre-issuance review when total fees significantly exceeds 15% is a stringent measure; however the netter alternative for fees significantly exceeding 15% would be to refuse to perform or withdraw from the engagement.	MIA	See discussion under Q3 on Agenda Paper 2
117.	Q3	We agree with the frequency. This question suggests a pre-issuance review is required per se. However, that is not the case. A pre-issuance review is only required in those cases where the firm has determined the significance of the threat is such that a post-issuance review would not reduce the threat to an acceptable level. Thus, if we understand the proposal correctly, it is up to professional judgment. Since IESBA seems to be of the opinion that once the percentage of 15% has been significantly exceeded there is an actual threat to independence, we would suggest a pre-issuance review should be made a requirement	NIVRA	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
118.	Q3	We agree with the frequency of the application of the safeguard re: pre-issuance and post-issuance reviews. There is still some debate as to when a fees level "significantly exceeds 15%". It is suggested that examples of such a scenario would provide clarification. It is agreed that where the total fees significantly exceed 15%, the firm should determine whether the significance of the threat is such that a post-issuance review would not reduce the threat to an acceptable level and, therefore, a pre-issuance review is required.	CARB	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
119.	Q3	We note that the proposals require application of safeguards when, for two consecutive years, the total fees from a public interest audit client exceed 15% of the total fees received by the firm. When the 15% threshold is exceeded, the proposals would require a preissuance or post issuance review by a professional accountant who is not a member of the firm for the second year's and each subsequent years' (if the threshold continues to be exceeded) audit opinions. The proposals also indicate that when the total fees from a public interest audit client significantly exceed 15%, the firm should determine whether the significance of the threat is such that a post-issuance review would not reduce the threat to an acceptable level and, therefore, a pre-issuance review should be performed. As previously indicated in our submission dated 16 October 2007, in principle, we do not support the setting of an absolute threshold. We would prefer that the approach taken by the IESBA considers the distribution of audit fee size rather than setting on one "bright line". For example, the threat posed by a client contributing 15% of audit fees if there is one of 6 similarly sized clients differs from the case where there is one very large client (say 40%) and over 100 small clients. However, generally, we would agree that there should be safeguards in respect of clients where fees are of major significance to the auditors revenue stream. We would also recommend that further guidance be provided as to what is considered "significant" when fees significantly exceed 15% whereby it is proposed that a pre-issuance review and a post issuance review be carried out.	HKICPA	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
120.	Q3	We agree with the IESBA's views that the guidance could be strengthened in two respects: • to require either a pre-issuance or a post-issuance review of the second audit opinion and in each subsequent year when the fees continue to exceed 15%, and • to indicate that when total fees significantly exceed 15%, the firm should determine whether the significance of the threat is such that a post-issuance review would not be sufficient and, therefore, a pre-issuance review is required. Our general view is that the Code should be drafted using a conceptual framework approach rather than in a prescriptive manner to facilitate ease of application by all jurisdictions.	ICPAS	See discussion under Q3 on Agenda Paper 2
121.	Q3	The PCC supports the frequency of the application of the safeguards to be applied (post and pre-issuance review) and the requirement to determine whether a pre-issuance review is required in those instances after the second year in which fees from the audit client and its related entities exceed more than 15% of the total fees received by the firm. We do not, however, agree that another level of consideration is necessary when fees "signicantly exceed" 15% of total firm fees. At a minimum, we would suggest that the amount is quantified. If after year two the fees from the audit client continue to exceed 15% a post issuance review would not reduce the threat to an acceptable level, and we agree that a pre-issuance review should be required.	NJCPA	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
122.	Q3	AIA believes that it is undesirable for a firm to have an ongoing relationship with an audit client who provides more than 15 percent of its total fee income because of the self-interest risk acknowledged in the draft. At the very least, it would be appropriate for the external review to be conducted annually once this state of affairs has arisen. AIA believes that pre-issuance reviews should be conducted as a matter of course. The results of any review findings can then be considered before the audit report is published. Furthermore, both the reviewer and the external auditor will have greater freedom if the review is conducted before the audit report is published. Post-issuance reports may have a role when the need for the safeguard was unknown prior to the publication of the audit report. For example, the subsequent and unexpected loss of one or more clients could put the firm in default of the 15 percent limit. In such cases, a post-issuance report might provide some comfort	AIA	See discussion under Q3 on Agenda Paper 2
123.	Q3	We believe that the proposals should be strengthened as follows: In situations where the fees are regularly expected to exceed 15% then the auditor should either resign or not stand for reappointment as appropriate. If the IESBA does not support this view then we believe that the pre-issuance review is the only appropriate safeguard in such circumstances. Therefore, we are not supportive of "a post issuance review" as a satisfactory safeguard in this context.	ICAS	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
124.	Q3	The proposals require application of safeguards when, for two consecutive years, the total fees from a public interest audit client exceed 15% of the total fees received by the firm. When the 15% threshold is exceeded, the proposals would require a pre-issuance or post issuance review by a professional accountant who is not a member of the firm for the second and subsequent audit opinions (if the threshold continues to be exceeded). The proposals also indicate that when the total fees from a public interest audit client significantly exceed 15%, the firm should determine whether the significance of the threat is such that a post-issuance review would not reduce the threat to an acceptable level and, therefore, a pre-issuance review should be performed While the PEEC believes that a post-issuance review of the engagement at least once every three years is an effective safeguard to reduce the threat to an acceptable level, it does not object to the IESBA's strengthening of this safeguard to require a pre-issuance or a post-issuance review in each subsequent year when the fees continue to exceed 15%. The PEEC also supports the proposed safeguard requiring that after year two if fees significantly exceed 15%, the firm determine whether the significance of the threat is such that a pre-issuance review is required.	AICPA	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
125.	Q3	We are supportive of the proposals. However, we recommend that the guidance explicitly state that, in determining whether a post-issuance review continues to be appropriate in situations where fees significantly exceed 15% on a continuous basis, it is appropriate to consider qualitative factors such as whether the situation is deemed to be temporary. Further, we recognise that the implementation of these safeguards is likely to prove more difficult for firms that are not part of a network and that there are likely to be some jurisdictions where implementation of the safeguards may also be difficult, depending on the structure of the profession, the scope of application of the PIE requirements, and the role that the relevant regulator is willing and able to undertake, particularly regarding pre-issuance reviews. In such circumstances, public interest considerations other than independence, such as potential disruptive effects on the structure of the profession and market concentration, may be relevant for national regulators to consider; it may therefore be desirable to permit, with specific regulatory approval, some longer transitional arrangements for implementation of this provision.	PwC	See discussion under Q3 on Agenda Paper 2 Transitional arrangements regarding effective date will be discussed under Drafting Conventions project

