



KPMG IFRG Limited
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0)20 7694 8871
sranderson@kpmg.com

Ken Siong
Senior Technical Director
International Ethics Standards Board for
Accountants (IESBA)
529 Fifth Avenue, 6th Floor
New York, NY 10017
USA

Our ref SRA/288

25 June 2019

Dear Mr Siong

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

We appreciate the opportunity to comment on the above Exposure Draft issued by the International Ethics Standards Board for Accountants (IESBA or the Board). We have consulted with, and this letter represents the views of, the KPMG network.

Our overarching comment is set out below. The appendix to this letter provides our responses to the specific questions posed in the Exposure Draft.

Overall, we are supportive of the Board's objective to align the provisions of Part 4B of the Code to ISAE 3000 (Revised) and agree with the changes in terminology. However, we believe that in order to drive consistent interpretation and application there is a need to reference specific examples present within ISAE 3000 (Revised) and related assurance standards, and to develop additional application materials as noted in the appendix that will improve the understandability of Part 4B and thus facilitate compliance with independence requirements when performing assurance engagements.

Please contact Margot Tenenbaum on +44 (0)20 7694 8871 if you wish to discuss any of the issues raised in this letter.

Yours sincerely

KPMG IFRG Limited

KPMG IFRG Limited

Appendix A: Responses to 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?

We agree that the changes in terminology are generally appropriate, but believe that the changes would benefit from referencing specific examples used in ISAE 3000 (Revised) paragraphs 6 and 8, as well as examples in the IAASB Extended External Reporting Assurance document (specifically the “Contextual Information” document) and in the Assurance Framework.

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?

Beyond what we have noted under Q1 above, we suggest that the IESBA consider incorporating a flowchart or decision tree within the application guidance or non-authoritative material such as a Staff Bulletin or FAQ to clarify for the PAPP what independence rules should be adhered to for each type of assurance engagement.

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.

In paragraph 900.8, to be consistent with the definition used throughout the Code, we suggest defining an assurance engagement as “assurance engagements other than audit or review engagements”.

We also suggest amending the wording in the second sentence of paragraph 900.16 A1 to “apply the provisions in this Part to each individual responsible party”.

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.

In the context of multiple responsible parties, it would be beneficial to provide guidance related to independence requirements when performing assurance engagements for an industry sector with a small number of participants. As an example, performing an assurance engagement for electricity producers when there are only a few utility providers, could scope out the PAPP from providing other

services to the entire sector, based on the potential need to be independent from all of the utility providers. Industry sectors such as film producers and record companies would be other examples to consider.

We also believe that application guidance on practical independence issues when performing assurance engagements with practical solutions to overcome such would be valuable to users of Part 4B. For example, application guidance would be beneficial related to determining the nature of the data that represents the underlying subject matter of the assurance engagement (e.g. considering inputs from various parties that may be beyond the boundary of the subject matter).

Application guidance would also be especially useful for direct engagements to assist the PAPP in evaluating and addressing threats to independence when considering the acceptance of this type of assurance engagement.

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

Overall, we agree with the proposed effective date but suggest that the Board consider transitional provisions when a responsible party that was not previously considered to be a client would be scoped in as an assurance client under the revised definition. Where an additional responsible party is subject to the independence requirements, additional time may be required for the PAPP to consider financial, business and personal relationships, and potentially end any impermissible services that are being provided.