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Mr. Ken Siong  
Senior Technical Director  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor,  
New York, NY 10017  
USA

Dear Mr. Siong:

**Re: JICPA comments on the IESBA Exposure Draft, *Proposed Revisions to the Non-Assurance Services Provisions of the Code***

The Japanese Institute of Certified Public Accountants (JICPA) expresses its appreciation for the activities of the International Ethics Standards Board for Accountants (IESBA), and is grateful for the opportunity to share its comments on the International Ethics Standards Board for Accountants (IESBA) Exposure Draft, *Proposed Revisions to the Non-Assurance Services Provisions of the Code*.

Our responses to the specific questions raised by the IESBA are as follows:

**I. Request for Specific Comments**

*Prohibition on NAS that Will Create a Self-review Threat for PIEs*

1. Do you support the proposal to establish a self-review threat prohibition in proposed paragraph R600.14?
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(Comment)

We support the proposal.

In addition, with regard to the self-review threat, we believe further commentary is required, as described below.

While the proposed paragraph 601.2 A2 provides examples of dialogue during the audit process, we understand that a self-review threat is not created as long as the management of the audit client

accepts responsibility for decision-making involved in the preparation of accounting records or financial statements.

On the other hand, 601.2 A3 adds technical assistance on matters such as resolving account reconciliation problems, and technical advice on accounting issues, including the conversion of existing financial statements from one financial reporting framework to another, as examples of accounting and bookkeeping services. We understand that these services, whether performed as part of an audit engagement or provided as a non-assurance service, do not create a self-review threat unless the firm assumes a management responsibility. In this regard, from the perspective of facilitating the understanding of this provisions, we suggest that the last sentence of paragraph 601.2 A2 “These activities do not usually create threats as long as the client accepts responsibility for making the decisions involved in the preparation of accounting records or financial statements and the firm does not assume a management responsibility.” also be included in paragraph 601.2 A3.

2. Does the proposed application material in 600.11 A2 set out clearly the thought process to be undertaken when considering whether the provision of a NAS to an audit client will create a self-review threat? If not, what other factors should be considered?

(Comment)

We believe that the following factor should be considered as criteria for determining whether a self-review threat is created.

The proposed paragraph 600.11 A2 states that identifying whether the provision of a non-assurance service to an audit client will create a self-review threat involves determining whether there is a risk of (a), (b) and (c). However, a criteria for determining “whether there is a risk” is ambiguously worded, and the scope of services involving a self-review threat could be interpreted unnecessarily broadly. Therefore even non-assurance services for which the self-reivew threat can be reduced to an acceptable level by application of safeguards could be unreasonably restricted.

For this reason, we believe that replacing “whether there is a risk that:” in paragraph 600.11 A2 with “whether there is a situation that:” would clarify the process of determining whether the provision of a non-assurance service to an audit client will create a self-review threat.

#### *Providing Advice and Recommendations*

3. Is the proposed application material relating to providing advice and recommendations in proposed paragraph 600.12 A1, including with respect to tax advisory and tax planning in proposed paragraph 604.12 A2, sufficiently clear and appropriate, or is additional application material needed?

(Comment)

We believe that the proposed paragraph 600.12 A1 is sufficiently clear and appropriate because

it states that providing advice and recommendation might also create a self-review threat, and this includes considering the nature of the advice and recommendation, as well as how such advice and recommendation might be implemented by the audit client.

However, because we understand that considering the nature of the advice and recommendation and how such advice and recommendation might be implemented by the audit client involves the consideration from the perspective of whether the firm assumes a management responsibility, we believe it is necessary to add such a statement to the application material for clarification.

*Project on Definitions of Listed Entity and PIE*

4. Having regard to the material in section I, D, “Project on Definitions of Listed Entity and PIE,” and the planned scope and approach set out in the approved project proposal, please share your views about what you believe the IESBA should consider in undertaking its project to review the definition of a PIE.

(Comment)

In the project to review the definition of a PIE, we believe that it is necessary to consider attributes of those who use the financial statements on which the firm will express an opinion, and how the financial statements are used.

Because these situations differ from jurisdiction to jurisdiction, and because necessity of non-assurance services and the state of their provision also differ from jurisdiction to jurisdiction, we believe it is reasonable to allow scalability to the definition so that each jurisdiction can consider the scope of PIE based on the IESBA approach.

*Materiality*

5. Do you support the IESBA’s proposals relating to materiality, including the proposal to withdraw the materiality qualifier in relation to certain NAS prohibitions for audit clients that are PIEs (see Section III, B “Materiality”)?

(Comment)

We support the IESBA proposals.

6. Do you support the proposal to prohibit the following NAS for all audit clients, irrespective of materiality:

- Tax planning and tax advisory services provided to an audit client when the effectiveness of the tax advice is dependent on a particular accounting treatment or presentation and the audit team has doubt about the appropriateness of that treatment or presentation (see proposed paragraph R604.13)?
- Corporate finance services provided to an audit client when the effectiveness of such advice

depends on a particular accounting treatment or presentation and the audit team has doubt about the appropriateness of that treatment or presentation (see proposed paragraph R610.6)?

