

## NAS – Compilation of Late Responses to Specific Questions

#	Respondent	Respondent's Comment	Proposed Resolution/Notes
<b>Q1. Are there any situations that warrant retention of the emergency exceptions pertaining to bookkeeping and taxation services?</b>			
1.	EAIG	As a general principle, limiting where possible, specific exemptions to the general provisions set by the Code is, in our view, a step forward in enhancing the Code. Accordingly, we believe that deleting emergency exceptions, as suggested by the proposal, is an improvement.	Support noted.
2.	FRC	We agree with the proposal to withdraw the emergency exception provisions related to bookkeeping and taxation services for PIEs. This would also be consistent with the provisions of the EU Audit Regulation (which do not allow for emergency assistance) when it is implemented by Member States.	Support noted.
3.	IOSCO	As a general principle, limiting where possible specific exemptions to the general provisions set by the Code is, in our view, a step forward in enhancing the Code. As such, we appreciate the Board proposing to exclude the “emergency [or other unusual situations] exception” provisions related to bookkeeping and taxation services based, in part, on our May 2013 response to the Board’s 2014-2016 strategic review survey. We continue to believe that such an exception is not necessary and creates a self-review threat that undermines the purpose of an independent audit.	Support noted.
<b>Q4. Are there any challenges in understanding and applying the prerequisite set out in paragraph 290.165 for non-assurance services that should be considered?</b>			
4.	FRC	We agree that it would be helpful to provide additional guidance in the Code regarding what constitutes management responsibilities. We support much of the proposed change to the guidance to the requirements that an audit firm shall not assume a management responsibility for an audit client and that the firm shall be satisfied that client management makes all judgments and decisions that are the responsibility of management.	Support noted.
5.	IOSCO	Further, we believe that even if management “accepts responsibility for the actions to be taken arising from the results of the services” coupled with other proposed provisions, the proposal still does not prevent situations where management simply “rubber stamps” or accepts decisions made by the auditor on behalf of the audit client, resulting in an unacceptable threat to the auditor’s independence. The Board should explore ways to prevent or mitigate this potential	Comment noted. The Code cannot prevent intentional acts. The Task Force is of the view that the proposed provisions in paragraph 290.165, when applied correctly, will in fact

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		threat to the auditor's independence.	reduce the threats to independence.  In particular, the proposal sets out a requirement on the firm to be satisfied that client management makes all judgments and decisions that are the responsibility of management, and that this includes ensuring the application of the proposed required safeguards in paragraph 290.165.
<b>Q5. Will the enhanced guidance assist engagement teams to better meet the requirement of not assuming a management responsibility?</b>			
6.	FRC	However, we are concerned with the statement in the proposed guidance, in paragraph 290.164, that "providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility." Whilst doing so may not, in itself, constitute the assumption of a management responsibility, it may in substance amount to that depending on the circumstances. Furthermore, the EU Audit Regulation prohibits auditors of PIEs from providing "services that involve playing any part in the management or decision-making of the audited entity" and does not therefore address this from the perspective of whether such services may constitute the assumption of a management responsibility. Some clarification may be needed as to what is meant by "playing any part", but depending on its interpretation it may have a very wide ranging impact and may in effect prohibit the auditor from "providing advice and recommendations to assist management in discharging its responsibilities". We would strongly encourage IESBA to explore this potential conflict with the EU Audit Regulation and how it might be addressed in finalising the changes to the Code.	Comment noted. The auditor must use professional judgment when providing advice and recommendations to be satisfied that such actions do not, in substance, amount to a management responsibility – advice and recommendations may only be provided if the professional accountant complies with the requirements of paragraph 290.165. The Code does preclude an auditor from accepting a management responsibility. The enhancements proposed in the ED will assist the auditor in being satisfied that such responsibilities are not assumed.
7.	IOSCO	We appreciate the Board seeking to clarify its view of management's responsibilities in relation to the performance of non-assurance services by an auditor. However, if the Board's intent is to explain what constitutes management's responsibilities then, for the purpose of completeness,	Comments noted. On the broad scope, the term monitoring may include a plethora of activities that