X ref	Par Ref	Comment	Respondent	Proposed Resolution
126.	Q3	a) We recognise that there are inherently myriad possible circumstances which may challenge an auditor's judgment and objectivity on any individual audit engagement from one year to the next. For this reason, we agree with IESBA that the recommended safeguard should apply to the second and all subsequent year's audits where total fees from a public interest client and its related entities represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements of the client b) Whilst cognisant of the guidance set out in the proposed revised paragraphs 290.213 and 290.214, we believe that IESBA should consider developing additional guidance in order to facilitate greater consistency amongst auditors in interpreting the phrase "significantly exceed 15%". Beyond this, we believe that the auditor should be strongly encouraged towards having a preissuance review in the second year's audit where total fees from a public interest client and its related entities represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements of the client. Also, we see little difference in substance between the revisions proposed by IESBA in situations where fees significantly exceed 15% and those were fees merely continue to exceed 15%. The key feature of both scenarios is that the reporting firm would be required to make a determination about whether a pre-issuance or post-issuance review would be the appropriate safeguard. Therefore, in addition to our preference expressed in the previous paragraph, we further believe that IESBA should consider developing additional guidance in order to help auditors make an appropriate determination.	RSMI	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
127.	Q3	Grant Thornton International supports the frequency of the application of the safeguards to be applied (post and pre-issuance review) after the second year in which fees from the audit client and its related entities exceed more than 15% of the total fees received by the firm. We, however, do not believe it is necessarily to add another level of consideration when fees significantly exceed 15% of total firm fees. Instead, we believe that if after year two the fees from the audit client continue to exceed 15%, a post issuance review would not be appropriate and pre-issuance review should be required.	GTI	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
128.	Q3	Proposed paragraph 290.215 is conditional in its application upon the particular fees representing more than 15% of total fees for two consecutive years. It is unclear to us how the professional accountant will be in a position to know either the total fees of the firm or the fees for the particular audit client for the second year in time to know whether to apply the safeguard described in the second bullet of proposed paragraph 290.215. We do not believe that a bright line test should be based on an estimate of fees that may turn out to be very inaccurate. We also believe that the risk/reward analysis associated with a pre-issuance review by another professional accountant who is not a member of the firm expressing an opinion on the financial statements may such that it will be impossible to find a professional accountant who will accept such an engagement. Given the practical difficulties in applying a safeguard involving a professional accountant who is not a member of the audit firm, we would not want to see the prescribed safeguards required every year. Since the threat is based on the 15% being exceeded for two consecutive years before the safeguards are applied in the first instance, we do not believe that it is necessary to apply such safeguards every year, but other available safeguards should be applied. Because of the nature of these safeguards, the frequency might be made to correspond to the frequency of practice inspection in the auditor's jurisdiction. Again, given the practical difficulties in applying the pre-issuance review safeguard, we do not believe that it should be a mandatory safeguard in those instances when total fees to the client significantly exceed 15%. Other safeguards should be identified and made acceptable. We also believe that the phrase "When the total fees significantly exceed 15%" at the beginning of the second last paragraph of proposed paragraph 290.215 may be interpreted inconsistently. If the Code is amended, as proposed, to adopt the pre-issuance review safeguard in the circumstances described, we would suggest that the Code include guidance as to when total fees will be considered to have significantly exceeded 15%.	CICA	Isolate comment – Task Force is of the view that a post issuance review can be conducted if the magnitude of the fees is only known after the year end.

X ref	Par Ref	Comment	Respondent	Proposed Resolution
129.	Q3	The PSB agrees that the safeguard should be applied each year that total fees continue to exceed 15%. With regard to whether a pre-issuance review or post-issuance review is appropriate where fees significantly exceed 15%, the situation in the revised exposure draft is not substantively different from the original proposal. The decision is still left up to the auditor to determine whether a pre-issuance review should be performed. What is missing from the revised 290.215 is a discussion of the possibility that the dependence on fees could create a threat that is so significant that no safeguards could reduce it to an acceptable level. We would also reiterate our comment on the original exposure draft that we can see no reason why these proposals should only apply to public interest entities. The threat to independence is just as real when auditing other entities.	ICANZ	See discussion under Q3 on Agenda Paper 2 Comment on this matter was not requested

