

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to take This opportunity to comment on the exposure draft entitled “ Proposed Revised Section 290 Independence · Assurance Engagements. ”

Comments on the Proposed Revisions to the IFAC “Code of Ethics for Professional Accountants” ( Section 290 Independence–Assurance Engagements )

We, the Japanese Institute of Certified Public Accountants, would like to comment on the proposed revisions to the IFAC “Code of Ethics for Professional Accountants” ( Section 290 Independence–Assurance Engagements ) as follows:

Compared to the previous version of the IFAC exposure draft, the current version seems to be easier to understand. Furthermore, it seems to put more emphasis on independence in appearance, imposing more stringent requirements on accounting firms. Therefore, we could expect that the proposed revisions contribute to improve public trust in audits.

Despite such positive aspect of the revisions, they could, as a practical matter, have a negative impact on the financial statement audit clients; they might limit or narrow scope of services rendered by auditors. Such negative aspect could often become serious for certain clients; clients often benefit from non-assurance services from auditors when developing their foreign operations, for example establishing foreign branches. This is because, in general, it is not easy for many companies to dispatch accounting personnel who are familiar with local situations, including local languages, to all of their foreign branches. This is especially true when the branches are not very important to their business, or when they face certain limitations on human resources. In such cases, significant economic benefits could be expected from various supporting and/or advisory services rendered by the network firms of their auditors, who are acquainted with the companies as well as local situations.

Accordingly, even though we are not opposed to the revised definition itself, we believe certain exceptions where auditors may provide non-assurance services to their financial statement audit clients should be allowed, taking materiality into account and providing applicable safeguards. An example of materiality thresholds is one percent of the total assets or sales revenue of the clients as a whole.