

**IESBA - PIOB Monitoring of Comment Letters to the ED of Non-Assurance Services (NAS)**

**As of March 2015**

#	Who made it	Group (MG member, Regulator, etc.)	Issue	MAIN Issues/Recommendations Description	Status (Agreed, Partially Agreed, Disagreed, Not Discussed)	SSB's disposition of the comment
1	IOSCO	MG	Threats and Safeguards	... 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.	Agreed	The Safeguards Workstream was added to the 2014-2018 Strategy & Work Plan (SWP).
2	IOSCO	MG	Management Responsibilities	Management Responsibilities - ... if the Board's intent is to explain what constitutes management's responsibilities, then... they should involve not only "controlling, leading and directing an entity" but also the "ongoing monitoring function on behalf of the entity".	Agreed	The "monitoring" piece has been added in the last bullet point of par. 290.160 (listing examples of activities to be considered management responsibilities): "Taking responsibility for designing, implementing, <b>monitoring</b> or maintaining internal controls".
3	IOSCO	MG	Management Responsibilities	Management Responsibilities - ... 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 threat.	Agreed	The prerequisite in par. 290.162 states: "To avoid the risk of assuming a management responsibility when providing non-assurance services to an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the responsibility of management".
4	IOSCO	MG	Administrative Services	Administrative Services - ... 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.	Agreed	As stated in par. 290.163, "Administrative services involve assisting clients with their routine and mechanical tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature... Providing such services does not generally create a threat to independence. However, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level".
5	EAIG	Regulator	Applicability of the Code and comparison with other legislation (EU)	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... A Code that is less stringent than the legal framework in force would impair its potential applicability in the countries applying the EU regulation. The Board should investigate the following areas of differences: the requirement to systematically obtain the approval of the audit committee for the provision of NAS other than those which are specifically prohibited; the period covered by the prohibitions...; the fee limit and capping of NAS; the level of prohibition of tax services.	Disagreed	<b>The IESBA concluded in October 2014 that the Code works in conjunction with the EU audit regulation and, when differences occur, the professional accountant must follow the more restrictive provisions.</b>
6	EAIG	Regulator	Documentation	We 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 NAS performed.	Not discussed	No track of discussion.
7	UK FRC	IFIAR Member	Applicability of the Code and comparison with other legislation (EU)	... The proposed changes are very limited compared with the provisions recently introduced in the EU Audit Regulation... For example, the EU Audit Regulation establishes outright prohibitions, with no derogations allowed, including: bookkeeping and preparing accounting records and financial statements; designing and implementing internal control or risk management procedures...; services related to the audited entity's internal audit function; services linked to the financing, capital structure and allocation, and investment strategy of the audited entity. ... 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 safeguards applied. 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.	Disagreed	<b>The IESBA concluded in October 2014 that the Code works in conjunction with the EU audit regulation and, when differences occur, the professional accountant must follow the more restrictive provisions.</b>
8	UK FRC	IFIAR Member	Management Responsibilities	Management Responsibilities - ... 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.	Agreed	The final text in par. 290.161 reads: " <b>Subject to compliance with paragraph 290.162</b> , providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility". Par. 290.162 states the "prerequisite": "the firm shall be satisfied that client management makes all judgment and decisions that are responsibility of management".
9	UK FRC	IFIAR Member	Applicability of the Code and comparison with other legislation (EU)	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... We would strongly encourage IESBA to explore this potential conflict with the EU Audit Regulation and how it might be addressed...	Disagreed	<b>The IESBA concluded in October 2014 that the Code works in conjunction with the EU audit regulation and, when differences occur, the professional accountant must follow the more restrictive provisions.</b>
10	IRBA (South Africa)	IFIAR Member	Management Responsibilities	(Some) amendments may lead to unintended consequences if the examples are not further clarified (i.e. "setting policies and strategic direction" should clarify if this prohibits the audit firm from advising the client as management develops policies and strategic direction).	Agreed	In par. 290.160 "setting policies and strategic direction" is listed as a management responsibility. The assumption of the par. is that "Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgment".

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11	IRBA (South Africa)	IFIAR Member	Routine or Mechanical	Additional guidance around management's responsibilities for the financial statements would be helpful (i.e. assessing the entity's ability to continue as a going concern; making accounting estimates, including responsibility for the underlying assumptions used in the estimates; etc.).	Agreed	The wording in the General Provisions of the Section "Preparing Accounting Records and Financial Statements" (par. 290.164-290.170) has been slightly expanded.
12	Audit Oversight Board - Securities Commission Malaysia	IFIAR Member	Management Responsibilities	Examples in paragraph 290.163 of the Code allow for more clarity. However the list is non-exhaustive.	Agreed	The wording in par. 290.163 reads indeed: "Examples of administrative services <i>include</i> ..."
13	Audit Oversight Board - Securities Commission Malaysia	IFIAR Member	Routine or Mechanical	Additional guidance would be helpful.	Agreed	The text on "routine and mechanical" has been expanded and examples have been provided (par. 290.163 and 290.168)
14	Dubai Financial Services Authority	IFIAR Member	n/a	No significant comments.	n/a	n/a