X ref	Par Ref	Comment	Respondent	Proposed Resolution
130.	Q3	First of all we would like to take the possibility to repeat our concerns about the fixed 15% "bright-line", as we outlined them already in our comment letter of October 9, 2007 relating to the Exposure Draft of July 2007. We do not find it appropriate, to stipulate a definitive threshold in respect of audit clients that are entities of public interest. Instead we believe a degree of flexibility is needed because stringent inflexible requirements relating to reviews may further hinder smaller firms from becoming auditors of entities of public interest in some jurisdictions. As the Board seems to have already made its final decision relating to the "bright-line", we would like to point out that the frequency of the application of the safeguard of every three years, as it was outlined in the Exposure Draft of July 2007, in our view was fully sufficient. We are very concerned that the recent proposal to apply the safeguard every year will discriminate smaller audit firms and founders of new audit firms, as they might not be able to afford the review by a professional outside their firms. Therefore the further tightening of the proposed safeguards might be regarded as counterproductive regarding a possible diversification of the audit market, especially regarding public interest entities, as it is requested by some jurisdictions. Therefore we would like to ask the Board to return to its opinion of the July 2007 Exposure Draft, which included a frequency of three years for the application of the safeguards in question. Regarding the question whether the safeguard should be a pre-issuance-review in cases where the total fees from the public interest client exceed 15% significantly, we support the Board's approach that the audit firm should determine in these cases, whether a post-issuance-review might be still sufficient.	WpK	Comment on this matter was not requested See discussion under Q3 on Agenda Paper 2
131.	Q3	The post assurance review may be too late to address threats to perceived and actual independence.	Maresca	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
132.	Q3	The APB notes that guidance relating to the safeguards required where the total fees from a public interest entity client exceed 15% of the total fees of the firm has been strengthened. Despite this, the APB does not believe that the requirements in paragraph 290.215 are sufficiently rigorous. We believe that no safeguard is likely to be effective when the auditors are economically dependent on an audit client and that an audit firm in such a situation should be prohibited from auditing that client. In order for this prohibition to be consistently applied, it is necessary to quantify the threshold for economic dependence. On a detailed point in relation to other paragraphs in this part of Section 290, some distinction should be made between the 'large proportion' referred to in paragraphs 290.213 and 290.214. The provision on public interest entities in paragraph 290.215 suggests that 15% is the kind of 'large proportion' where the auditor should start to evaluate the significance of any self-interest threat for the purposes of paragraph 290.213. However, when looking at revenue from an individual partner's clients or revenue from an individual office, we suggest that the proportion that might create a self-interest threat is somewhat larger than 15%. We recommend that IESBA insert the word 'very' before 'large' in the second line of paragraph 290.214 so as to enable an appropriate distinction to be made.	APB	See discussion under Q3 on Agenda Paper 2 Comment on this matter was not requested

X ref	Par Ref	Comment	Respondent	Proposed Resolution
133.	Q3	APESB commends the IESBA on the inclusion of appropriate safeguards when total fees from a public interest audit client exceed 15% and for considering the importance of the pre-issuance reviews. We agree with IESBA's proposals in paragraph 290.215 of the proposed Code of Ethics. However, we believe that more guidance is required in respect of circumstances in which total fees are significantly greater than 15%. Given that a quantitative threshold is initially specified (i.e. 15%) when the specified safeguards are required then to impose further requirements when certain conditions are qualitatively higher (i.e. significantly) than the base quantitative measure (i.e. 15%) can be problematic. There is potential for the term "significantly exceed 15%" to be interpreted in different ways by different stakeholders. Accordingly, we recommend that IESBA reconsider this issue and provide clear guidelines on circumstances in which threats will be so significant that a professional accountant will be required to perform a pre-issuance review.	APESB	See discussion under Q3 on Agenda Paper 2
134.	Q3	First of all we would like to remind to IESBA our strong initial reluctance on the question as to whether it is appropriate to introduce a maximum percentage of fees received from a statutory audit client that is an entity of significant public interest. This percentage of 15 % denotes also a purely empirical threshold which has nothing to do with the principal based approach. We are strongly against the principle of the introduction of a level of percentage for the reasons we developed in our previous answer and we would like IESBA to reconsider its position on that point.	CNCC	Comment on this matter was not requested

