

**Meeting:** IESBA

## Agenda Item

# 2

**Meeting Location:** Virtual (via Zoom)

**Meeting Date:** July 22, 2020

### Non-assurances Services (NAS)

#### Objectives

1. To receive a high level overview of key themes based on respondents' comments on the Exposure Draft (ED), [Proposed Revisions to the Non-Assurance Services Provisions of the Code](#).
2. To provide directional input on the Task Force's preliminary thinking on key issues raised by respondents.

#### Matters for Board Consideration

3. During the July 2020 meeting, IESBA members will be asked to consider and react to a presentation from the Task Force<sup>1</sup> Chair that will among other matters:
  - (a) Provide an overview of the respondents to the ED and the key issues raised.
  - (b) Highlight the Task Force's preliminary thinking on substantive issues that will impact when and how the revisions to the NAS ED will be progressed. This includes a consideration of respondents':
    - (i) Concerns about the planned timelines for the IESBA's NAS, Fees and Definition of Public Interest/ Listed Entity projects.
    - (ii) Questions about whether the NAS proposals are a departure from the principles-based nature of the Code. In particular, there was a concern about the removal of the "materiality qualifier" as a deciding factor to determine the applicability of NAS prohibitions. For example, respondents held conflicting views as to whether firms should be permitted to consider materiality in determining whether the provision of a NAS to an audit client that is a public interest entity (PIE) will create a self-review threat.<sup>2</sup>
    - (iii) Questions about the applicability of the proposed prohibition for the provision of a NAS to audit clients that are PIEs if such NAS will create a self-review threat (e.g., whether the prohibition should apply to parent undertakings that are unlisted entities/ all PIEs).

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<sup>1</sup> Task Force Members comprise:

- Richard Fleck, Chair and IESBA Deputy Chair
- David Clark, IESBA Technical Advisor
- Kim Gibson, IESBA Member
- Jens Poll, IESBA Member

<sup>2</sup> Under the NAS proposals, the provision of a NAS that will create a self-review threat to a PIE is prohibited.

- (iv) Views about the adequacy of NAS safeguards that involve “a review” or “re-performance of work by another professional”. In particular, regulators (e.g., IOSCO and IFIAR) continue to express concern about whether having another professional within the same firm can be an effective safeguards to address threats to independence that is created by providing a NAS to an audit client. There is a view that the firm professional may be incentivized to make judgements that protect the economics and other interests of the firm rather than the public interest and needs of investors.
  - (v) Requests for clarification of the position where the prohibition on the provision of advice and recommendations that creates a self-review threat to an audit client that is a PIE may conflict with actions required or permitted by laws, regulations, or applicable auditing standards.
- (c) Indicate next steps, including the planned timing for the IESBA to consider the Task Force’s suggested revisions to the proposed texts.

### Background

- 4. Shortly after approval of proposed revisions to the Code’s NAS provisions at its December 2019 meeting, the IESBA released the ED in January 2020. The scheduled comment deadline was May 4, 2020. However, to allow stakeholders additional time to respond as a result of the COVID-19 pandemic, the comment period was extended to June 4, 2020 – an additional month.
- 5. As of July 7, 2020, the IESBA received 66 comment letters in response to the NAS ED. Appendix 1 includes a list of respondents, sorted by stakeholder category. The respondents’ comment letters are available on the [IESBA’s website](#). The IESBA will be asked to consider the Task Force’s summary of significant issues raised by respondents and the related revisions to the key aspects of the NAS proposed text (i.e., proposed Section 600 (Revised)) at its September 2020 meeting.
- 6. Appendix 2 is provided for information to help guide IESBA meeting participants to the project history for the NAS project. Additional information is available on the IESBA [NAS project webpage](#).

### Overview of Respondents’ Comments

- 7. The slide deck in **Agenda Item 2-A** includes a high-level overview of the significant comments raised and will form the basis of the Task Force Chair’s presentation during the meeting.

### Materials for Discussion

Agenda Item 2-A	NAS Slide Deck – High-level Overview of Significant Comments Raised by Respondents
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### Action Requested

- 8. IESBA members are asked to consider and reaction to the presentation during the meeting, having regard to the matters for consideration in paragraph 3 of this paper.

**Non-assurance Services – Respondents to January 2020 ED**  
 As of July 13, 2020

**Note:** Members of the Monitoring Group are shown in **bold** below.

#	Abbrev.	Respondent (66)	Region
<b>Regulators and Oversight Authorities, Including MG members (9)</b>			
1.	CEOAB	Committee of European Auditing Oversight Bodies	EU
2.	CMASA	Central Market Authority – Saudi Arabia	AP
3.	IAASA	Irish Auditing & Accounting Supervisory Authority	EU
4.	<b>IFIAR</b>	<b>International Forum of Independent Audit Regulators</b>	<b>GLOBAL</b>
5.	<b>IOSCO</b>	<b>International Organizations of Securities Commissions</b>	<b>GLOBAL</b>
6.	IRBA	Independent Regulatory Board for Auditors	MEA
7.	MAOB	Malaysia Audit Oversight Board, Securities Commission	AP
8.	NASBA	National Association of State Boards of Accountancy	NA
9.	UKFRC	United Kingdom Financial Reporting Council	EU
<b>Public Sector Organizations (3)</b>			
10.	AGNZ	Office of the Auditor General of New Zealand	AP
11.	AGSA	Auditor General of South Africa	MEA
12.	GAO	US Government Accountability Office	NA
<b>Preparers and Those Charged with Governance (2)</b>			
13.	IIA	Institute of Internal Auditors	GLOBAL
14.	JASBMA	Japan Audit & Supervisory Board Members Association	AP
<b>National Standard Setters (5)</b>			
15.	APESB	Accounting Professional & Ethical Standards Board	AP

