

Meeting: IESBA CAG

Meeting Location: Madrid, Spain

Meeting Date: September 13, 2017

Agenda Item

E

Safeguards

Objective of Agenda Item

1. To discuss significant matters arising from the feedback on the January 2017 Exposure Draft: [Proposed Revisions Pertaining to Safeguards – Phase 2 and Related Conforming Amendments](#) (Safeguards ED-2) and obtain CAG Representatives' views on the Task Force's responses.

Project Status and Timeline

2. Appendix 1 to this paper provides a project history, including links to the relevant CAG documentation. A report back on the last substantive CAG discussion, which occurred in September 2016, was provided as part of the agenda materials for the March 2017 CAG meeting.
3. Responsive to concerns raised by stakeholders, in particular by some regulators, in January 2015 the IESBA approved the Safeguards project with the aim of improving the clarity, appropriateness, and effectiveness of the safeguards in the Code.

Phase 1

4. The IESBA approved its Safeguards Exposure Draft, [Proposed Revisions Pertaining to Safeguards in the Code—Phase 1](#) (Safeguards ED-1) in December 2015. The deadline for comments on Safeguards ED-1 was March 21, 2016. Also released in December 2015 was the ED titled, [Improving the Structure of the Code of Ethics for Professional Accountants—Phase 1](#) (Structure ED-1), with a deadline for comments on April 18, 2016. Safeguards ED-1 used the proposed new structure and drafting conventions for the Code set out in Structure ED-1. The full text of Safeguards ED-1 was included in Structure ED-1.
5. At its December 2016 meeting, the IESBA agreed in principle the text of Phase 1 of the Safeguards project, taking into account respondents' feedback on Safeguards ED-1 and Structure ED-1, as well as input from the CAG. A staff-prepared [Basis for Agreement in Principle](#) was released in January 2017 which summarizes the feedback received from respondents to Safeguards ED-1 and explains the rationale for the IESBA's decisions in agreeing in principle the text of Phase 1 of the Safeguards project. A Basis for Conclusions document for the Safeguards project will be released once Phase 2 of the project is completed.

Phase 2

6. At its December 2016 meeting, the IESBA also approved Exposure Draft: [Proposed Revisions Pertaining to Safeguards in the Code—Phase 2](#) (Safeguards ED-2). Safeguards ED-2 comprise:
 - Proposed revisions to the NAS sections of the extant Code drafted using the new structure and

drafting conventions established under the Structure project (i.e., proposed Section 600¹ and Section 950.²

- Proposed conforming amendments relating to the text of Phase 1 of the Structure project. The ED of Phase 1 of the Structure project had noted that certain paragraphs dealing with safeguards may be subject to revision as the Safeguards project continues.
- Changes to the extant Code as a result of proposed conforming amendments arising from the safeguards project on the restructured provisions in Exposure Draft: [*Improving the Structure of the Code of Ethics for Professional Accountants – Phase 2*](#) (shown in gray text).

Upcoming IESBA Meeting Discussion

7. The comment deadline for Safeguards ED-2 was April 25, 2017. CAG Representatives will receive a presentation summarizing the feedback from respondents to Safeguards ED-2 and the Task Force's proposals at the CAG meeting (see presentation slides at **Agenda Item E-1**).
8. The IESBA will be asked to consider the significant issues raised by respondents to the Safeguards ED-2 and the related Task Force's responses, including revisions and refinements that have been made in the light of respondents' feedback and the IESBA's input on the Task Force's [*June 2017 preliminary proposals*](#).
9. The timetable for the Safeguards project is aligned to that of the Structure project. The IESBA is targeting December 2017 for completion of the Structure and Safeguards projects.

Matters for CAG Consideration

10. **Agenda Item E-1** is a slide presentation that summarizes the feedback received on Safeguards ED-2 and includes matters for CAG consideration.
11. **Agenda Item C-2** is a staff-prepared compilation of the restructured Code, inclusive of the revisions to the various proposed texts to be included in the restructured Code and incorporate Task Forces' proposed revisions in response to feedback from respondents. The mark-ups showing the proposed revisions to the various proposed texts are included in the agenda items to the [*September 2017 IESBA Meeting*](#) (see IESBA meeting Agenda Items 2-B, 3-B, 3-C, 4-A, 5-B, 6-A, 7-B, and 8-A).