X ref	Par Ref	Comment	Respondent	Proposed Resolution
135.	Q3	We would like to point out the fact that we are of the opinion that a quality control system supervised by an oversight fulfils the requirements set in paragraph 290.215. For greater clarity we suggest that this point is made clear by adding a bullet point or by means of an interpretation. We also understand that the joint statutory audit as it is currently in place in our country, which involves two audit teams being independent from each other, who confront their opinions on significant technical issues while performing a double-sided examination, would at least constitute an alternative and even a more appropriate safeguard to reduce the threat of economical dependence. And we would be pleased if this could be stated either in the Code or by means of an interpretation. Consequently, we suggest that all the other requirements set by the Code to ensure audit quality and independence, such as a periodical independent quality control review (as laid down by the Europeans) and rotation, plus the other safeguards that are in place in the member states such as joint statutory audit, should be taken into account before considering the introduction of other controls such as reviews with a too high frequency. More generally, we are concerned about the multiplication of safeguards such as rotation, high frequency of quality controls, pre and post issuance reviews, and introduction of maximum fees percentage…that will result in the necessity to resign from or not accept PIES engagements. However, we deem it essential to maintain minimum continuity of the auditors in order to meet the objective of audit quality. Moreover this would lead to excluding a lot of professionals and in turn this will increase the concentration in the profession which is already an issue at stake for regulators within the EU. We wonder if the benefits of the proposals are proportionate to the costs especially when the controls already exist.	CNCC	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
136.	Q3	We agree that the safeguards shall be applied every year, if the fees relative size continues to exceed 15%, and we are of the opinion that the most efficient safeguard is a pre-issuance independent review. As the 15% threshold implies the application of safeguards, it sounds very important to clearly define how to evaluate the 15%, and to provide more guidance on who can perform the pre (or post) issuance independent review. Especially, we think that the following elements should be considered: ▪ To evaluate the total fees received by the firm expressing the opinion, is it appropriate to consider only the fees of the firm signing the audit report or the aggregate fees received by all the network firms? ▪ To determine the 15%, does a firm consider only the amount of audit fees or the total of its revenue including non-audit fees? ▪ Could a quality control review performed by an independent oversight body be considered as an appropriate safeguard? ▪ In some countries, audit of PIES's is performed by two independent firms that share the responsibility of the audit opinion. In that case, we think that an audit that involves two independent firms that confront their opinion on significant issues constitute an efficient safeguard to the threat of economical dependence. ▪ In some countries regarding the obligations of professional secrecy, it is forbidden for a professional accountant outside the firm expressing the opinion to perform an engagement quality control review. ▪ If post-issuance review is to be considered as an appropriate safeguard, guidance should be provided on the way to resolve conflict if the opinion of the reviewer differs from the opinion of the firm in charge of the audit. ▪ Can the professional accountant who performs the pre-issuance review be a member of a network firm?	Mazars	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
137.	Q3	The Committee shares the concern of the IESBA that when the total fees from an audit client represent a large proportion of the total fees of the firm expressing the audit opinion, the dependence on that client and concern about losing that client may create a self-interest threat. We agree with the proposed requirement for a pre-issuance or a post-issuance review of the second year's audit opinion and in each subsequent year when the fees from a public interest audit client continue to exceed 15 percent. However, we believe that a self-interest threat could arise at various levels within the firm, for example at the solo office or regional/national office level. Therefore, the IESBA should require this safeguard to be applied at various levels, rather than solely at the firm level. Proposed paragraph 290.215 addresses the actions to be taken by an audit firm to reduce the self-interest threat to an acceptable level when, for two or more consecutive years, the total fees from a public interest audit client exceed 15 percent of the total fees received by the firm. In this regard, the proposal's Explanatory Memorandum states that the IESBA decided to strengthen the guidance on safeguards that would be applicable in this situation. However, the description of the actions that the audit firm should take in the introductory portion of paragraph 290.215 is ambiguous and should be clarified. This paragraph states that "the self-interest threat would be too significant unless the firm discloses to those charged with governance of the audit client the fact that the total of such fees represents more than 15% of the total fees received by the firm and discusses which of the safeguards below will be applied to reduce the threat to an acceptable level:"	Basel	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
138.	Q3	First, as written, the preceding statement is unclear as to whether the audit firm is to discuss the safeguard that will be applied with those charged with governance or solely within the firm itself. Only in the final portion of paragraph 290.215 is it clear that this discussion should be with those charged with governance. Second, because the quoted statement refers only to a discussion of "which of the safeguards will be applied," the introductory portion of paragraph 290.215 seems to fall short of affirmatively requiring that the audit firm actually apply one of the two safeguards described in the bullet points within the paragraph. A possible approach for clarifying the introductory portion of this paragraph would be to revise it in the following manner: the self-interest threat would be too significant unless the firm discloses to those charged with governance of the audit client the fact that the total of such fees represents more than 15% of the total fees received by the firm, discusses with those charged with governance which of the safeguards below it will apply to reduce the threat to an acceptable level, and applies the selected safeguard:	Basel	See discussion under Q3 on Agenda Paper 2
139.	Q3	While we recognize a self-interest threat can be created when the total fees from a public interest entity audit client represents more than 15% of the total fees received by a firm and we support the requirement of a pre-issuance quality control review, we question the effectiveness of the post issuance review safeguard. We believe, at a minimum, more guidance on how to deal with adverse findings should be provided if this safeguard is to be effective. In this regard, reference to ISQC 1 would seem appropriate. We also believe that additional guidance on what is meant by "significantly exceed" would be useful and at what fee level, if any, the proposed safeguards may be considered not to be adequate and resignation from the engagement would be the only effective safeguard.	E&Y	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
140.	Q3	In our view, the required frequency of the application of the safeguard is appropriate. However, we, note that there is no exception and would suggest the Board consider whether a pre- or post-issuance review should be required every year if the review is performed by a professional regulatory body and that body, in conjunction with those charged with governance, conclude that a reduction in the frequency would be appropriate.	DTT	See discussion under Q3 on Agenda Paper 2
141.	Q3	We are broadly supportive of the changes proposed by the IESBA. However, we are concerned that the proposals in the ED might have a disproportionate impact on the smaller and newly formed accounting firms such that the proposals might create difficulties in establishing new accounting firms or further hinder small accounting firms from becoming auditors of public interest audit clients. Accordingly, we believe that a degree of flexibility is needed in the application of the proposed safeguards. In this regard, we would suggest that the IESBA consider a transition period of one year or more for newly formed accounting firms.	KICPA	See discussion under Q3 on Agenda Paper 2
142.	Q3	Although we may agree with the change in the frequency of the review we are of the opinion that this safeguard may be very difficult to apply in many countries with less human and economic resources. Since the most usual way to put in place such a safeguard is to ask the professional body to carry out the review we foresee some difficulties to find independent reviewers.	ICJCE	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
143.	Q3	Whereas the proposals are good it is the period of two years that seems too short. A relatively longer period of five years before the safeguards are applied will be appropriate. In addition the pre-issuance review would interfere with the basic tenet of independence for the members and so the post issuance review should be encouraged. There is the cost issue to be considered and here if the member is carrying out his work competently and has complied with other parts of the code of ethics why should he and his client be made to pay extra for the second review. We need to be careful to ensure there are no unnecessary delays in the issuance of the audit report due to the possible delay while the pre or post review is done which goes against the requirement that members always act in the best interest of his client The IESBA also needs to give guidelines on the framework of such reviews specifically the scope and benchmark it to an existing ISA. The requirements of this section may be best left to the national standard setters to tailor make them to the individual country's peculiar circumstances but it is important to include in the code of ethics.	ICPAK	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
144.	Q3	NASBA believes that the proposal as written is not appropriate. NASBA believes that it is not in the public interest to provide for a "grace period" before the requirement for notification to those charged with governance becomes effective. The "too significant self-interest threat" arises as soon as the 15% amount of fees is exceeded. Accordingly, at the commencement of a particular engagement, the provision for notification should be required if the fees for the client are expected to exceed 15% of the total fees expected to be received by the firm. In addition, notification should be required in all proposals for new clients if the fees for the prospective client are expected to exceed 15% of the total fees expected to be received by the firm. The IESBA uses a bright line 15% for the threshold for notification, but uses the phrase "significantly exceeds 15%" before requiring the firm to consider whether a pre-issuance review, rather than a post issuance review, is required. NASBA believes that the IESBA should choose a specific bright line percentage in place of the "significantly exceeds" concept, which is subject to wide interpretation. NASBA recommends that the IESBA reconsider whether a post-issuance review mitigates the "too significant self-interest threat" because it is after the fact. NASBA further recommends that the IESBA require a second partner review for all pubic interest entities which meet the IESBA's 15% threshold. NASBA notes that one "safeguard" in Section 290.214 is completely ineffective in certain circumstances. If audit fees from a client constitute a" large proportion of the revenue of an individual office of the firm, the remedy of "Having an additional professional accountant review the work or otherwise advise as necessary" will be completely ineffective if the professional accountant practices in the same office. The IESBA may wish to clarify the second "safeguard" by stating that the professional accountant must practice in a different accounting firm or must practice in another office of the same firm.	NASBA	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