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		management's responsibilities should involve not only "controlling, leading and directing an entity" but also the "ongoing monitoring function on behalf of the entity". Examples of ongoing monitoring related to the entity's financial reporting responsibilities may entail, among other things, activities such as monitoring compliance with internal controls or monitoring filing dates.	may exceed the scope of what may be included as a management responsibilities. Monitoring of internal controls and other internal control-related matters are addressed specifically as a service under the guidance pertaining to internal audit within the Code. The Task Force is proposing that the Board approve a change to paragraph 290.163 adding "taking responsibility for...monitoring...internal controls" as an example of a management responsibility.
<b>Q6. Does the relocation of the guidance pertaining to administrative services into its own subsection provide greater clarity?</b>			
8.	FRC	<p>We agree that it would be clearer if the guidance addressing administrative services were presented in a separate subsection rather than included in the guidance addressing management responsibilities.</p> <p>However, we do not believe that auditors should be permitted to provide such services to PIEs and, to avoid the perception of threats to their independence, we believe they should be prohibited from doing so. We therefore recommend moving this paragraph to the section for 'audit clients that are not public interest entities'.</p>	<p>Support noted concerning the separation of the guidance.</p> <p>Comment noted. The guidance pertaining to administrative services was edited for clarity as per the scope set out in the project proposal. Further considerations of safeguards concerning NAS will be dealt with under the Safeguards project.</p>
9.	IOSCO	The Board should revisit the purpose of the "Administrative Services" provisions in the Code. For instance, if paragraph 290.166 is intended to provide a list of acceptable services that does not compromise the auditor's independence and objectivity then we have concerns with the contents therein. For example, we believe that certain services, such as, sending notices [on behalf of the	Comments noted. The auditor must use professional judgment when performing administrative services for a client to be satisfied that the

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		<p>client] for client meetings could pose a threat to independence from an appearance perspective since in such circumstances a reasonable investor could perceive the auditor to be too closely aligned to the interest of the client. Examples of other services listed, such as, “monitoring statutory filing dates” and “assisting the client in monitoring statutory filing dates” may lead to threats of intimidation of the auditor as the auditor’s failure to effectively undertake these responsibilities could have significant adverse consequences for the Company. We also believe the use of the term “little to no judgment” without more guidance leaves considerable room for interpretation and misuse by auditors as there is no basis for comparison.</p> <p>Similar to above, we have concerns with paragraph 290.171 regarding preparing accounting records and financial statements. For example, preparing financial statements based on information in the client-approved trial balance could result in assuming a management responsibility. This is because determining how accounts within the client-approved trial balance are to be grouped is an important step in the preparation of the financial statements that should be undertaken by management.</p> <p>In addition, we have similar concerns with the auditor analyzing and accumulating information for regulatory reporting. We note that this provision is overly broad as regulatory reporting could entail significant reporting obligations that should be the responsibility of management.</p>	<p>appearance of independence has not been compromised.</p> <p>Paragraph 290.171 addresses guidance for non-PIEs. The Code states that financial statements groupings are the responsibility of management.</p>
<b>Q7. Does the proposed guidance on “routine or mechanical” clarify the term, or is additional guidance needed?</b>			
10.	FRC	We agree that the proposed additional guidance would help clarify the meaning of the phrase “routine or mechanical” in the subsection that addresses preparing accounting records and financial statements.	Support noted.
11.	IOSCO	We recognize the challenges in defining what is “routine or mechanical” with respect to administrative services and in preparing accounting records and financial statements. However, having considered the Board’s proposal regarding routine or mechanical activities, we believe that establishing the fine line between what may be acceptable and what creates a threat to the auditor’s independence may not be easily discernable and can place the auditor in a compromising position. We believe the Board should carefully weigh potential independence in appearance concerns as perceived by a reasonable and informed investor before finalizing the proposal. If a reasonable and informed investor could question the objectivity of the auditor	Comment noted. Threats to independence are considered from the perspective of a reasonable and informed third party. The routine or mechanical guidance has limited applicability to PIEs.

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		based on the auditor's performance of tasks outlined in the Board's proposal, then the Board should consider prohibiting the auditor from performing such services.	