IESBA Interaction with the IESBA CAG Regarding the Structure project

12. The substantive issues to be considered by the IESBA during their September 2017 meeting is included in **Agenda Item 3-A** of the material presented for CAG reference below. This material is also summarized in **Agenda Item E-1**. This serves as the final CAG discussion of the Safeguards project prior to its anticipated approval. Representatives may wish to take this opportunity to comment on the IESBA's interaction with the CAG during the development and finalization of the Safeguards project. As noted above, the Appendix to this paper provides a project history, including links to the relevant CAG documentation.

¹ Proposed restructured Code, Part 4A, Independence – Audits and Reviews, Section 600, *Provision of Non-assurance Services to an Audit Client*

² Proposed restructured Code, Part 4B, Independence – Other Assurance Engagements, Section 950, *Provision of Non-assurance Services to an Assurance Client*.

Material Presented – FOR IESBA CAG CONSIDERATION

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| Agenda Item E-1 | Slide Presentation, Safeguards – Feedback on Safeguards ED-2 and Task Force Proposals |
| Agenda Item E-2 | Safeguards – Proposed Revisions to NAS Provisions Relating to Audits and Reviews (Section 600) (Mark-up from Safeguards ED-2) |

Material Presented – FOR IESBA CAG REFERENCE PURPOSES ONLY

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| September 2017 IESBA Meeting | Safeguards–Further Consideration of Issues and Task Force Proposals |
| Agenda Item 3-A | |
| June 2017 IESBA Meeting | Safeguards - Summary of Significant Comments and Task Force Proposals |
| Agenda Item 4-A | |

Appendix 1

Project History

Project: Safeguards

Summary

| | CAG Meeting | IESBA Meeting |
|--|---|---|
| Project commencement | | January 2015 |
| Development of proposed international pronouncement (up to exposure of Safeguards ED-1) | March 2015 September 2015 March 2016 | April 2015 June/July 2015 September 2015 November/ December 2015 March 2016 |
| Phase 1 Exposure Draft/ Safeguards ED-1 | December 2015 – March 21, 2016 | |
| Consideration of significant comments on Phase 1 Exposure Draft (up to agreement in principle) | June 2016 (teleconference) September 2016 | June 2016 September 2016 December 2016 |
| Development of proposed international pronouncement (up to exposure of Safeguards ED-2) | March 2016 September 2016 | March 2016 September 2016 December 2016 |
| Phase 2 Exposure Draft/ Safeguards ED-2 | January 2017 – April 25, 2017 | |

CAG Discussions: Detailed References

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| Project Commencement | <u>March 2015</u> See IESBA CAG meeting material here (see Agenda Items D, D-1, D-2, D-3 and D-4) and CAG meeting minutes (see section D). |
| Development of proposed international pronouncement (up to exposure of Safeguards ED-1) | <u>September 2015</u> See IESBA CAG meeting material here (see Agenda Items E and E-1) and CAG meeting minutes (see Section E). <u>March 2016</u> See IESBA CAG meeting material here (see Agenda Items B, B-1 and B-2) |

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|---|---|
| Consideration of significant comments on Phase 1 Exposure Draft (up to agreement in principle) | <p>and CAG meeting minutes (See Section B)</p> <p><u>June 2016</u></p> <p>See IESBA CAG teleconference material here and related CAG teleconference minutes.</p> <p><u>September 2016</u></p> <p>See IESBA CAG meeting material here (see Agenda Items C, C1-C3) and CAG meeting minutes at Agenda Item A.</p> |
| Development of proposed international pronouncement (up to exposure of Safeguards ED-2) | <p><u>September 2016</u></p> <p>See IESBA CAG meeting material here (see Agenda Items C, C4 and C-5) and final CAG meeting minutes (See Section C).</p> <p><u>March 2017</u></p> <p>See report-back on CAG September 2016 meeting discussion here (see Agenda Item G-2) and final CAG meeting minutes at Agenda Item A.</p> |