145.	Q3	We believe that the consideration regarding which of the two safeguards is used is one that should be discussed with those charged with governance. It seems odd that if the fees from the client represent greater than 15% of the firm's total tees, the firm must discuss which saefgaurd to apply with those charged with governance, however the firm is required to conclude, without discussing the matter with those charged with governance. whether a pre-issuance review is required when the fees significantly exceed 15%. In our view, the determination of the appropriateness of the safeguard should be based, in part, on the significance of the fees. Thus, we suggest the separate requirements that apply when the fees significantly exceed 15% be removed and the requirement to discuss the matter with those charged with governance be modified along the following lines: "the firm discloses to those charged with governance of the audit client the fact that the total of such fees represents more than 15% of the total tees received by the firm and discusses which of the following safeguards below, taking into consideration the significance of such fees to the firm, will be applied ...	DTT	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
146.	Q3	We support the Board's efforts to provide broader and more comprehensive coverage of the threat of self-interest that is created by economic dependence, and to clarify steps to be taken by audit firms, in response to situations where there is economic dependence on specific clients. In our previous comment letter, we noted that the Board had chosen to focus its coverage on economic dependence at the audit firm total revenues level, a situation which generally affects smaller audit firms, but had not adequately addressed the similar economic dependence which can arise with fee dependence of an office or partner, even in a large firm. We note that the latest draft of the Code has provided some coverage on the subject of economic dependence applicable to a partner or office of a firm in paragraph 290.214 and appreciate this added content. However, we do not see any coverage of the partner or office level circumstance in paragraph 290.215, where the Board is proposing to institute a 15% of fees test at a total firm level and to specify certain stipulated remedies. We believe that a fixed percentage test of relevant revenues and compensation (i.e., partner remuneration) would be more appropriately used as a threshold to create a rebuttable presumption that a self interest threat from economic dependency exists and is significant, whether exceeding this percentage occurs at a firm level or at an office or partner level. This rebuttable presumption would then call for the auditor to institute safeguards that would reduce the risk appropriately, using measures that could be described in the Code or at least provided as examples. If the percentage is exceeded at the total audit firm revenues level, we believe that the audit firm should be required to notify those charged with governance and the pertinent regulatory oversight parties of the measures it has put in place to reduce the threat to an acceptable level. We recommend the use of the percentage test only as a rebuttable presumption because facts and circumstances are very important in the evaluation of independence issues and in the specification of appropriate remedies, as are the legal and regulatory frameworks involved.	IOSCO	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
147.	Q3	The original exposure draft, issued in July 2007 (the "July 2007 Exposure Draft"), called for disclosure to those charged with governance of the client and the application of "a post-issuance review" or "a pre-issuance review". It also states that, as a minimum, a post-issuance review should be performed not less than once every three years. However, the May 2008 Exposure Draft calls for this safeguard to be applied every year, and the requirement to determine whether a "pre-issuance review" is included for those instances in which the total fees significantly exceed 15%	JICPA	See discussion under Q3 on Agenda Paper 2
148.	Q3	We do not believe it necessary for the safeguard to be applied every year, and that application of such a requirement on an annual basis would have negative implications. Rather, we recommend that the safeguard be implemented not less than once every three years as a minimum. In other words, even if the total fees exceed 15% every year, the auditor should decide whether the review is necessary every year by taking into consideration surrounding factors, including the degree of threat of impairment to auditors' independence and other regulatory frameworks with which auditors should comply	JICPA	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
149.	Q3	Our reasons are as follows: 1. To require such a safeguard every year would effectively result in prohibiting provision of services due to the heavy administrative burden. At first glance, it may appear easy to implement a review that is equivalent to an engagement quality control review; in practice, however, we do not believe that would be the case for small-sized firms, for which it would be very difficult to find the required personnel to carry-out such a "review". Under such circumstances, it might not be possible to implement the safeguard every year as stated in the May 2008 Exposure Draft, and it might result in a negative impression of the firm to disclose such fact to those charged with governance of an audit client. For these reasons, to implement this safeguard every year would have virtually the same effect as prohibiting the provision of services. In the Explanatory Memorandum to the July 2007 Exposure Draft, the IESBA considered whether there should be a threshold of relative size which, if exceeded, would indicate that the threat created was so significant that no safeguard could adequately address the threat and therefore the firm should either not act as auditor for the client or take steps to reduce the relative size of the fee to below the threshold. The IESBA was of the view that such an absolute threshold was not appropriate in a global code. However, we are concerned that adopting the proposal contained in the May 2008 Exposure Draft, which would result in virtually the same position as prohibiting the provision of services, might effectively result in introducing an absolute threshold, a position which was not adopted in the initial review of this issue in 2007. Although the issue of the relative size of fees is important, there are various other requirements regarding independence. Under these circumstances, the safeguards as stated by us would be sufficient, without the annual review requirement	JICPA	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
150.	Q3	2. Generally speaking, the relative size of fees would be a greater issue for small-sized firms, which have fewer clients. Thus, there would be a higher possibility of total fees for such firms exceeding the 15% level. However, the size and structure of accounting firms in a particular jurisdiction will vary depending on a variety of factors, including the economic environment of the jurisdiction, the public accountancy system, the history of the development of the accounting firms, and the policies of regulators. Also, since public interest entities include an entity defined by regulation or legislation as a public interest entity or for which an audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities, the scope of public interest entities varies depending on the regulations or legislation of the jurisdiction, and, in the jurisdictions where the scope is relatively widely defined, more firms will exceed the 15% level. The IESBA considers the 15% threshold as appropriate, and generally speaking we might agree. However, in view of the above-mentioned factors, in some jurisdictions this may not be the case. Under such circumstances, if the safeguard is so strict as to virtually prohibit the provision of services, measures close to prohibition would be taken without consideration of the above-mentioned situations. In such cases, this would result in a more significant impact than that which the IESBA Code of Ethics originally anticipated for certain jurisdictions There is also concern about views expressed by some people that, in the long run, the quality of auditing will deteriorate if the introduction of such a safeguard leads to virtual prohibition of the provision of services, which would drive small-size firms out of the auditing business, virtually eliminating competition in the industry.	JICPA	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
151.	Q3	Although the issue of the relative size of fees is important, the independence issue should be considered from a wider perspective, as it is affected by the situation of an individual accounting firm and the accounting system of a jurisdiction. Therefore, we should not introduce such a safeguard, which is equivalent to prohibition, but rather, strive to achieve both independence and competition.	JICPA	See discussion under Q3 on Agenda Paper 2
152.	Q3	In cases where the total fees significantly exceed 15%, while it may be necessary to consider additional measures such as increasing the frequency of safeguard implementation, we do not believe that it is necessary to implement pre-issuance reviews. Rather, we think that it would be more practical and effective to perform a post-issuance review. Thus, we do not think it necessary to determine whether a pre-issuance review is required. The "pre-issuance review" seems likely to create considerable difficulty in practice because the firm would be shouldered with dual obligations to carry out an internal quality control review and a similar external quality control review during the limited timeframe before the issuance of the audit report. Under such circumstances, the "pre-issuance review" would virtually have the same effect as prohibiting the provision of services. Although the issue of relative size of fees is important, the question of independence should be considered from a wider, holistic perspective, and in that framework, a "post-issuance review" - a review that is equivalent to an engagement quality control review - would be effective since firms would be deterred from making judgments in their own self interests in consideration of future reviews.	JICPA	See discussion under Q3 on Agenda Paper 2
153.	Q3	Finally, in order to create the necessary conditions for audit firms to properly apply this code, transitional provisions should be introduced. Specifically, as a minimum, "fresh start" treatment at the time of the effective date (currently expected to be December 15, 2010) should be introduced.	JICPA	See discussion under Q3 on Agenda Paper 2

