



International Ethics Standards  
Board for Accountants (IESBA)  
Submitted via the IESBA website  
and via e-mail to:  
[kensiong@ethicsboard.org](mailto:kensiong@ethicsboard.org)

09 July 2014

Ref.: PEC/AKI/HBL/NRO/HBU/PCO

Dear Mr. Siong,

**Re: FEE comments on IESBA Exposure Draft (ED): “Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients”**

FEE (the Federation of European Accountants) is pleased to provide you with its comments regarding the IESBA Exposure Draft on the “Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients” (“the ED”).

**General main comments: Need for a Focus on Structure, Adoption and Implementation**

In its responses to the IESBA Consultation Paper on the Proposed Strategy and Work Plan 2014-2018<sup>1</sup>, FEE stressed the importance of a pause in both ethics and independence standard setting. After a period of high-quality and high-volume standard-setting, it is time for the IESBA to focus on adoption and implementation. Further ad-hoc amendments to the IESBA Code of Ethics for Professional Accountants (the Code) cannot be justified without evidence of an urgent need for change.

We also think that an improved structure of the Code is needed to convince stakeholders to adopt and implement this Code. With regard to the structure itself, we would like to reiterate our support to:

- Aiming to reduce the length of the Code and clarifying its language;
- Splitting off the independence section; and
- Dividing the whole Code into sections separating requirements and prohibitions from application guidance and examples.

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<sup>1</sup> Accessible at: [http://www.fee.be/images/publications/ethics/Siong\\_140220\\_FEE\\_Response\\_to\\_IESBA\\_SWP\\_2014-2018.pdf](http://www.fee.be/images/publications/ethics/Siong_140220_FEE_Response_to_IESBA_SWP_2014-2018.pdf)

Furthermore, the IESBA 2014-2016 Strategic Survey, as responded to by FEE in March 2013, consulted on the importance of the work stream addressed by this ED. Hereby, FEE classified the non-assurance services project as '*very unimportant*'. This classification is still valid.

### **Main comments on the Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients**

The comments below, more specifically related to the subject matter under consultation, are made subject to our main general comments included above, which indicate that we do not believe that these changes are merited, except as part of a larger set of other changes to the Code. In addition, FEE is of the view that IESBA does not really achieve the clarity it suggests as the real objective.

#### ***Management Responsibilities***

The detailed proposals to develop the section on management responsibilities further appear acceptable from FEE's point of view.

FEE's understanding is that paragraph 290.165 implies additional requirements for management than the existing paragraph 290.166. If this is the case, the main issue appears to be for entities and management that will need to comply with all these additional requirements as included in paragraph 290.165.

In case management cannot or does not want to comply with these new requirements, services might be taken up by parties outside the profession which are in most cases not bound by demanding ethical codes.

#### ***Routine or Mechanical***

The guidance included in paragraph 290.171 regarding 'routine or mechanical' accounting and bookkeeping services and the new paragraph 290.166 on administrative services appear to be reasonable and clear as far as the services to be included or not.

#### ***Emergency Exception Provisions***

The rationale behind the removal of exception to provide non-assurance services in emergency situations is questionable. It is argued by IESBA that it is up to regulators to allow exception or not on a case by case basis, and to accommodate this as a breach of the Code.

However, based on the reasoning that rules and regulations are usually more demanding than professional standards, professional accountants might not be at ease to ask for such exception if their professional or other standards do not allow for it. Regulators in some countries are often not set up to grant permission to breach standards, and in some cases do not even have the legal mandate to grant such exception.

In addition, special attention should be paid to group audit situations where it may be impossible for a component in remote areas to find other providers of non-assurance services. FEE strongly believes that the exception is to be maintained for those cases.

## Applicability in an SME<sup>2</sup> or SMP<sup>3</sup> environment

Small listed entities are most likely to be affected by the withdrawal of the emergency exception as they will have few internal resources to draw on in an emergency, and do not habitually have multiple professional advisers.

## Proposed effective date

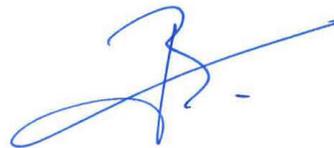
FEE does not foresee any issue with the implementation of these changes 12 months after issuance of the final changes. For flexibility reasons, FEE also supports the fact that earlier application would be permitted.

