

## NAS – Compilation of Late Responses – Other Comments

#	Respondent	Respondent's Comment	Proposed Resolution/Notes
1.	EAIG	<p>We believe that setting clear lines with regards to the non-assurance services that an auditor is entitled to provide or not to an audit client is of primary importance. Clear rules allow for consistency in application and for a homogeneous protection of the auditor's independence. Consistency in application of the ethics rules allows for a level playing field for auditors, and is likely to create more security for users of the audited financial statements.</p> <p>We are of the view that the proposals included in the exposure draft will not sufficiently change the manner in which auditors deal with those issues, and that room for interpretation remains in the Code regarding the provision of non-assurance services by auditors.</p> <p>11. We suggest that the Board allocates sufficient time in the context of this project to work on the prohibitions that are addressed by the recent audit reform in Europe. We suggest that the Code take into account the level of requirements set by the European regulation. Indeed, a code that is less stringent than the legal framework in force would impair its potential applicability in the countries applying the European Union's regulation. Consistency with the applicable legal requirements for ethics would allow for a wider recognition of the Code.</p> <p>12. Hence, we believe that the Board should investigate the following areas of differences between the regulation and the Code:</p> <ul style="list-style-type: none"> <li>• the requirement to systematically obtain the approval of the audit committee for the provision of non-assurance services other than those which are specifically prohibited,</li> <li>• the period covered by the prohibitions for an audit firm and any member of its network to provide non-assurance services to any statutory audit client, to its parent undertaking or to its controlled undertakings,</li> <li>• the fee limit and capping of non-assurance services, and</li> <li>• the level of prohibition of tax services.</li> </ul> <p>Moreover, we believe the Board should consider the option introduced by the European regulation allowing the European Member States to establish stricter conditions than those provided for by the regulation with regards to the list of prohibited non-assurance services. The adoption of a stricter approach in this area in several jurisdictions is not to be disregarded. The</p>	<p>Comments noted. The Code could be used in a complementary manner to the EU audit reform provisions. The threats and safeguards approach of the Code is consistent with the threats and safeguards approach to be used outside of the EU as required by EU audit reform provisions. The Code may, among other matters, assist professional accountants from the EU performing services outside of the EU and all other professional accountants performing services outside of the EU. Thus, the threats and safeguards approach of the Code may provide synergy in meeting the ultimate goals of the directives of the EU audit reform.</p> <p>Where the EU legislation and regulation might be stricter than the Code, or vice versa, professional accountants would be required to comply with the stricter of the two provisions.</p> <p>Inconsistencies in application and documentation will be considered when the Board undertakes a review of the safeguards in the Code.</p>

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		<p>current option to adopt more restrictive national rules on the provision of non-assurance services could affect the conclusion that has been reached by the Board (i.e. "the Code's provisions concerning non-assurance services are still robust in protecting the public interest" ) after it conducted a benchmarking survey in March 2013 which sought to understand the extent to which the responding countries are more restrictive in their national ethics requirements than the Code with respect to certain types of non-assurance services.</p> <p>In this context, and given the timeframe set by the European audit reform, we would encourage the Board not to limit the ambition of its project to the current proposals, but to continue dedicating time and resources to the work stream on the enhancement of provisions related to "non-assurance services".</p> <p>Enforceability of the ethical provisions that apply to auditors and furthermore the fact that the Code allows for consistent application by different auditors, is an area of concern for us. We would therefore encourage the IESBA to take advantage of the current project to revisit the Code's provisions related to non-assurance services and to minimize the room for interpretation that could potentially result in inconsistencies in their application.</p> <p>We furthermore would like to suggest that the Board incorporate documentation requirements that should be sufficiently comprehensive and detailed to allow the regulator to obtain a precise picture of the non-assurance services performed.</p>	
2.	FRC	<p>We are supportive of the objective of the proposals to enhance auditor independence. However, the proposed changes are very limited compared with the provisions recently introduced in the EU Audit Regulation, which brings in a new regime which all auditors of public interest entities (PIEs) in the EU will need to comply with when implemented by Members States by June 2016. Those provisions go further than the proposed changes to the Code, particularly in prohibiting specific non-audit services by auditors, and any member of the audit firm network, to PIEs and their parent undertaking or controlled undertakings within the EU. For example, the EU Audit Regulation establishes outright prohibitions, with no derogations allowed, for a number of specific services, including:</p> <ul style="list-style-type: none"> <li>• bookkeeping and preparing accounting records and financial statements;</li> <li>• designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial</li> </ul>	<p>Comments noted. The applicability of the Code covers a broad range of professional accountants with differences in scope in clients. The threats and safeguards approach of the Code is, among other matters, consistent with the EU audit reform's approach to those clients outside of the EU. Thus, the application of the Code will assist professional accountants in reaching the goals set forth by the EU audit reform.</p>

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		<p>information technology systems;</p> <ul style="list-style-type: none"> <li>• services related to the audited entity's internal audit function; and</li> <li>• services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, (except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity).</li> </ul> <p>Others, such as taxation services are prohibited outright but with scope for Member State derogations in certain circumstances. Under the IESBA Code, these services could be provided if they were not material or significant to the financial statements and the auditor was not assuming a management responsibility.</p> <p>Further, for non-audit services that are not prohibited, the EU Audit Regulation requires the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied.</p> <p>We would strongly encourage IESBA to give further consideration to aligning the Code more closely with the position introduced under the EU Audit Regulation for PIEs. Not only would it be helpful, especially for auditors of international groups, if the Code were brought more into line with the EU Audit Regulation but it would also further assist in reducing perceived threats to auditor independence arising from the provision of non-audit services.</p> <p>In the Explanatory Memorandum, IESBA states that “the main results of [its] benchmarking exercise indicated that the jurisdictions surveyed are in line with the Code for most of the Code’s provisions”. However, the analysis of survey responses (linked from the Explanatory Memorandum) shows that a significant number of jurisdictions reported they have more restrictive provisions (typically around half or more of the respondents for each of the services discussed).</p> <p>We note that IOSCO’s Committee on Issuer Accounting, Audit and Disclosure stated that, in order to improve the Code, IESBA may consider the regulatory requirements of large jurisdictions as the Committee believes the Code appears to reflect a number of compromises to address perceived practical issues in some, particularly smaller, jurisdictions. We support the view of the IOSCO committee – to serve the public interest, and alleviate concerns about threats to auditor independence and objectivity, ethical principles for auditors of PIEs should not be</p>	<p>Professional accountants must adhere to the more restrictive provisions concerning the Code and local legislation.</p>

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		subject to compromise.	
3.	IOSCO	<p>We believe that setting clear lines with regard to the non-assurance services that an auditor is permitted to, or prohibited from, providing to an audit client is important. Clear provisions can communicate what is expected of auditors when providing services to an audit client and thereby promote consistency in the application of the Code.</p> <p>In this regard, while we support the Board's efforts to reconsider certain, though limited, provisions of the Code in an attempt to make the auditor independence provisions therein more robust, we are concerned that the current changes alone may not be sufficient to address existing public interest concerns regarding enforceability, clarity and the appropriateness of the threats and safeguards approach in the Code. Having said this, we recognize that the Paper is intended to focus on a narrow section of auditor independence provisions. With this in mind, we look forward to the Board's broader projects, such as the structure of the Code and revisiting the threats and safeguards approach to address these more significant concerns.</p>	Support and comments noted.