X ref	Par Ref	Comment	Respondent	Proposed Resolution
Special considerations on the application of small entities				
154.	SMP	The Consultation Paper requests comments on whether issues relating to the audit of small entities and application of the Code in developing nations have been taken into account appropriately. We believe that interests are best served by following the principles-based approach, which allows the right solution in the varying circumstances often applicable to small audits and in developing nations. Guidance on application can be developed outside of the Code, rather than adding inflexible and often inappropriate absolute rules.	CARB	Respondents generally supportive of positions re-exposed
155.	SMP	We do not believe section 290 deals adequately with the audit of small public interest entities. Such entities are common in many jurisdictions. For the independence provisions to be useful, they need to be user-friendly and easy to apply in practice. The IESBA needs to think 'small first'; an approach which ACCA wholeheartedly supports. We believe the proposed standard will have a particularly damaging impact on small businesses (both audit firms and clients). Any system of regulation of the auditing profession must be proportionate. The need for auditors to be independent needs to be balanced with the needs of the client. Many businesses rely on their accountants as a 'one-stop' source of advice. As a result, the proposed standard will unnecessarily prevent clients from using a trusted adviser who knows their business needs. The consequence of these restrictions will be that the cost of audit and other professional services will be unnecessarily higher for small public interest entities. A particular safeguard may provide substantial benefit at a relatively modest cost when applied to say, SEC-registered entities but the converse will be true when the same safeguard is applied to other public interest entities. It makes no sense, therefore, to impose standards which are designed for SEC-registered entities on smaller public interest entities.	ACCA	Respondents generally supportive of positions re-exposed