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#	Abbrev.	Respondent (66)	Region
16.	CNCC	Compagnie Nationale des Commissaires aux Comptes	EU
17.	MIA	Malaysian Institute of Accountants	AP
18.	NBA	Royal Netherlands Institute of Chartered Accountants	EU
19.	XRB	New Zealand Auditing and Assurance Standards Board	AP
<b>IFAC Members/ Professional Accountancy Organizations (PAOs) (31)</b>			
20.	ACCA/ CAANZ	Joint Submission --Chartered Accountants Australia and New Zealand/ Association of Chartered Certified Accountants	GLOBAL
21.	AE	Accountancy Europe	EU
22.	AICPA	American Institute of Certified Public Accountants Professional Ethics Executive Committee	NA
23.	ASSIREVI	Association of the Italian Audit Firms	EU
24.	BICA	Botswana Institute of Chartered Accountants	AP
25.	CAI	Chartered Accountants Ireland	EU
26.	CPAA	CPA Australia	AP
27.	CPAC	Chartered Professional Accountants Canada Public Trust Committee	NA
28.	FAR	FAR- Institute for the Accountancy Profession in Sweden	EU
29.	IAA	Inter-American Accounting Association (IAA)	SA
30.	ICAB	Institute of Chartered Accountants of Bangladesh	AP
31.	ICAEW	Institute of Chartered Accountants in England and Wales	EU
32.	ICAG	Institute of Chartered Accountants Ghana	MEA
33.	ICAI	Institute of Chartered Accountants of India	AP
34.	ICAS	Institute of Chartered Accountants of Scotland	EU
35.	ICPAR	Institute of Certified Public Accountants of Rwanda	MEA

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#	Abbrev.	Respondent (66)	Region
36.	ICPAU	Institute of Certified Public Accountants of Uganda	MEA
37.	IDW	Institut der Wirtschaftspruefer	EU
38.	IPA	Institute of Public Accountants	AP
39.	IMCP	Mexican Institute of Public Accountants	SA
40.	ISCA	Institute of Singapore Chartered Accountants	AP
41.	HKICPA	Hong Kong Institute of Certified Public Accountants	AP
42.	JICPA	Japan Institute of Certified Public Accountants	AP
43.	KICPA	Korean Institute of Certified Public Accountants	AP
44.	MICPA	Malaysian Institute of Certified Public Accountants	AP
45.	NBAAT	National Board of Accountants & Auditors – Tanzania	MEA
46.	NYSSCPA	New York State Society of Certified Public Accountants	NA
47.	SAICA	South African Institute of Chartered Accountants	MEA
48.	SAIPA	South African Institute of Professional Accountants	MEA
49.	WPK	Wirtschaftsprüferhaus	EU
50.	ZICA	Zambia institute of Chartered Accountants	MEA
<b>Firms (13)</b>			
51.	BDO*	BDO International Limited	GLOBAL
52.	BKTI*	Baker Tilly International	GLOBAL
53.	CROWE*	Crowe Global	GLOBAL
54.	DTTL*	Deloitte Touche Tohmatsu Limited	GLOBAL
55.	EY*	Ernst & Young Global Limited	GLOBAL
56.	GTI*	Grant Thornton International Limited	GLOBAL

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#	Abbrev.	Respondent (66)	Region
57.	KPMG*	KPMG IFRG Limited	GLOBAL
58.	MAZARS*	Mazars Group	GLOBAL
59.	MOORE	Moore Global Network Limited	GLOBAL
60.	NEXIA	Nexia International	GLOBAL
61.	PwC*	Pricewaterhousecoopers International Limited	GLOBAL
62.	RSM*	RSM International Limited	GLOBAL
63.	SRA	SRA – Netherlands	EU
<b>Others, Including Academics (3)</b>			
64.	CAQ	US Center for Audit Quality	NA
65.	EFAA	European Federation of Accountants and Auditors for SMEs	EU
66.	SMPC	IFAC Small and Medium Practices Committee	GLOBAL

## Project History

Project: NAS

### Summary

	CAG Meeting	IESBA Meeting
Information gathering/ Discussion	<a href="#">March 2018</a>	<a href="#">March 2018</a>
<a href="#">NAS discussion paper</a> considered at global roundtables in June – July 2018		
Project commencement, including: <ul style="list-style-type: none"> <li>• Consideration of feedback from roundtables</li> <li>• Approval of project proposal</li> </ul>	<a href="#">September 2018</a>	<a href="#">June 2018</a> <a href="#">September 2018</a>
Development of proposed international pronouncement (up to exposure)	<a href="#">March 2019</a> <a href="#">September 2019</a>	<a href="#">December 2018</a> <a href="#">March 2019</a> <a href="#">June 2019</a> <a href="#">September 2019</a> <a href="#">December 2019</a>
ED issued and available on <a href="#">IESBA Website</a> – January 2020 with a June 4, 2020 comment deadline		
Consideration of responses to ED		<a href="#">July 2020</a>