For further information on this FEE<sup>4</sup> letter, please contact Hilde Blomme on +32 2 285 40 77 or via email at [hilde.blomme@fee.be](mailto:hilde.blomme@fee.be) or Noémi Robert on +32 2 285 40 80 or via email at [noemi.robert@fee.be](mailto:noemi.robert@fee.be) from the FEE team.

Yours sincerely,



André Killesse  
President



Olivier Boutellis-Taft  
Chief Executive

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<sup>2</sup> SME stands for Small- and Medium-sized Enterprises

<sup>3</sup> SMP stands for Small- and Medium-sized Practices

<sup>4</sup> FEE is the Fédération des Experts comptables Européens (Federation of European Accountants). It represents 47 professional institutes of accountants and auditors from 36 European countries, including all of the 28 European Union (EU) Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 800.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE's objectives are:

- To promote and advance the interests of the European accountancy profession in the broadest sense recognising the public interest in the work of the profession;
- To work towards the enhancement, harmonisation and liberalisation of the practice and regulation of accountancy, statutory audit and financial reporting in Europe in both the public and private sector, taking account of developments at a worldwide level and, where necessary, promoting and defending specific European interests;
- To promote co-operation among the professional accountancy bodies in Europe in relation to issues of common interest in both the public and private sector;
- To identify developments that may have an impact on the practice of accountancy, statutory audit and financial reporting at an early stage, to advise Member Bodies of such developments and, in conjunction with Member Bodies, to seek to influence the outcome;
- To be the sole representative and consultative organisation of the European accountancy profession in relation to the EU institutions;
- To represent the European accountancy profession at the international level.

## **Appendix - Request for Specific Comments in the IESBA Exposure Draft: “Provisions of the Code Addressing Non-Assurance Services for Audit Clients”**

### ***Emergency Provisions***

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

The rationale behind the removal of exception to provide non-assurance services in emergency situations is questionable. It is argued by IESBA that it is up to regulators to allow exception or not on a case by case basis, and to accommodate this as a breach of the Code.

However, based on the reasoning that rules and regulations are usually more demanding than professional standards, professional accountants might not be at ease to ask for such exception if their professional or other standards do not allow for it. Regulators in some countries are often not set up to grant permission to breach standards, and in some cases do not even have the legal mandate to grant such exception.

In addition, special attention should be paid to group audit situations where it may be impossible for a component in remote areas to find other providers of non-assurance services. FEE strongly believes that the exception is to be maintained for those cases.

### ***Management Responsibilities***

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

Through the removal of the word “significant” from the definition of management responsibilities, making a de minimis “decision” is proposed to be made equivalent to a management responsibility. What is the independence threat created by executing an insignificant transaction based on client instructions?

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

We would suggest reinstating the word “generally” as in absence thereof, all judgment is removed and a black list is created even for all circumstances where no independence threat exists.

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

The detailed proposals to develop the section on management responsibilities further appear acceptable from FEE’s point of view.

Nevertheless, FEE’s understanding is that paragraph 290.165 implies additional requirements for management than the existing paragraph 290.166. If this is the case, the main issue appears to be for entities and management that will need to comply with all these additional requirements as included in paragraph 290.165.

In case management cannot or does not want to comply with these new requirements, services might be taken up by parties outside the profession which are in most cases not bound by demanding ethical codes.

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

FEE does not have a view on this specific matter.

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

FEE does not have a view on this specific matter.

***Routine or Mechanical***

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

The guidance included in paragraph 290.171 regarding ‘routine or mechanical’ accounting and bookkeeping services and the new paragraph 290.166 on administrative services appear to be reasonable and clear as far as the services to be included or not.

FEE nevertheless considers that the preparation of the financial statements is not always “routine or mechanical”. When preparing the financial statements, judgment might need to be applied, for instance in determining what information is required to be included as a separate line item in the financial statements or not, or in a separated note to the financial statements and present it in accordance with the financial reporting framework.

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

FEE does not have a view on this specific matter.

***Section 291***

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

FEE does not have a view on this specific matter.

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

FEE does not have a view on this specific matter.

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

FEE does not have a view on this specific matter.