X ref	Par Ref	Comment	Respondent	Proposed Resolution
156.	SMP	We repeat below the comments that we made in our earlier response in relation to developing nations: "We believe that the Board should consider allowing audit firms in such countries the option of specifically disclosing areas of non compliance with the IFAC Code within the audit report on the financial statements of the entity to which the non compliance relates. Alternatively, the Board could specifically develop provisions/exemptions for audit firms in such circumstances akin to the UK Auditing Practices Board's 'Provisions Available for Small Entities'."	ICAS	Respondents generally supportive of positions re-exposed

X ref	Par Ref	Comment	Respondent	Proposed Resolution
157.	SMP	The IESBA has not addressed the audit of small entities and small & medium practitioners specifically on the cost implications of the pre or post reviews in case it has to be borne by them. When businesses are new they tend to depend more on the expert knowledge of their auditors and the 15% limit of fees may be more concentrated on such sections of the business and membership of developing nation's membership of professional bodies. In addition small & medium practices ordinarily audit relatively fewer and varied clients (possibility of public interest clients- once defined). Fee from each client will therefore be expected to exceed the 15% threshold. This in essence means their entire audit will require reviews. Such could results to significant financial implications. In order to take care of this burden IASBE may need to see if the decision on costs should not be left to the individual country standard setter who could then build it on the audit quality review framework so that it is carried our as part and parcel of the reviews by the national accountancy professional bodies which could reduce the burden of costs. When such reviews are carried out as part of the audit quality review it could also reduce the possible delays in the commencement and issue of the audit reports as it could then form part of the wider review of benchmarking the members performance to the code of ethics and individual country audit performance requirements of members.	ICPAK	Respondents generally supportive of positions re-exposed
158.	SMP	We are not of the opinion that the present exposure draft deals appropriately with the considerations regarding the audit of small entities, as small entities might depend on internal audit services provided by their statutory auditor, as those entities very often do not have their own internal audit department. Besides, small entities tend to engage smaller audit firms so that our comments relating to small audit firms above are also applicable for the audit of small entities.	WpK	Respondents generally supportive of positions re-exposed

X ref	Par Ref	Comment	Respondent	Proposed Resolution
159.	SMP	We assume this question is directed at those small entities that are also classified as public-interest entities. As we have noted elsewhere in this response, we believe that particular provisions of the ED go farther than is necessary to protect the public interest.	DTT	General comment
160.	SMP	We commented on this subject in our comment letter on the Exposure Draft of December 2006 on sections 290 and 291 of the Code of Ethics dated April 27th 2007. All comments made are equally valid for the current Exposure Draft	NIVRA	Respondents generally supportive of positions re-exposed
Developing Nations				
161.	DN	The comments noted under *Special considerations on application in audit of small entities* also apply to developing nations. In our view, the proposed changes to section 290 disregards the basic principle that regulation should be proportionate and will damage smaller businesses that make up the bulk of many economies. In our view, the proposed standards simply burden audit firms and in particular small audit firms. This in turn impacts on their clients. The proposed standards will limit choice meaning that businesses face increased costs of professional advice and will be denied the option of receiving pro-active advice from their known and trusted adviser who understands their business and needs.	ACCA	See above
162.	DN	We have not identified any foreseeable difficulties in applying the provisions in a developing nation environment.	DTT	General comment
163.	DN	We refrain from commenting on issues relevant to developing nations because these issues are not relevant to us	WpK	General comment
164.	DN	See comments under small entities	ICPAK	See above

X ref	Par Ref	Comment	Respondent	Proposed Resolution
Translation Issues				
165.	Trans	We have not identified any potential translation issues	DTT	Positive comment
166.	Trans	We are not aware of any translation issues at this time, but we would like to point out that such issues may arise during the translation process, which will commence once Section 290 and Section 291 have been finally issued.	WpK	Positive comment
Other				
167.	Other	290.195 should make reference to data processing audit implications; namely, • data center audit reviews • system and application reviews • disaster recovery and contingency planning • the computer operating system • systems in a developmental stage • computer contractors and sub-contractors • insurability and right to audit issues	Maresca	Isolated comment
168.	X-ref	290.201 The reference to paragraph 290.189 should be amended to paragraph 290.198. It is also suggested that further examples of the type of permitted activities be included to add clarification.	CARB	Paragraph deleted
169.	Other	290. 197 290.198 290.200 are good controls; however, there are specific instances where the implementation of these standards may not be practical in the circumstances. i.e. disaster recovery, Acts of G-d, unavailability of audit personnel in the host country. i.e. Burma, Russia, inland China, Papua New Guinea etc.	Maresca	Isolated comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
170.	X-ref	We note that there is a reference in paragraph 290.201 to an exception "… provided the conditions in paragraph 290.189 are met… ". We believe that the reference should be to paragraph 290.198.	CICA	Paragraph deleted
171.	Other	290.213 When the **total fees** from an audit client represent a large proportion of the total fees of the firm expressing the audit opinion, the dependence on that client and concern about losing the client may create a self-interest threat. The significance of the threat will depend on factors such as: …… 290.215 In the case of an audit client that is a public interest entity when, for two consecutive years, the total fees from the client and its related entities (subject to the considerations in paragraph 290.24) represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements **of the client**, the self-interest threat would be too significant unless the firm discloses to those charged with governance of the audit client the fact that the total of such fees represents more than **15% of the total fees** received by the firm and discusses which of the safeguards below will be applied to reduce the threat to an acceptable level: …… (1) We think the underlined "**…… of the client**" in 290.215 is a mistake. (2) Does "the total fees from an audit client" in 290.213 include audit and non-audit fees? If it includes non-audit fees, it seems you are not comparing the same thing. (3) We think there is an inconsistency between the underlined "the total fees of the firm expressing the audit opinion" and "the total fees received by the firm expressing the opinion on the financial statements", which should be considered to make appropriate changes.	CICPA	Isolated comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
172.	Other	290.213 ……Consulting a third party, such as a professional regulatory body or **another professional accountant,** on key audit judgments. 290.214……Having **an additional professional accountant** review the work or otherwise advise as necessary; or…… 290.215 …… • After the audit opinion on the second year's financial statements has been issued, and before the issuance of the audit opinion on the third year's financial statements, **a professional accountant, who is not a member of the firm** expressing the opinion on the financial statements of the client, or a professional regulatory body performs a review that is equivalent to an engagement quality control review ("a post-issuance review"); or • Prior to the issuance of the audit opinion on the second year's financial statements, **a professional accountant, who is not a member of the firm** expressing the opinion on the financial statements of the client, performs an engagement quality control review or a professional regulatory body performs a review that is equivalent to an engagement quality control review ("a pre-issuance review")	CICPA	Isolated comment
173.	Other	(1) In the above paragraphs, are the expressions "another professional accountant", "an additional professional accountant", and "a professional accountant, who is not a member of the firm" have the same meaning? (2) The expressions "another professional accountant" and "an additional professional accountant" are ambiguous in meaning. Does the expression "an additional professional accountant" mean another professional accountant within the firm? Does the expression "another professional accountant" mean a professional accountant from another firm? (3) Does the expression "a professional accountant, who is not a member of the firm" appropriate? Is it more appropriate to be "a professional accountant, who is not a member of the audit team"?	CICPA	Isolated comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
174.	Other	LASTLY, THE FIXED % FEE ARRANGEMENT RESTRICTIONS ADVERSELY IMPACT SMALL FIRMS AND MAY BE IMPOSSIBLE TO IMPLEMENT IN AREAS WHERE AUDIT PERSONNEL SIMPLY ARE UNAVAILABLE OR THE SUPPLY OF AUDIT PERSONNEL IS NOT NEARLY ENOUGH TO SATISFY THE LOCAL DEMAND. THERE SHOULD BE SUPPLEMENTAL GUIDANCE FOR OUTSOURCING IN AREAS WHERE AUDIT PERSONNEL MAY BE UNAVAILABLE OR UNAVAILABLE IN THE SHEAR LEVEL OF PERSONNEL REQUIRED TO IMPLEMENT THIS STANDARD. THE STANDARD SHOULD SEEK TO COORDINATE DISASTER RECOVERY EFFORTS WITH THE INTERNATIONAL RED CROSS OR AGENCIES HAVING RECOVERY RESPONSIBILITIES.	Maresca	Isolated comment

