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Mr. Ken Siong  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue  
New York, New York 10017  
USA

1 October 2021

## Exposure Draft: Proposed Quality Management-related Conforming Amendments to the Code

Dear Mr. Siong,

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization, is pleased to comment on the International Ethics Standards Board for Accountants' (the "IESBA" or the "Board") Exposure Draft, *Proposed Quality Management-related Conforming Amendments to the Code* (the ED).

Three specific questions were identified on which the Board welcomed respondents' views and we have organized our response accordingly. Our comments are set out below.

### 1. Do you agree with the proposed conforming amendments in this ED?

In paragraphs 400.4 and 900.3, the Board is proposing to include "service providers" as others who are subject to the independence requirements to which the firm and the firm's engagements are subject. This wording, as well as the definition of "service providers", comes directly from International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ISQM 1). As defined in ISQM 1, a service provider is: "An individual or organization external to the firm that provides a resource that is used in the system of quality management or in the performance of the engagement." However, the Code does not include a definition of the term "service provider" as it is to be used in the context of the Code, and it does not address the circumstances when ethical requirements would be applicable to service providers. By simply making a reference to ISQM 1, there is a risk that a user of the Code will mistakenly interpret the reference to service providers in ISQM 1 to have a much broader reach than what is intended for its use in the Code. Therefore, we believe that as part of these revisions for conforming amendments the Board should further clarify that for purposes of the Code only non-network component auditors would be captured as service providers that are subject to the independence requirements to which the firm and the firm's engagements are subject.

Other than the need for this clarification, we agree that the proposed amendments appropriately align the Code with the terms and concepts use or defined in both ISQM 1 and ISQM 2, *Engagement Quality Reviews*.



2. In addition to the proposed conforming amendments, the IESBA also considered the matter raised concerning decisions about accepting or providing services to a client in paragraph 300.7 A5. See explanation in the margin of paragraph 300.7 A5 (page 9). Do you agree with the IESBA's view on this matter? If not, please explain why.

Yes, we agree with the IESBA's view that authority and accountability rest with the individual professional accountant in public practice in making the decision whether to accept or continue a client relationship or specific engagement. We do not believe the phrase "including decisions about accepting or providing services to a client" should be deleted from the fifth bullet point of paragraph 300.7 A5.

3. Do you agree with the proposed effective date? If not, please explain your reasoning.

Yes, we agree that it is appropriate to align the effective date of the conforming amendments to the Code described in the ED with the respective effective dates of ISQM 1 and ISQM 2.

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We would be pleased to discuss our comments with members of the International Ethics Standards Board or its staff. If you wish to do so, please contact Tone Maren Sakshaug (tonemaren.sakshaug1@qa.ey.com) or John Neary (john.neary1@ey.com).

Yours sincerely,

*Ernst + Young Global Limited*