

IESBA Exposure Draft: ‘Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)’

24 June 2019

Introduction

ICAS is a professional body for more than 21,000 world class business men and women who work in the UK and in more than 100 countries around the world. Our members have all achieved the internationally recognised and respected CA qualification (Chartered Accountant). We are an educator, examiner, regulator, and thought leader.

Almost two thirds of our working membership work in business; many leading some of the UK's and the world's great companies. The others work in accountancy practices ranging from the Big Four in the City to the small practitioner in rural areas of the country.

We currently have around 3,000 students striving to become the next generation of CAs under the tutelage of our expert staff and members. We regulate our members and their firms. We represent our members on a wide range of issues in accountancy, finance and business and seek to influence policy in the UK and globally, always acting in the public interest.

ICAS was created by Royal Charter in 1854. The ICAS Charter requires its Boards to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The ICAS Ethics Board has considered the IESBA Exposure Draft: 'Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised)' and I am pleased to forward their comments.

Any enquiries should be addressed to Ann Buttery, ICAS Head of Ethics.

Key Points

We are generally supportive of the direction of the IESBA proposals outlined in the above Exposure Draft.

Assurance Client

We agree with the proposed revised definition of "Assurance Client". We agree that in an assertion engagement, the professional accountant in public practice should be independent from both the responsible party and also the party responsible for providing the subject matter information (who might be the same as the responsible party).

Glossary definitions

We believe that the additional definitions within the Glossary are helpful. For example, the terms "subject matter information" and "underlying subject matter" are very similar and the Glossary helps distinguish the meaning of the two terms.

Examples

We also believe the inclusion of examples in paragraph 900.1 is helpful.

Description of assurance engagement

In the extant version of the Code, assurance engagements and the difference between assertion and direct engagements are defined in paragraphs 900.7 to 900.11 which then set the scene for the terms being used in later paragraphs. In this Exposure Draft, these paragraphs have been deleted, with just a reference to ISAE 3000, so there is no context provided to these terms within the body of the Code. It could be argued that this does not make it easy for users to comprehend, particularly if someone is using this section for the first time.

In the Exposure Draft, attestation engagement is first referred to at paragraph 900.14 A1, and the first mention of direct engagement is at paragraph 900.16. Whilst we appreciate the argument in paragraph 41 of the Explanatory Memorandum that it is more appropriate for the user to refer to the source of the material in ISAE 3000 for definitions, it might be helpful, for example, to include an introductory sentence under “Description of Assurance Engagements” noting the two types of engagement – attestation and direct - rather than the terms being introduced sporadically later.

Attestation engagement

We note that the wording in paragraph 900.14 A2 is quite cumbersome due to the nature of what it is trying to explain. We believe that an example would be helpful to a user, similar to that included in the now deleted paragraph 900.19 A1.

Responses to the Specific Questions

1. Do you believe that the changes in the key terminology used in the Exposure Draft, including the definition of ‘assurance client’, are clear and appropriate for use in Part 4B?

Assurance Client

We agree with the proposed revised definition of Assurance Client. We agree that in an assertion engagement, the professional accountant in public practice should be independent from both the responsible party and the party responsible for providing the subject matter information (who might be the same as the responsible party).

Glossary definitions

We believe that the additional definitions within the Glossary are helpful. For example, the terms “subject matter information” and “underlying subject matter” are very similar and their inclusion within the Glossary helps distinguish the meaning of the two terms.

Examples

We also believe that the inclusion of examples in paragraph 900.1 is helpful.

2. Do you have any comments on the application of the IESBA’s proposals to the detailed independence requirements and application material as explained above and summarized in the appendix?

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Attestation engagement

We note that the wording in paragraph 900.14 A2 is quite cumbersome due to the nature of what it is trying to explain. We believe that an example be helpful to a user, similar to that included in now deleted paragraph 900.19 A1?

3. Do you have any comments on the other proposed changes, including on the consistency of terms and concepts in Part 4B in relation to the text of ISAE 3000 (Revised)? If so, please specify the area of inconsistency and suggest alternative wording.

We have no comments on the other proposed changes. We have not identified any inconsistencies.

4. Are there any other matters that you consider should be addressed with respect to the alignment with ISAE 3000 (Revised) in Part 4B or in other material, for example in an IESBA Staff publication? If so, please provide sufficient explanation, including practical examples of the matter where available.

We do not believe that there are any other matters that require to be addressed.

5. Do you agree with the proposed effective date? If not, please indicate why not and explain your reasoning.

We appreciate that IESBA has indicated that it would not make changes to the Code until 2021, and therefore the effective date proposed in this Exposure Draft is 15 June 2021; however, as this Exposure Draft is simply an alignment of terminology to ISAE 3000 (Revised), we believe it would be preferable to have the Code aligned sooner rather than later in order to assist users.