X ref	Par Ref	Comment	Respondent	Proposed Resolution
175.	Other	FAR SRS wishes to take this opportunity – even though the process is already underway – to re-emphasize our view on the very important issue of rotation of key audit partner. The definition in previous EDs of key audit partner is quite wide since it includes the engagement partner, the individual responsible for the engagement quality control review and other audit partners on the engagement team, such as lead partners on significant subsidiaries or divisions, who are responsible for key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. In the EC directive on statutory audits of annual accounts and consolidated accounts the definition of key audit partner only includes the statutory auditor(s) designated by a firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the firm, or in case of group audit, at least the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries, or the statutory auditor(s) who signs(sign) the audit report.	FAR	No action – the matter was not subject to the re-exposure

X ref	Par Ref	Comment	Respondent	Proposed Resolution
176.	Other	In such small countries as Sweden with a limited number of professionals, rotation rules for other partners than the partner primarily responsible for carrying out the statutory audit may create practical problems. FAR SRS also believes that rotation will have a negative impact on the professional development for auditors. For instance, when an auditor has been lead partner on a significant subsidiary or division it will not be possible for him or her to advance and become key audit partner for the parent company and the group, because then it is time to rotate from the engagement. This will lead to, especially if the auditor is specialized, an involuntary interruption if there are no other similar engagements to accept. FAR SRS thinks this will affect the desire to make a career as an auditor. According to this and since FAR SRS does not believe that there is any evidence to support a need for a stricter rule on partner rotation than the one outlined in the directive FAR SRS does not agree to an extension of partner rotation requirements to key audit partners other than the engagement partner. Furthermore, from a SMP point of view, it has become evident that the proposed stricter rule on partner rotation, will even further underline the consequence to those practitioners, of firm rotation in fact – resulting in a risk of potential damage to audit quality.	FAR	No action – the matter was not subject to the re-exposure

Legend

ACCA	Association of Chartered Certified Accountants
AIA	Association of International Accountants
AICPA	American Institute of Certified Public Accountants
APB	Auditing Practices Board (UK)
APESB	Accounting Professional and Ethical Standards Board – Australia
Basel	Basel Committee on Banking Supervision
CARB	Chartered Accountants Regulatory Board – Ireland
CICA	Canadian Institute of Chartered Accountants
CICPA	Chinese Institute of Certified Public Accountants
CNCC	Compagnie Nationale des Commissaires aux Comtes
DTT	Deloitte Touche Tohmatsu
E&Y	Ernst & Young
FAR	The Institute for the Accountancy Profession in Sweden
GTI	Grant Thornton International
HKICPA	Hong Kong Institute of Chartered Accountants
ICANZ	Institute of Chartered Accountants of New Zealand
ICAS	Institute of Chartered Accountants of Scotland
ICJCE	Instituto de Censores Jurados de Cuentas de España
ICPAK	Institute of Certified Public Accountants of Kenya
ICPAS	Institute of Public Accountants in Singapore
IDW	Institut der Wirtschaftsprufer (Germany)
IIA	Institute of Internal Auditors
IOSCO	International Organization of Securities Commissions
JICPA	Japanese Institute of Certified Public Accountants
KICPA	Korean Institute of Certified Public Accountants
KPMG	KPMG
Maresca	Joseph Maresca
Mazars	Mazars and Guerad
MIA	Malaysian Institute of Accountants
NASBA	National Association of State Boards of Accountancy
NIVRA	Nederlands Instituut Van Registeraccountants (Netherlands)
NJCPA	New Jersey Society of Public Accountants
PwC	PricewaterhouseCoopers
RSM	RSM International
SAICA	South African Institute of Chartered Accountants

SMP	IFAC Small and Medium Practices Committee
Wpk	Wirtscharfspruerkammer