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External Reporting Board
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Our ref KPMG submission -
Proposed Revisions
Pertaining to Safeguards in
the Code Phase 2 and
Related Conforming
Amendments.docx

24 March 2017

Dear Sir

Proposed Revisions Pertaining to Safeguards in the Code—Phase 2 and Related Conforming Amendments

KPMG welcomes the opportunity to provide comments on the consultation paper issued in January. We have reviewed that paper, and our comments are set out below.

Section 600, Provision of Non-Assurance Services to an Audit Client

- 1) Do respondents support the proposals in Section 600? If not, why not?
In particular, do respondents agree with the proposal to extend the scope of the prohibition on recruiting services as described in paragraph 25(h) above to all audit client entities? If not, please explain why.**

We support the general clarification of the guidelines in section 600.

In relation to the proposal to extend the scope of the prohibition on recruiting services to all clients, we do not agree. Many smaller clients rely on the knowledge and network of their professional services firm to help them find talented people to fill roles. Whilst this is not usually a formal service provided, it can often be an informal service. Whilst we recognise there would be a threat to independence if the practitioner was making the decision to place a person into a senior role, we note the responsibility for appointment to the role would still lie with those charged with governance.

Section 950, Provision of Non-Assurance Services to an Assurance Client

- 2) Do respondents support the proposals in Section 950? If not, why not?**

We believe more guidance is needed to support the concept of considering combined effects of threats to independence. For instance if multiple NAS are provided, each of which have adequate safeguards, what scenario would cause the combination of those services to become too great a threat?

Examples of Safeguards

- 3) Do respondents have suggestions for other actions that might be safeguards in the NAS and other sections of the Code that would meet the revised description of a safeguard?**

We believe that an additional safeguard that may be useful is when a practitioner accepts a professional appointment they should include in the contract wording that confirms the responsibility for making judgements lies with management/those charged with governance and that the

practitioner will only provide advice. This would ensure that both the practitioner and client are aware of the type of service being provided.

Conforming Amendments Arising from the Safeguards Project

- 4) Do respondents agree with proposed conforming amendments set out in:**
- (a) Chapter 2 of this document.**
 - (b) The gray text in Chapters 2–5 of Structure ED-2.**

We agree with the proposed amendments in Chapter 2 of the document and the grey text in Chapters 2-5 of Structure ED-2.

- 5) Respondents are asked for any comments on any other matters that are relevant to Phase 2 of the Safeguards project.**

We have no further comments.

Yours faithfully



Darby A Healey
Partner