(Comment)

We support the IESBA proposals.

*Communication with TCWG*

7. Do you support the proposals for improved firm communication with TCWG (see proposed paragraphs R600.18 to 600.19 A1), including the requirement to obtain concurrence from TCWG for the provision of a NAS to an audit client that is a PIE (see proposed paragraph R600.19)?

(Comment)

There is recognition of the process and means in which firms obtain concurrence from TCWG of the audit client (paragraphs 600.19 A1 and A2), and, conditional on those proposals, we support the proposals from the perspective of feasibility.

We believe that for matters requiring to obtain concurrence from TCWG, communication with TCWG is effective in appropriately evaluating the independence of PIE audit clients in relation to the provision of non-assurance services, but from the perspective of feasibility, the proposed paragraphs 600.19 A1 and A2 should be implemented.

*Other Proposed Revisions to General NAS Provisions*

8. Do you support the proposal to move the provisions relating to assuming management responsibility from Section 600 to Section 400, and from Section 950 to Section 900?

(Comment)

We support the IESBA proposals.

9. Do you support the proposal to elevate the extant application material relating to the provision of multiple NAS to the same audit client to a requirement (see proposed paragraph R600.10)? Is the related application material in paragraph 600.10 A1 helpful to implement the new requirement?

(Comment)

With regard to consideration of the combined effect of providing multiple non-assurance services, because it is made clear in paragraph 600.10 A1 that the level of the threat and the effectiveness of safeguards can be affected, and because these are matters that involve the conceptual framework, we support the proposal to elevate the provision to a requirement.

*Proposed Revisions to Subsections*

10. Do you support the proposed revisions to subsections 601 to 610, including:
- The concluding paragraph relating to the provision of services that are “routine or mechanical” in proposed paragraph 601.4 A1?
  - The withdrawal of the exemption in extant paragraph R601.7 that permits firms and network firms to provide accounting and bookkeeping services for divisions and related entities of a PIE if certain conditions are met?
  - The prohibition on the provision of a tax service or recommending a tax transaction if the service or transaction relates to marketing, planning or opining in favor of a tax treatment, and a significant purpose of the tax treatment or transaction is tax avoidance (see proposed paragraph R604.4)?
  - The new provisions relating to acting as a witness in subsection 607, including the new prohibition relating to acting as an expert witness in proposed paragraph R607.6?

(Comment)

We support the IESBA proposals.

*Proposed Consequential Amendments*

11. Do you support the proposed consequential amendments to Section 950?

(Comment)

We support the IESBA proposals.

12. Are there any other sections of the Code that warrant a conforming change as a result of the NAS project?

(Comment)

No other sections require conforming changes.

**II. Request for General Comments**

- *Those Charged with Governance, including Audit Committee Members* – The IESBA invites comments regarding any aspect of the proposals from individuals with responsibilities for governance and financial reporting oversight responsibilities. This includes small businesses where a single owner manages the entity and also has a governance role.

(Comment)

We do not have any specific comments.

- *Small- and Medium-Sized Entities (SMEs) and Small and Medium Practices (SMPs)* – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

(Comment)

We do not have any specific comments.

- *Regulators and Audit Oversight Bodies* – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and audit oversight communities.

(Comment)

Not applicable.

- *Developing Nations* – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

(Comment)

Not applicable.

- *Translations* – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

(Comment)

We do not have any specific comments on the wording used in the Exposure Draft from the perspective of translation into Japanese.

However, English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is translatable and comprehensible when translated. We therefore request the IESBA to avoid lengthy sentences and to use concise and easily understandable wording.

(Other General Comments)

With regard to these proposed revisions, we suggest that transitional measures be prescribed in relation to the treatment of non-assurance services that are already being provided. For example, the following instance can be cited.

- Treatment of cases in which non-assurance services that are already being provided become prohibited as a result of these revisions

Moreover, with regard to the treatment of the case in which an audit client that is not a PIE later becomes a PIE, resulting in the provision of non-assurance services becoming prohibited, we understand that the paragraphs R600.20 and 600.20 A1 will be applied. Also, with regard to the treatment of the case in which, due to corporate acquisitions or new audit engagements, etc., a client for which only non-assurance services were being provided becomes an audit client, we understand that the paragraphs R400.31 to R400.32 will be applied.

In addition, with regard to obtaining concurrence from TCWG, we believe that transitional measures should be made clear, including clarification on whether the concurrence from the TCWG should be obtained for non-assurance services for which an agreement is concluded on or after the date on which the revised provisions are applied.

We hope the comments provided above will contribute to the robust discussions at the IESBA.

Sincerely yours,

Toshiyuki Nishida  
Executive Board Member - Ethics Standards  
The Japanese Institute of Certified Public Accountants